

ROYAL FAMILY KIDS' CAMPS, INC.

INDEPENDENT AUDITORS' REPORT

December 31, 2007 and 2006

ROYAL FAMILY KIDS' CAMPS, INC.
December 31, 2007 and 2006

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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' Camps, Inc.

We have audited the accompanying statements of financial position of Royal Family Kids' Camps, Inc. as of December 31, 2007 and 2006, and the related statements of activities 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 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 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 Royal Family Kids' Camps, Inc. as of December 31, 2007 and 2006, 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.

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December 12, 2008

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ROYAL FAMILY KIDS' CAMPS, INC.
STATEMENTS OF FINANCIAL POSITION

December 31, 2007 and 2006

	2007	2006
Assets		
Cash and cash equivalents	\$ 260,223	\$ 177,303
Accounts receivable, net	7,870	8,906
Inventory	159,284	160,343
Prepaid expenses	830	846
Property and equipment, net	<u>34,599</u>	<u>36,298</u>
Total assets	<u><u>\$ 462,806</u></u>	<u><u>\$ 383,696</u></u>
Liabilities		
Accounts payable	\$ 53,542	\$ 29,851
Accrued vacation	12,071	13,121
Payroll tax payable	9,775	16,771
Sales tax payable	<u>120</u>	<u>121</u>
Total liabilities	<u>75,508</u>	<u>59,864</u>
Net assets		
Unrestricted	199,883	198,269
Temporarily restricted	<u>187,415</u>	<u>125,563</u>
Total net assets	<u>387,298</u>	<u>323,832</u>
Total liabilities and net assets	<u><u>\$ 462,806</u></u>	<u><u>\$ 383,696</u></u>

See accompanying notes and independent auditors' report

ROYAL FAMILY KIDS' CAMPS, INC.
STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2007 and 2006

	2007	2006
Unrestricted net assets		
Support and revenues		
Contributions	\$ 1,647,710	\$ 1,263,943
Banquet	103,634	133,289
Appeal letters	70,621	53,348
Merchandise sales	488,940	479,352
Interest income	2,150	2,695
Other income	<u>65,948</u>	<u>68,928</u>
Total support and revenues	2,379,003	2,001,555
Net assets released from purpose restrictions	<u>44,696</u>	<u>221,398</u>
Total unrestricted support, revenues and reclassifications	<u>2,423,699</u>	<u>2,222,953</u>
Expenses		
Program services	2,076,010	1,897,396
Supporting services		
General and administrative	265,566	238,980
Fund raising	<u>80,509</u>	<u>78,197</u>
Total expenses	<u>2,422,085</u>	<u>2,214,573</u>
Change in unrestricted net assets	<u>1,614</u>	<u>8,380</u>
Temporarily restricted net assets		
Contributions	106,548	62,323
Net assets released from purpose restrictions	<u>(44,696)</u>	<u>(221,398)</u>
Change in temporarily restricted net assets	<u>61,852</u>	<u>(159,075)</u>
Change in net assets	63,466	(150,695)
Net assets, beginning of year	<u>323,832</u>	<u>474,527</u>
Net assets, end of year	<u>\$ 387,298</u>	<u>\$ 323,832</u>

See accompanying notes and independent auditors' report

ROYAL FAMILY KIDS' CAMPS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Change in net assets	\$ 63,466	\$ (150,695)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	13,670	11,124
Changes in:		
Accounts receivable	1,036	3,346
Inventory	1,059	(31,249)
Prepaid expenses	16	(96)
Accounts payable	23,691	(52)
Payroll tax payable	(6,996)	12,944
Accrued vacation	(1,050)	3,434
Sales tax payable	(1)	(67)
	94,891	(151,311)
Net cash flows provided by (used in) operating activities	94,891	(151,311)
Cash flows from investing activities		
Acquisition of property and equipment	(11,971)	(17,550)
Net cash flows used in investing activities	(11,971)	(17,550)
Net change in cash and cash equivalents	82,920	(168,861)
Cash and cash equivalents, beginning of year	177,303	346,164
Cash and cash equivalents, end of year	\$ 260,223	\$ 177,303

See accompanying notes and independent auditors' report

ROYAL FAMILY KIDS' CAMPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Note 1 – Summary of significant accounting policies

Nature of activities

Royal Family Kids' Camps, Inc. (the Organization) is a national overseer and coordinator of summer camps for abused and neglected children. 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. The Organization was incorporated in 1989 as a California non-profit corporation, and has adopted a December 31 reporting year end.

The Organization 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. The Organization also provides items such as Royal Family T-shirts, Bibles, and other materials for campers. In the 2007 summer season, the Organization supported the operation of 155 camps in 36 states and eight foreign countries, with combined annual budgets of approximately \$5.4 million and donated in-kind services of \$9.8 million. Approximately 6,000 children and 6,800 volunteers participated in these camps.

Basis of presentation

Financial statements presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2007 and 2006, there were no net assets or activities classified as permanently restricted.

Cash and cash equivalents

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

Accounts receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Allowance for doubtful accounts as of December 31, 2007 and 2006, are \$2,873 and \$2,873, respectively.

ROYAL FAMILY KIDS' CAMPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Note 1 – Summary of significant accounting policies (continued)

Inventories

Inventories consist of camp related promotional items and various camp memorabilia. The inventories are 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 are 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 years ended December 31, 2007 and 2006, was \$13,670 and \$11,124, respectively.

Revenue recognition

As required by generally accepted accounting principles, the Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

All donor-restricted net assets are reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. 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, 2007 and 2006, 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 statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

ROYAL FAMILY KIDS' CAMPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Note 1 – Summary of significant accounting policies (continued)

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 \$100,000. 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.

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, 2007 and 2006, the Organization had no activities unrelated to its exempt purpose, and therefore incurred no tax liability due to unrelated business income.

Donated assets

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 years ended December 31, 2007 and 2006 the Organization received the use of storage facilities valued at \$18,000 and \$18,000, and donated assets totaling \$19,409 and \$43,319, respectively.

ROYAL FAMILY KIDS' CAMPS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

Note 2 – Property and equipment

Property and equipment consists of the following:

	2007	2006
Automobiles	\$ 16,829	\$ 16,829
Office equipment	119,961	113,064
Computer software	27,525	25,799
Office furnishings	51,096	47,750
Video master tapes	29,362	29,362
Accumulated depreciation	<u>(210,174)</u>	<u>(196,506)</u>
Net property and equipment	<u>\$ 34,599</u>	<u>\$ 36,298</u>

Note 3 – Temporarily restricted net assets

Temporarily restricted net assets consists of the following:

	2007	2006
New camp start-up	\$ 61,504	\$ 20,287
Curriculum	600	3,043
Endowment fund	105,162	79,396
Scholarship fund	2,511	2,511
Camperships	3,840	3,840
International camps	7,550	7,450
Grandma Joan Fund	6,249	6,249
Passing the Scepter	<u>–</u>	<u>2,787</u>
Temporarily restricted net assets	<u>\$ 187,416</u>	<u>\$ 125,563</u>

Note 4 – Supplemental disclosures of cash flow information

There was no cash paid for interest or income taxes for the years ended December 31, 2007 and 2006.