

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

INDEPENDENT AUDITORS' REPORT

December 31, 2009

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

December 31, 2009

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Balsler Horowitz Frank & Wakeling
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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

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, 2009, and the related combined 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 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, 2009, 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.

Balsler, Horowitz, Frank & Wakeling

BALSER, HOROWITZ, FRANK & WAKELING
Santa Ana, California
April 29, 2010

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

COMBINED STATEMENT OF FINANCIAL POSITION

December 31, 2009

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Assets				
Cash and cash equivalents	\$ 223,164	\$ 616,395	\$ 8,752	\$ 848,311
Accounts receivable, net	11,634	-	1,392	13,026
Investments	35,523	575,580	-	611,103
Inventory	178,034	-	17,624	195,658
Prepaid expenses	14,346	-	-	14,346
Property and equipment, net	12,431	-	-	12,431
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 475,132</u>	<u>\$ 1,191,975</u>	<u>\$ 27,768</u>	<u>\$ 1,694,875</u>
Liabilities				
Accounts payable	\$ 41,255	\$ -	\$ 2,255	\$ 43,510
Accrued vacation	32,857	-	-	32,857
Deferred income	1,695	-	-	1,695
Payroll tax payable	4,632	-	-	4,632
Sales tax payable	165	-	-	165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>80,604</u>	<u>-</u>	<u>2,255</u>	<u>82,859</u>
Net assets				
Unrestricted	217,538	1,191,975	25,513	1,435,026
Temporarily restricted	176,990	-	-	176,990
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total net assets	<u>394,528</u>	<u>1,191,975</u>	<u>25,513</u>	<u>1,612,016</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and net assets	<u>\$ 475,132</u>	<u>\$ 1,191,975</u>	<u>\$ 27,768</u>	<u>\$ 1,694,875</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, 2009

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Unrestricted net assets				
Support and revenues				
Contributions	\$ 952,916	\$ 763,348	\$ 53,630	\$ 1,769,894
Grants to/from affiliates	100,000	(158,000)	58,000	-
Banquet	113,784	-	-	113,784
Appeal letters	64,676	-	-	64,676
Merchandise sales	532,957	-	8,838	541,795
Interest income	541	1,471	-	2,012
Other income	89,745	3,686	25,156	118,587
Investment income	-	10,414	-	10,414
Unrealized loss on investments	-	(28,874)	-	(28,874)
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	1,854,619	592,045	145,624	2,592,288
Net assets released from purpose restrictions	<hr/> 44,230	<hr/> -	<hr/> -	<hr/> 44,230
	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted support, revenues and reclassifications	1,898,849	592,045	145,624	2,636,518
	<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, 2009

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Expenses				
Program services	1,578,983	165	109,644	1,688,792
Supporting services:				
General and administrative	234,487	26	16,756	251,269
Fund raising	<u>73,471</u>	<u>12,512</u>	<u>2,726</u>	<u>88,709</u>
Total expenses	<u>1,886,941</u>	<u>12,703</u>	<u>129,126</u>	<u>2,028,770</u>
Change in unrestricted net assets	<u>11,908</u>	<u>579,342</u>	<u>16,498</u>	<u>607,748</u>
Temporarily restricted net assets				
Contributions	49,470	-	-	49,470
Net assets released from purpose restrictions	<u>(44,230)</u>	<u>-</u>	<u>-</u>	<u>(44,230)</u>
Change in temporarily restricted net assets	<u>5,240</u>	<u>-</u>	<u>-</u>	<u>5,240</u>
Change in net assets	17,148	579,342	16,498	612,988
Net assets, beginning of year	<u>377,380</u>	<u>612,633</u>	<u>9,015</u>	<u>999,028</u>
Net assets, end of year	<u><u>\$ 394,528</u></u>	<u><u>\$ 1,191,975</u></u>	<u><u>\$ 25,513</u></u>	<u><u>\$ 1,612,016</u></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, 2009

Cash flows from operating activities	
Change in net assets	\$ 612,988
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	10,057
Unrealized loss on investments	28,875
Changes in:	
Accounts receivable	28,853
Inventory	(26,941)
Prepaid expenses	(10,941)
Accounts payable	(12,367)
Accrued vacation	3,659
Deferred income	1,695
Payroll tax payable	(9,025)
Sales tax payable	<u>(570)</u>
Net cash flows from operating activities	<u>626,283</u>
Cash flows from investing activities	
Purchase of investments	<u>(37,178)</u>
Net cash flows from investing activities	<u>(37,178)</u>
Net change in cash and cash equivalents	589,105
Cash and cash equivalents, beginning of year	<u>259,206</u>
Cash and cash equivalents, end of year	<u><u>\$ 848,311</u></u>

There were no financing activities for the year ended December 31, 2009.

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, 2009

Note 1 – Summary of significant accounting policies

Principles of combination

The accompanying combined financial statements represent the operations of three affiliated organizations (the Organization). 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.

Nature of activities

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 nonprofit 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 2009 summer season, the Organization supported the operation of 165 camps in 37 states and 9 foreign countries that served approximately 6,700 children. The camps had combined annual budgets of approximately \$4.2 million. In addition, over 8,500 volunteers donated in excess of 1,200,000 hours which management estimated could be valued at approximately \$24.3 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.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2009

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. Twelve pilot Clubs were operating in ten states and one country during 2009, involving about 200 children and 275 trained and cleared mentors, plus additional support volunteers. The volunteers donated in excess of 22,200 hours which management estimated could be valued at approximately \$450,000 using the IRS volunteer service rates. 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 \$2,000. 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, 2009, was \$10,057.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2009

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, 2009, 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.

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, 2009, the Organization had no activities substantially unrelated to its exempt purpose, and therefore incurred no tax liability due to unrelated business income.

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2009

Note 1 – Summary of significant accounting policies (continued)

Income taxes (continued)

On January 1, 2009, the Organization adopted the provisions of Accounting Standards Codification (ASC) 740-10-50, *Accounting for Uncertainty in Income Taxes*. The statement requires that a tax position be recognized or derecognized based on a 'more-likely-than-not' threshold. This applies to positions taken or expected to be taken in a tax return. The implementation of the statement had no impact on the Organization's statement of financial position or statement of activities. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

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, 2009, the Organization received the use of storage facilities and a membership valued at \$68,000, and donated assets totaling \$12,000. These amounts are included in contributions on the statement of activities.

RFKC and RFC operates with the help of many volunteers, both within the Organization and with the camps that the 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 statement 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, 2009, follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains (losses)</u>
Mutual funds	\$ 69,280	\$ 86,199	(17,139)
Common stock	<u>1,774,895</u>	<u>524,904</u>	<u>(11,735)</u>
Total investments	<u>\$ 1,844,175</u>	<u>\$ 611,103</u>	<u>\$ (28,874)</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

December 31, 2009

Note 2 – Investments (continued)

The fair value of the Organization's investments is measured based on levels of observable and reliable assumptions as follows:

Level 1: Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2: Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3: Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models, and similar techniques, and not based on market exchange, dealer, or broker traded transactions. These valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

All investments are considered Level 1 investments.

Note 3 – Property and equipment

Property and equipment consisted of the following:

Automobiles	\$ 16,829
Office equipment	119,961
Computer software	27,525
Office furnishings	51,095
Video master tapes	<u>29,362</u>
Total property and equipment	244,772
Less: accumulated depreciation	<u>(232,341)</u>
Property and equipment, net	<u>\$ 12,431</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2009

Note 4 – Temporarily restricted net assets

Temporarily restricted net assets consisted of the following:

New camp start-up	\$ 67,314
"Endowment fund"	105,161
Scholarship fund	<u>4,515</u>
Temporarily restricted net assets	<u>\$ 176,990</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, 2009.

Note 6 – Subsequent events

Management has evaluated subsequent events through April 29, 2010, the date on which the financial statements were available to be issued.

ROYAL FAMILY KIDS' CAMP, INC.

SUPPLEMENTARY INFORMATION

December 31, 2009



Balsler Horowitz Frank & Wakeling
Certified Public Accountants

SUPPLEMENTARY INFORMATION

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the combined entities taken as a whole. The accompanying schedule of functional expenses is presented for purposes of providing additional analysis of the Royal Family Kid's Camp expenses presented in the combined statement of activities in the December 31, 2009 Independent Auditors' Report and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

Balsler, Horowitz, Frank & Wakeling

BALSER, HOROWITZ, FRANK & WAKELING
Santa Ana, California
April 29, 2010

ROYAL FAMILY KIDS' CAMP, INC.
SCHEDULE OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2009

	Program	G&A	Fund Raising	Total
Advertising	\$ 25,951	\$ 3,969	\$ 611	\$ 30,531
Auto expenses	1,147	175	27	1,349
Bank charges	12,526	1,915	295	14,736
Banquets	-	-	45,242	45,242
Books	1,349	206	32	1,587
Camp expenses	73,699	11,272	1,734	86,705
Conferences and conventions	25,779	3,942	607	30,328
Cost of goods sold	333,089	-	-	333,089
Depreciation	8,548	1,308	201	10,057
Director's training	40,288	6,162	948	47,398
Dues	10,200	1,560	240	12,000
Education	952	146	22	1,120
Employee benefits	85,765	13,117	2,018	100,900
Fees	38,307	5,859	901	45,067
Gifts	5,761	881	136	6,778
Hospitality	5,619	860	132	6,611
Insurance	10,245	1,567	241	12,053
Newsletter	35,794	5,474	842	42,110
Occupancy	46,857	7,166	1,103	55,126
Office expenses	38,251	5,850	900	45,001
Passing the Sceptor	16,980	2,597	400	19,977
Payroll taxes	45,304	6,929	1,066	53,299
Postage and shipping	37,169	5,684	875	43,728
Salaries and wages	622,260	95,171	14,640	732,071
Special projects	2,125	325	50	2,500
Storage	17,000	51,000	-	68,000
Telephone	8,843	1,352	208	10,403
Travel	29,175	-	-	29,175
	<u>\$ 1,578,983</u>	<u>\$ 234,487</u>	<u>\$ 73,471</u>	<u>\$ 1,886,941</u>