

CHILD FOUNDATION
FINANCIAL STATEMENTS
Year Ended May 31, 2007

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KERN & THOMPSON, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
Child Foundation
Portland, Oregon

We have audited the accompanying statement of financial position of Child Foundation (a nonprofit corporation) as of May 31, 2007, and the related statements of activities, functional expenses 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. The prior year summarized comparative information has been derived from the financial statements of Child Foundation as of June 30, 2006 prepared by another auditor, and in his report dated October 30, 2006, he expressed an unqualified opinion on those statements.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Foundation as of May 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Kern & Thompson, LLC

October 9, 2007

CHILD FOUNDATION

STATEMENT OF FINANCIAL POSITION

May 31, 2007

(With Comparative Totals as of May 31, 2006)

ASSETS

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 150,107	\$ 459,573
Investments	24,789	-
Other receivables	-	6,388
Property and equipment, net	15,006	13,163
Prepaid expenses	9,779	6,665
Security deposits	<u>632</u>	<u>-</u>
Total assets	<u>\$ 200,313</u>	<u>\$ 485,789</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 18,830	\$ 4,817
Payroll tax liabilities	<u>4,519</u>	<u>4,349</u>
Total liabilities	<u>23,349</u>	<u>9,166</u>
Net assets		
Unrestricted	24	(8,321)
Temporarily restricted	<u>176,940</u>	<u>484,944</u>
Total net assets	<u>176,964</u>	<u>476,623</u>
Total liabilities and net assets	<u>\$ 200,313</u>	<u>\$ 485,789</u>

CHILD FOUNDATION

STATEMENT OF ACTIVITIES

Year Ended May 31, 2007

(With Comparative Totals for the Year Ended May 31, 2006)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			<u>2007</u>	<u>2006</u>
Revenues, gains and other support				
Public support				
Contributions	\$ 68,498	\$ 1,537,334	\$ 1,605,832	\$ 1,556,642
Special events	500	46,046	46,546	23,968
Interest income	1,246	-	1,246	1,575
Miscellaneous income	-	-	-	932
	70,244	1,583,380	1,653,624	1,583,117
Net assets released from restrictions				
Satisfaction of program restrictions	1,891,384	(1,891,384)	-	-
Total revenues, gains and other support	1,961,628	(308,004)	1,653,624	1,583,117
Expenses				
Program services	1,804,916	-	1,804,916	1,058,858
Supporting services				
Management and general	42,030	-	42,030	108,996
Development	106,337	-	106,337	21,013
Total expenses	1,953,283	-	1,953,283	1,188,867
Change in net assets	8,345	(308,004)	(299,659)	394,250
Beginning net assets	(8,321)	484,944	476,623	82,373
Net assets, end of year	\$ 24	\$ 176,940	\$ 176,964	\$ 476,623

CHILD FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended May 31, 2007

(With Comparative Totals for the Year Ended May 31, 2006)

	<u>SUPPORTING SERVICES</u>					
	<u>PROGRAM SERVICES</u>	<u>Manage- ment and</u>		<u>Develop- ment</u>	<u>Total</u>	
		<u>General</u>			<u>2007</u>	<u>2006</u>
Salaries and wages	\$ 129,005	\$ 13,504	\$ 10,428	\$ 152,937	\$ 107,398	
Projects	1,455,133	-	-	1,455,133	866,403	
Grants	9,150	-	-	9,150	49,835	
Accounting	6,000	2,000	-	8,000	35,606	
Advertising	1,658	1,117	-	2,775	1,104	
Fund-raising	-	-	80,581	80,581	21,013	
Insurance	415	3,179	-	3,594	2,884	
Legal	81,619	175	-	81,794	4,860	
Licenses	1,435	-	-	1,435	1,691	
Printing	18,383	703	281	19,367	8,779	
Occupancy	5,045	1,941	776	7,762	5,731	
Office supplies	6,145	2,122	849	9,116	6,826	
Outside services	-	-	-	-	3,746	
Payroll taxes	11,001	1,149	812	12,962	13,703	
Postage	16,457	2,221	888	19,566	13,326	
Professional fees	38,111	7,965	7,996	54,072	24,432	
Telephone	4,133	1,421	1,710	7,264	7,626	
Travel	3,936	1,514	605	6,055	581	
Bank and merchant fees	11,006	612	613	12,231	8,681	
Depreciation	5,188	1,996	798	7,982	3,835	
Miscellaneous	1,096	411	-	1,507	807	
	<u>\$ 1,804,916</u>	<u>\$ 42,030</u>	<u>\$ 106,337</u>	<u>\$ 1,953,283</u>	<u>\$ 1,188,867</u>	

CHILD FOUNDATION

STATEMENT OF CASH FLOWS

Year Ended May 31, 2007

(With Comparative Totals for the Year Ended May 31, 2006)

	2007	2006
Cash flows from operating activities:		
Change in net assets	\$ (299,659)	\$ 394,250
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,982	3,835
Changes in assets and liabilities:		
Receivables	6,388	(6,388)
Prepaid expenses	(3,114)	(6,665)
Refunds receivable	-	150,000
Deposits	(632)	335
Accounts payable and accrued expenses	14,013	(16,704)
Refunds payable	-	(106,000)
Accrued payroll taxes	170	(1,228)
Net cash provided by operating activities	(274,852)	411,435
Cash flows from investing activities:		
Purchase of fixed assets	(9,825)	(14,851)
Purchase of investment	(24,789)	-
Net cash used in investing activities	(34,614)	(14,851)
Net change in cash	(309,466)	396,584
Cash, beginning of year	459,573	62,989
Cash, end of year	\$ 150,107	\$ 459,573