

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

INDEPENDENT AUDITORS' REPORT

December 31, 2010

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

December 31, 2010

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Balser 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 statement of financial position of Royal Family Kids' Camp, Inc., For the Children Foundation, and Royal Friends' Clubs, Inc. as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the entity'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.

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, 2010, 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.

Balser, Horowitz, Frank & Wakeling

BALSER, HOROWITZ, FRANK & WAKELING
Santa Ana, California
October 4, 2011

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

COMBINED STATEMENT OF FINANCIAL POSITION
December 31, 2010

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Assets				
Cash and cash equivalents	\$ 232,354	\$ 17,185	\$ 5,946	\$ 255,485
Accounts receivable, net	11,996	-	8,296	20,292
Investments	338	1,078,432	-	1,078,770
Inventory	199,815	-	17,818	217,633
Prepaid expenses	12,870	-	-	12,870
Property and equipment, net	6,315	-	-	6,315
	<u>\$ 463,688</u>	<u>\$ 1,095,617</u>	<u>\$ 32,060</u>	<u>\$ 1,591,365</u>
Total assets				
Liabilities				
Accounts payable	\$ 45,570	\$ -	\$ 6,292	\$ 51,862
Accrued vacation	23,754	-	-	23,754
Deferred income	2,250	-	-	2,250
Payroll tax payable	4,056	-	1,906	5,962
Sales tax payable	65	-	756	821
	<u>75,695</u>	<u>-</u>	<u>8,954</u>	<u>84,649</u>
Total liabilities				
Net assets				
Unrestricted	197,710	1,095,617	23,106	1,316,433
Temporarily restricted	190,283	-	-	190,283
	<u>387,993</u>	<u>1,095,617</u>	<u>23,106</u>	<u>1,506,716</u>
Total net assets				
Total liabilities and net assets	<u>\$ 463,688</u>	<u>\$ 1,095,617</u>	<u>\$ 32,060</u>	<u>\$ 1,591,365</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, 2010

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Unrestricted net assets				
Support and revenues				
Contributions	\$ 886,088	\$ -	\$ 79,005	\$ 965,093
Grants to/from affiliates	85,100	(103,000)	17,900	-
Banquet	127,508	-	-	127,508
Appeal letters	76,548	-	-	76,548
Merchandise sales	512,020	-	19,668	531,688
Interest income	606	1,237	-	1,843
Other income	99,510	-	16,931	116,441
Investment income	-	7,447	-	7,447
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenues	1,787,380	(94,316)	133,504	1,826,568
Net assets released from purpose restrictions	<hr/> 46,334	<hr/> -	<hr/> -	<hr/> 46,334
Total unrestricted support, revenues and reclassifications	<hr/> 1,833,714	<hr/> (94,316)	<hr/> 133,504	<hr/> 1,872,902

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, 2010

	ROYAL FAMILY KIDS' CAMP	FOR THE CHILDREN FOUNDATION	ROYAL FRIENDS' CLUBS	TOTAL
Expenses				
Program services	1,529,695	1,736	115,645	1,647,076
Supporting services:				
General and administrative	235,425	265	17,563	253,253
Fund raising	88,421	41	2,704	91,166
Total expenses	<u>1,853,541</u>	<u>2,042</u>	<u>135,912</u>	<u>1,991,495</u>
Change in unrestricted net assets	<u>(19,827)</u>	<u>(96,358)</u>	<u>(2,408)</u>	<u>(118,593)</u>
Temporarily restricted net assets				
Contributions	59,627	-	-	59,627
Net assets released from purpose restrictions	<u>(46,334)</u>	<u>-</u>	<u>-</u>	<u>(46,334)</u>
Change in temporarily restricted net assets	<u>13,293</u>	<u>-</u>	<u>-</u>	<u>13,293</u>
Change in net assets	(6,534)	(96,358)	(2,408)	(105,300)
Net assets, beginning of year	<u>394,528</u>	<u>1,191,975</u>	<u>25,513</u>	<u>1,612,016</u>
Net assets, end of year	<u>\$ 387,994</u>	<u>\$ 1,095,617</u>	<u>\$ 23,105</u>	<u>\$ 1,506,716</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, 2010

Cash flows from operating activities	\$ (105,300)
Change in net assets	(105,300)
Adjustments to reconcile change in net assets to cash flows from operating activities:	
Depreciation	8,120
Realized loss on investments	4,680
Unrealized gain on investments	(2,852)
Changes in:	
Accounts receivable	(7,266)
Inventory	(21,975)
Prepaid expenses	1,476
Accounts payable	8,352
Accrued vacation	(9,103)
Deferred income	555
Payroll tax payable	1,330
Sales tax payable	<u>656</u>
Net cash flows from operating activities	<u>(121,327)</u>
Cash flows from investing activities	
Purchase of investments	(504,675)
Sale of investments	35,180
Acquisition of property and equipment	<u>(2,004)</u>
Net cash flows from investing activities	<u>(471,499)</u>
Net change in cash and cash equivalents	(592,826)
Cash and cash equivalents, beginning of year	<u>848,311</u>
Cash and cash equivalents, end of year	<u><u>\$ 255,485</u></u>

There were no financing activities for the year ended December 31, 2010.

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, 2010

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 and is exempt from income taxes under 501(c)(3) of the Internal Revenue Code.

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 2010 summer season, the Organization supported the operation of 172 camps in 33 states and 9 foreign countries that served approximately 6,300 children. The camps had combined annual budgets of approximately \$28.3 million. In addition, over 8,800 volunteers donated in excess of 1,300,000 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
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NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010

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. 14 pilot Clubs were operating in 8 states and one country during 2010, involving about 220 children and 280 trained and cleared mentors, plus additional support volunteers. The volunteers donated in excess of 20,000 hours which management estimated could be valued at approximately \$410,000 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.

Effective as of January 1, 2011, the operations of RFKC and RFC were merged. The name of the corporation was changed to Royal Family Kids, Inc.

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, 2010, was \$8,210.

ROYAL FAMILY KIDS' CAMP, INC.,
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NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010

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, 2010, 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, 2010, 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
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NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010

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, 2010, the Organization received the use of storage facilities and a membership valued at \$90,000. These amounts are included in contributions on the statement of activities.

RFKC and RFC operate with the help of many volunteers, both within the Organization and with the camps and clubs 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, 2010, follows:

	<u>Cost</u>	<u>Fair value</u>	<u>Unrealized gains (losses)</u>
Mutual funds	\$ 569,280	\$ 602,430	33,150
Common stock	<u>489,381</u>	<u>476,340</u>	<u>(13,041)</u>
Total investments	<u>\$ 1,058,661</u>	<u>\$ 1,078,770</u>	<u>\$ 22,109</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010

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	121,965
Computer software	27,525
Office furnishings	51,095
Video master tapes	<u>29,362</u>
Total property and equipment	246,776
Less: accumulated depreciation	<u>(240,461)</u>
Property and equipment, net	<u>\$ 6,315</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS
December 31, 2010

Note 4 – Temporarily restricted net assets

Temporarily restricted net assets consisted of the following:

New camp start-up	\$ 83,708
Quasi-endowment fund	105,161
Scholarship fund	<u>1,414</u>
Temporarily restricted net assets	<u>\$ 190,283</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, 2010.

Note 6 – Subsequent events

Management has evaluated subsequent events through October 4, 2011, the date on which the financial statements were available to be issued.



Balser Horowitz Frank & Wakeling
Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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 financial statements of Royal Family Kids' Camp, Inc., For the Children Foundation, and Royal Friends' Clubs, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated October 4, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Balser, Horowitz, Frank & Wakeling

BALSER, HOROWITZ, FRANK & WAKELING
Santa Ana, California
October 4, 2011

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

SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	Program	G&A	Fund Raising	Total
Advertising	\$ 13,505	\$ 2,066	\$ 318	\$ 15,889
Banquets	-	-	61,204	61,204
Camp expenses	100,573	15,382	2,366	118,321
Conferences and conventions	27,628	4,225	650	32,503
Cost of goods sold	325,438	-	-	325,438
Depreciation	6,902	1,056	162	8,120
Director's training	61,052	9,337	1,437	71,826
Education	2,099	321	49	2,469
Employee benefits	71,494	10,934	1,682	84,110
Gifts	5,649	864	133	6,646
Hospitality	5,002	765	118	5,885
Insurance	8,883	1,359	209	10,451
Newsletter	49,203	7,525	1,158	57,886
Occupancy	68,431	65,983	1,152	135,566
Office expenses	73,670	11,267	1,733	86,670
Outside services	44,867	6,862	1,056	52,785
Passing the Sceptor	16,078	2,459	378	18,915
Payroll taxes	31,603	4,834	744	37,181
Postage and shipping	21,349	3,265	502	25,116
Salaries and wages	679,978	103,997	16,000	799,975
Special projects	2,337	358	55	2,750
Travel	31,789	-	-	31,789
	<u>\$ 1,647,530</u>	<u>\$ 252,859</u>	<u>\$ 91,106</u>	<u>\$ 1,991,495</u>