

CHILDREN OF ARMENIA FUND, INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2004



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Children of Armenia Fund, Inc.

We have audited the accompanying statement of financial position of Children of Armenia Fund, Inc. as of November 30, 2004, and the related statements of activities, net assets and cash flows for the year then ended. These financial statements are the responsibility of the Fund'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 Children of Armenia Fund, Inc. as of November 30, 2004, 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.

As discussed in Note 3 the balance sheet includes an investment valued at \$3,130,000 (74% of total net assets) at November 30, 2004, whose value has been estimated by management in the absence of readily ascertainable market value. We have received the procedures applied by management in valuing such investment and have inspected underlying documentation, and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investment existed, and the differences could be material.

O'Connor Davies Munns & Dobbins, LLP

September 26, 2005
New York, New York

CHILDREN OF ARMENIA, INC.

STATEMENT OF FINANCIAL POSITION

NOVEMBER 30, 2004

ASSETS

Cash and cash equivalents	\$ 935,967
Investments	112,000
Non marketable investment	3,130,000
Pledges receivable	36,000
Deposit	<u>5,000</u>
	<u>\$ 4,218,967</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 12,098
Net assets	
Unrestricted	<u>4,206,870</u>
	<u>\$ 4,218,967</u>

See notes to financial statements.

CHILDREN OF ARMENIA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED 'NOVEMBER 30, 2004

Support and revenue:	
Contributions	\$ 1,576,360
Interest income	5,039
Unrealized gain	28,538
Miscellaneous	<u>2,372</u>
Total support and revenue	<u>1,612,309</u>
Expenses:	
Program services	339,152
Management and general	71,610
Fundraising	<u>149,885</u>
Total expenses	<u>560,647</u>
Change in net assets	1,051,662
Net assets, beginning of year	<u>3,155,208</u>
Net assets, end of year	<u>\$ 4,206,870</u>

See notes to financial statements.

CHILDREN OF ARMENIA FUND, INC.

FUNCTIONAL EXPENSE

YEAR ENDED NOVEMBER 30, 2004

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and allocations	\$ 105,850			\$ 105,850
Taxes - Armenia		\$ 7,198		7,198
Professional fees	6,930	27,229	\$ 1,980	36,139
Consulting	41,761	3,463	6,926	52,150
Supplies	3,619	517	1,034	5,170
Telephone and cable	2,609	373	746	3,728
Fed-ex, messengers	2,336	334	667	3,337
Maintenance and equipment	9,381	5,616	1,255	16,251
Printing and mailings	5,216	745	1,490	7,451
Photos	87	12	25	124
Books and video	10,748	1,535	3,071	15,354
Travel	74,550	9,426	18,852	102,829
Conferences	1,156	165	330	1,651
Subscriptions	175	25	50	250
Insurance	7,158	1,023	2,045	10,226
Credit card, bank fees	674	96	193	963
Office expenses	16,076	13,208	956	30,240
Computers and software	4,281	27	54	4,362
Sundry's	438	63	125	626
Gala expenses			110,086	110,086
Admin expenses - Armenia	556	555		1,111
Special events - Armenia	41,414			41,414
Summer camp - Armenia	4,137	-	-	4,137
	<u>4,137</u>	<u>-</u>	<u>-</u>	<u>4,137</u>
Total expenses	<u>\$ 339,152</u>	<u>\$ 71,610</u>	<u>\$ 149,885</u>	<u>\$ 560,647</u>

See notes to financial statements.

CHILDREN OF ARMENIA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED 'NOVEMBER 30, 2004

	<u>2004</u>
Cash flows from operating activities	
Change in net assets	\$ 1,051,662
Adjustments to reconcile change in net assets to cash provided by operating activities	
Unrealized (gain) on investments	(28,538)
Change in operating assets and liabilities	
Accounts receivable	(36,000)
Deposits	(5,000)
Accounts payable	<u>12,097</u>
Net cash provided by operating activities	<u>994,221</u>
Cash flows from investing activities	
Purchase of investments	<u>(83,462)</u>
Net change in cash and cash equivalents	910,759
Cash and cash equivalents, beginning of year	<u>25,208</u>
Cash and cash equivalents, end of year	<u><u>\$ 935,967</u></u>

See notes to financial statements.

CHILDREN OF ARMENIA, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Tax Status

Children of Armenia Fund, Inc. (“the Fund”) was founded in 2000. The Fund was established to assist needy individuals, particularly young people of Armenian descent in the United States and abroad, to preserve the identity and culture of the Armenian people, and to provide the infrastructure necessary to conduct educational and social activities for young people and students.

The Fund is exempt from Federal Income tax under section 501(c)(3) of the Internal Revenue Code.

2. Significant Accounting Policies

Basis of Accounting

The Fund uses the accrual method of accounting. Therefore, income is recognized when earned and expense is recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. The Fund’s net assets are neither permanently nor temporarily restricted by donor-imposed restrictions and are classified as unrestricted.

Contributions

The Fund reports contributions as unrestricted revenue unless they are received with donor stipulations that limit the use of the revenue.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CHILDREN OF ARMENIA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

2. Significant Accounting Policies (Continued)

Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of ninety days or less.

Concentration of Credit Risk

The Fund's financial instruments that are potentially exposed to concentration of credit risk consist primarily of cash and cash equivalents. The Fund places its cash and cash equivalents with quality financial institutions. The Fund believes no significant concentration of credit risk exists with respect to its cash and cash equivalents.

3. Non-marketable Investment

In 2000 the COAF founder donated 5,200 shares of Class B nonvoting common stock of Founder Holdings, Inc., a privately owned company. This investment is valued at fair value as determined by management. Fair values are based on available information and do not necessarily represent amounts which might ultimately be realized.

Since the initial valuation in 2000 the value of the stock has not been annually adjusted or revalued.

4. Commitment

The Fund has a conditional grant commitment outstanding at November 30, 2004. Future payments are as follows:

2005	\$100,000
2006 and thereafter	<u>260,000</u>
	<u>\$360,000</u>

This grant is contingent on meeting the goals set forth in the project. The terms and conditions of this grant are contained in a contract which was agreed upon and signed by both parties.

CHILDREN OF ARMENIA, INC.

NOTES TO FINANCIAL STATEMENTS

(Continued)

6. Economic Dependency

During 2004, the Fund had grant revenues from one individual of \$1,002,575. This accounted for 62% of the Fund's total revenue.