

CHILDREN OF ARMENIA FUND, INC.

FINANCIAL STATEMENTS

NOVEMBER 30, 2005



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, 2005, and the related statements of activities, functional expenses 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2005, 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 4 the statement of financial position includes an investment valued at \$3,130,000 (74% of total net assets) at November 30, 2005, whose value has been estimated by management in the absence of readily ascertainable market value. We have examined 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

March 7, 2006
New York, New York

CHILDREN OF ARMENIA FUND, INC.

STATEMENT OF FINANCIAL POSITION

NOVEMBER 30, 2005

ASSETS

Cash and cash equivalents	\$ 736,678
Investments	111,000
Non marketable investment	3,130,000
Pledges receivable	<u>260,976</u>
	<u>\$ 4,238,654</u>

LIABILITIES AND NET ASSETS

Liabilities	
Accounts payable	\$ 33,025
Net assets	
Unrestricted	<u>4,205,629</u>
	<u>\$ 4,238,654</u>

See notes to financial statements.

CHILDREN OF ARMENIA FUND, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED NOVEMBER 30, 2005

Support and revenue:	
Contributions	\$ 869,941
Interest income	17,266
Unrealized loss	(1,000)
Miscellaneous	<u>7,957</u>
Total support and revenue	<u>894,164</u>
Expenses:	
Program services	704,991
Management and general	107,824
Fundraising	<u>82,590</u>
Total expenses	<u>895,405</u>
Change in net assets	(1,241)
Net assets, beginning of year	<u>4,206,870</u>
Net assets, end of year	<u>\$ 4,205,629</u>

See notes to financial statements.

CHILDREN OF ARMENIA FUND, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED NOVEMBER 30, 2005

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants and community support	\$ 179,892			\$ 179,892
Salaries	113,336	\$ 5,148	\$ 2,415	120,899
Fringe benefits	43,155	4,848	529	48,532
Professional fees and consultants	46,782	53,512	3,021	103,315
Travel	36,367	6,985	327	43,679
Supplies	10,327	1,410	656	12,393
Printing and direct mail	1,661	27,119	39	28,819
Postage	2,005	1,338	243	3,586
Meetings	1,508	3,418	63	4,989
Insurance	3,283	806	378	4,467
Bank fees	1,572	454	57	2,083
Payroll service fees	594			594
Rent	18,503			18,503
Repairs and maintenance	2,623			2,623
Miscellaneous	639	2,786		3,425
Event costs			74,862	74,862
Armenia based expenses				
Administrative expenses	76,010			76,010
Capital expenses	21,284			21,284
PHCU development	14,407			14,407
PHCU equipment	1,106			1,106
Health education	1,672			1,672
Infrastructure development	100,957			100,957
Reconstruction program	<u>27,308</u>			<u>27,308</u>
Total expenses	<u>\$ 704,991</u>	<u>\$ 107,824</u>	<u>\$ 82,590</u>	<u>\$ 895,405</u>

See notes to financial statements.

CHILDREN OF ARMENIA FUND, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED NOVEMBER 30, 2005

	<u>2005</u>
Cash flows from operating activities	
Change in net assets	\$ (1,241)
Adjustments to reconcile change in net assets to cash provided by operating activities	
Unrealized loss on investments	1,000
Change in operating assets and liabilities	
Accounts receivable	(224,976)
Accounts payable	<u>20,928</u>
Net cash provided by operating activities	<u>(204,289)</u>
Cash flows from investing activities	
Return of deposit	<u>5,000</u>
Net change in cash and cash equivalents	(199,289)
Cash and cash equivalents, beginning of year	<u>935,967</u>
Cash and cash equivalents, end of year	<u>\$ 736,678</u>

See notes to financial statements.

CHILDREN OF ARMENIA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

1. Organization and Tax Status

Children of Armenia Fund, Inc. ("the Fund") was founded in 2000. The Fund assists needy individuals, particularly young people of Armenian descent in the United States and abroad, preserves the identity and culture of the Armenian people, and provides 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 FUND, 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.

3. 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.

4. Non-marketable Investment

In 2000 the Fund received 5,200 shares of Class B nonvoting common stock of Founder Holdings, Inc., a privately owned company, from its founder. 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.

5. Commitment

The Fund has a conditional grant commitment outstanding at November 30, 2005 of \$260,000. This grant is contingent on meeting the goals set forth in the project and certain contractual conditions.

6. Economic Dependency

During 2005, the Fund had grant revenues from one individual of \$250,000. This accounted for 28% of the Fund's total revenue.