

THE CHILDREN OF WAR, INC.
FINANCIAL STATEMENTS AND AUDIT REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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Callaway and Payne
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Children of War, Inc.

We have audited the accompanying statement of financial position of The Children of War, Inc. as of September 30, 2008, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of The Children of War, Inc.'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 the 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 The Children of War, Inc. as of September 30, 2008, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of functional expenses on page 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CALLAWAY AND PAYNE
Vienna, Virginia

December 21, 2008

**THE CHILDREN OF WAR, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2008**

ASSETS

| | |
|-----------------------|-------------------|
| Current Assets | |
| Cash | <u>\$ 115 337</u> |
| Total Assets | <u>\$ 115 337</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|--------------------|-------------------|
| Total Liabilities | | - |
| Net Assets | | |
| Unrestricted | \$ 115 337 | |
| Temporarily restricted | - | |
| Permanently restricted | - | |
| Total net asset | <u> -</u> | <u>115 337</u> |
| Total Liabilities and Net Assets | | <u>\$ 115 337</u> |

The accompanying notes are an integral part of these financial statements.

**THE CHILDREN OF WAR, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

REVENUE AND SUPPORT

| | |
|----------------------------------|-------------------|
| Contributions | \$ 262 457 |
| Interest | <u>46</u> |
| Total Revenue and Support | \$ 262 503 |

EXPENSES

| | |
|--------------------------------------|--------------------------|
| Program Services | |
| Assistance to children | \$ 206 040 |
| Salaries and related costs | 34 474 |
| Travel | <u>3 702</u> |
| | <u>244 216</u> |
| Support Services | |
| General and administrative | 24 367 |
| Fund raising | <u>6 750</u> |
| Total Support Services | <u>31 117</u> |
| Total Expenses | <u>275 333</u> |
| Change in Net Assets | (12 830) |
| Net Assets, beginning of year | <u>128 167</u> |
| Net Assets, end of year | \$ <u>115 337</u> |

The accompanying notes are an integral part of these financial statements.

**THE CHILDREN OF WAR, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Cash flows from operating activities:

| | |
|--|---------------------------------|
| Change in Net Assets | <u>\$ (12 830)</u> |
| Cash applied to operating activities | (12 830) |
| Cash flows from investing activities | - |
| Cash provided by financing activities | <u>-</u> |
| Net Decrease in Cash | (12 830) |
| Cash, beginning of year | <u>128 167</u> |
| Cash, end of year | <u><u>\$ 115 337</u></u> |

The accompanying notes are an integral part of these financial statements.

**THE CHILDREN OF WAR, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE A – NATURE OF ACTIVITIES

The Children of War, Inc.'s mission is primarily to provide humanitarian aid to war victims of Afghanistan in the form of food, medical aid and educational facilities. It was organized in Virginia in 1993.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Basis of Accounting and Estimates** – The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

2. **Basis of Reporting** – The Organization has adopted Statement of Financial Accounting Standard No. 117 which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes according to external donor imposed restrictions into three net asset categories; unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets include funds not subject to any donor-imposed restrictions. Temporarily restricted net assets consists of contributions subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

3. **Cash and Cash Equivalents** – For purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

4. **Revenue Recognition** – Revenue is recognized when received.

5. **Functional Allocation of Expenses** – The costs of providing for various programs and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and services benefited.

6. **General and Administrative Expenses** – Expenses which are not directly related to program activities are recorded as general and administrative expenses.

**THE CHILDREN OF WAR, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE C – INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, the Organization has made no provision for Federal income taxes in the financial statements.

**THE CHILDREN OF WAR, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Support Services

| | |
|-------------------------------|------------------|
| Management and General | |
| Salaries and related costs | 8 618 |
| Accounting | 5 157 |
| Supplies | 1 596 |
| Telephone | 1 538 |
| Occupancy | 6 300 |
| Bank charges | 1 133 |
| License | 25 |
| | <u>24 367</u> |
| | <u>\$ 24 367</u> |

Fund Raising

| | |
|---------------|-----------------|
| Advertising | 5 150 |
| Registrations | 1 600 |
| | <u>6 750</u> |
| | <u>\$ 6 750</u> |

Program Services

| | |
|-------------------------------|-------------------|
| Direct assistance to children | 206 040 |
| Payroll and related costs | 34 474 |
| Travel | 3 702 |
| | <u>244 216</u> |
| | <u>\$ 244 216</u> |

