



Christian Children's Fund, Inc.

Consolidated Financial Statements Years ended June 30, 2008 and 2007



BDO Seidman, LLP
Accountants and Consultants

Christian Children's Fund, Inc.
Consolidated Financial Statements

Years ended June 30, 2008 and 2007

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Independent Auditors' Report

The Board of Directors
Christian Children's Fund
Richmond, Virginia

We have audited the accompanying consolidated statement of financial position of Christian Children's Fund, Inc. as of June 30, 2008, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of Christian Children's Fund'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 Christian Children's Fund 2007 consolidated financial statements and were audited by other auditors whose report dated September 12, 2007 expressed an unqualified opinion on those consolidated financial statements.

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 organization'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 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Christian Children Fund, Inc. as of June 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.

BDO Seidman, LLP

October 3, 2008

Christian Children's Fund, Inc.

Consolidated Statements of Financial Position

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 11,234,398	\$ 7,675,269
Investments	35,046,331	38,959,018
Grants receivable	4,071,665	2,714,650
Receivable from affiliates	2,562,973	1,948,568
Accounts receivable and other assets	2,649,381	3,346,318
Land, buildings and equipment, net	14,609,458	15,347,532
Total assets	<u>\$ 70,174,206</u>	<u>\$ 69,991,355</u>
Liabilities and net assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 17,620,175	\$ 17,612,885
Accrued benefit liability	3,364,980	1,163,668
Line of credit	-	5,506,000
Total liabilities	<u>20,985,155</u>	<u>24,282,553</u>
Net assets:		
Unrestricted	14,218,514	14,031,196
Temporarily restricted	27,028,138	23,876,677
Permanently restricted	7,942,399	7,800,929
Total net assets	<u>49,189,051</u>	<u>45,708,802</u>
Total liabilities and net assets	<u>\$ 70,174,206</u>	<u>\$ 69,991,355</u>

See accompanying notes.

Christian Children's Fund, Inc.

Consolidated Statement of Activities and Changes in Net Assets

Year ended June 30, 2008 (with summarized financial information for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2008	2007
Public support:					
Sponsorships:					
U.S. sponsors	\$ —	\$ 100,737,010	\$ —	\$ 100,737,010	\$ 98,254,540
International sponsors	—	52,411,951	—	52,411,951	41,019,219
Special gifts from sponsors for children	—	19,170,847	—	19,170,847	17,521,272
Total sponsorships	—	172,319,808	—	172,319,808	156,795,031
Contributions:					
General contributions	13,363,257	11,466,637	141,470	24,971,364	24,982,407
Major gifts and bequests	2,688,965	478,154	—	3,167,119	3,139,416
Gifts in kind	80,022	—	—	80,022	31,320
Total contributions	16,132,244	11,944,791	141,470	28,218,505	28,153,143
Grants:					
Grants and contracts	27,021,698	—	—	27,021,698	22,119,383
Total public support	43,153,942	184,264,599	141,470	227,560,011	207,067,557
Revenue:					
Investment and currency transactions	251,894	1,791	—	253,685	708,426
Service fees and other	1,995,593	—	—	1,995,593	1,595,846
Total revenue	2,247,487	1,791	—	2,249,278	2,304,272
Net assets released from restrictions:					
Satisfaction of program and time restrictions	181,111,821	(181,111,821)	—	—	—
Total public support and revenue	226,513,250	3,154,569	141,470	229,809,289	209,371,829
Expenses:					
Program:					
Basic education	53,069,318	—	—	53,069,318	63,597,538
Health and sanitation	48,674,687	—	—	48,674,687	42,623,797
Nutrition	18,042,085	—	—	18,042,085	13,973,812
Early childhood development	27,480,339	—	—	27,480,339	18,762,526
Micro enterprise	20,619,523	—	—	20,619,523	18,463,768
Emergencies	17,541,433	—	—	17,541,433	18,992,614
Total program	185,427,385	—	—	185,427,385	176,414,055
Supporting services:					
Fund raising	21,979,683	—	—	21,979,683	23,995,137
Management and general	15,905,100	—	—	15,905,100	14,732,029
Total supporting services	37,884,783	—	—	37,884,783	38,727,166
Total expenses from operations	223,312,168	—	—	223,312,168	215,141,221
Change in net assets from operations	3,201,082	3,154,569	141,470	6,497,121	(5,769,392)
Non-operating revenues:					
Realized gain on investments	1,261,787	5,707	—	1,267,494	3,326,582
Unrealized (loss) gain on investments	(1,355,267)	(8,815)	—	(1,364,082)	1,802,901
Total non-operating revenues	(93,480)	(3,108)	—	(96,588)	5,129,483
Change in net assets	3,107,602	3,151,461	141,470	6,400,533	(639,909)
Net assets at beginning of year	14,031,196	23,876,677	7,800,929	45,708,802	45,446,930
Minimum pension liability adjustment	(2,920,284)	—	—	(2,920,284)	901,781
Net assets at end of year	\$ 14,218,514	\$ 27,028,138	\$ 7,942,399	\$ 49,189,051	\$ 45,708,802

See accompanying notes.

Christian Children's Fund, Inc.

Consolidated Statements of Cash Flows

Years ended June 30, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
Change in net assets	\$ 6,400,533	\$ (639,909)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,817,297	3,390,194
Realized gain on investments	(1,267,494)	(3,326,582)
Unrealized loss(gain) on investments	1,364,082	(1,802,901)
(Gain) loss on sale of buildings and equipment	(106,664)	114,202
Contributions restricted for long-term investment	(141,470)	(670,390)
Minimum pension liability adjustment	(2,920,284)	901,781
Changes in operating assets and liabilities:		
Grants receivable	(1,357,015)	885,948
Receivable from affiliates	(614,405)	185,781
Accounts receivable and other assets	696,936	(225,474)
Accounts payable and accrued expenses	7,291	(1,352,044)
Accrued benefit liability	2,201,312	(2,091,886)
Net cash provided(used) by operating activities	7,080,119	(4,631,280)
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(2,141,816)	(1,804,507)
Proceeds from sales of land, buildings and equipment	169,407	197,764
Proceeds from sales of investments	10,166,091	25,696,044
Purchases of investments	(6,350,142)	(22,556,572)
Net cash provided by investing activities	1,843,540	1,532,729
Cash flows from financing activities:		
Payment of debt and line of credit	(59,994,000)	(70,904,000)
Proceeds from borrowings of debt and line of credit	54,488,000	74,950,000
Contributions restricted for long-term investment	141,470	670,390
Net cash (used in) provided by financing activities	(5,364,530)	4,716,390
Net increase in cash and cash equivalents	3,559,129	1,617,839
Cash and cash equivalents at beginning of year	7,675,269	6,057,430
Cash and cash equivalents at end of year	\$ 11,234,398	\$ 7,675,269
Supplemental Cash Flow Information		
Interest paid	\$ 91,078	\$ 134,728

See accompanying notes.

Program Services

	Basic Education	Health and Sanitation	Nutrition	Early Childhood Development	Micro Enterprise
Subsidy for children	\$ 38,406,267	\$ 27,249,164	\$ 12,959,128	\$ 20,504,027	\$ 14,127,213
Program grants	4,847,370	12,422,674	1,745,900	1,893,559	2,678,533
Supplies	232,392	213,148	79,007	120,337	90,294
Occupancy	449,470	412,250	152,807	232,744	174,637
Professional services	107,429	98,533	36,523	55,629	41,741
Contract services	499,319	457,970	169,754	258,557	194,005
Travel	608,655	558,252	206,926	315,173	236,486
Conferences and meetings	168,218	154,288	57,190	87,107	65,359
Automobile and truck expense	207,773	190,568	70,637	107,589	80,728
Advertising and public education	18,829	17,271	6,402	9,751	7,316
Equipment purchases and rentals	181,092	166,096	61,566	93,773	70,361
Telephone and cables	234,462	215,046	79,710	121,409	91,097
Postage and freight	106,362	97,553	36,160	55,076	41,325
Staff training	116,320	106,687	39,545	60,233	45,195
Miscellaneous expenses	339,150	311,065	115,302	175,619	131,773
Total expenses before personnel costs and other expenses	46,523,108	42,670,565	15,816,557	24,090,583	18,076,063
Personnel costs	5,961,813	5,468,119	2,026,849	3,087,144	2,316,399
Depreciation & Interest	584,397	536,003	198,679	302,612	227,061
Total expenses from operations	\$ 53,069,318	\$ 48,674,687	\$ 18,042,085	\$ 27,480,339	\$ 20,619,523

Christian Children's Fund, Inc.

Consolidated Statement of Functional Expenses

Year ended June 30, 2008 (with summarized financial information for the year ended June 30, 2007)

Emergencies	Total Program Services	Supporting Services			Program and Supporting Services	
		Fund Raising	Management and General	Total Supporting Services	2008	2007
\$ 2,404,049	\$ 115,649,848	\$ -	\$ -	\$ -	\$ 115,649,848	\$ 105,325,455
11,892,926	35,480,962				35,480,962	35,130,062
76,815	811,993	64,284	568,772	633,056	1,445,049	1,499,137
148,567	1,570,475	14,807	321,264	336,071	1,906,546	2,011,560
35,510	375,365	159,419	523,318	682,737	1,058,102	748,572
165,044	1,744,649	1,472,061	1,047,191	2,519,252	4,263,901	5,437,393
201,184	2,126,676	502,673	376,085	878,758	3,005,434	3,173,155
55,603	587,765	89,235	129,830	219,065	806,830	856,365
68,677	725,972	7,829	145	7,974	733,946	648,266
6,224	65,793	15,472,797	442,161	15,914,958	15,980,751	17,167,025
59,858	632,746	41,046	433,733	474,779	1,107,525	1,210,891
77,498	819,222	97,308	129,554	226,862	1,046,084	1,045,133
35,156	371,632	162,624	1,179,689	1,342,313	1,713,945	1,491,583
38,448	406,428	22,841	43,552	66,393	472,821	607,025
112,102	1,185,011	310,902	2,010,173	2,321,075	3,506,086	3,717,228
15,377,661	162,554,537	18,417,826	7,205,467	25,623,293	188,177,830	180,068,850
1,970,606	20,830,930	3,422,658	7,972,374	11,395,032	32,225,962	31,547,449
193,166	2,041,918	139,199	727,259	866,458	2,908,376	3,524,922
\$ 17,541,433	\$ 185,427,385	\$ 21,979,683	\$ 15,905,100	\$ 37,884,783	\$ 223,312,168	\$ 215,141,221

See accompanying notes.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements

June 30, 2008 and 2007

1. Organization

Christian Children's Fund, Inc. (CCF) was established in 1938 and has developed into an international, non-sectarian, not-for-profit child development organization. CCF assists more than 15.2 million children and family members in 31 countries worldwide. This figure includes more than 650,000 enrolled children in CCF's programs. Of these children more than 500,000 are sponsored children who are supported through monthly contributions.

Most of the sponsorships—more than 355,000—are supported by U.S. donors; the remainder are supported by international donors who sponsor children through members of ChildFund Alliance in Australia, Canada, Denmark, France, Germany, Ireland, Japan, Korea, New Zealand, Sweden, and Taiwan. CCF is a member of ChildFund Alliance, a global network of 12 child development organizations.

CCF is incorporated and headquartered in the Commonwealth of Virginia.

2. Summary of Significant Accounting Policies

CCF's accounting policies are summarized as follows:

a. Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual method of accounting in accordance with accounting principles generally accepted in the United States.

b. Principles of Consolidation

The accompanying consolidated financial statements include the accounts and operations of CCF, the Country Offices, and Fund Raising Offices. In compliance with local laws, certain of these Country Offices, Country Program Offices, and Fund Raising Offices are separate legal entities. CCF does not consolidate the project offices as they are separate legal entities and CCF does not control them through financial or voting interest. All significant transactions between the organizations, including all inter-organization balances, have been eliminated in consolidation.

c. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

d. Investments

Investments, which primarily include mutual funds, marketable securities and U.S. government obligations, are recorded at fair market value. The fair values are based on quoted market prices, where available. The portion of investments that would be considered alternative investments generally consists of funds of funds and do not have readily available market values. CCF adopted the fair value basis of accounting for alternative investments during 2008. These alternative investments are recorded at fair value based on the fund managers' monthly financial reports. These values are further substantiated by doing internal reviews on the current market values of the underlying securities within these funds of funds. Because the fund managers do not share the complete list of funds held, only a portion of the held positions are substantiated to give reasonable assurance that the reporting presented by the fund managers are fairly valued. For all investments realized and unrealized gains and losses are recorded in the Non-operating revenues section of the Consolidated Statements of Activities and Changes in Net Assets. Except for investments where donors specifically provide otherwise, investments are maintained in a pooled account. Additions to investments are assigned units of participation in the pooled account based upon their market value on the date they enter the pooled account and the most recently determined unit market value for the existing units of participation. Withdrawals are based upon the most recently determined market value of the respective units of participation that include both realized and unrealized net gains and losses. The market value of the units of participation is calculated monthly.

e. Financial Instruments and Credit Risk

Financial instruments, which potentially subject CCF to concentrations of credit risk, consist principally of cash and investments. CCF places its cash and investments with high-quality credit financial institutions and limits the amount of credit exposure to any one financial institution. CCF cash balances included aggregate bank balances on deposit both inside the U.S. and with international banks outside the U.S. These balances can exceed FDIC limits or in the case of international accounts not be covered under the FDIC. CCF has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents. In some cases, CCF has opened segregated cash accounts to meet

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

restrictions placed on those funds by the donor. In general, these are grant funded accounts.

Credit risk with respect to marketable securities is generally limited because by policy the marketable securities are kept within limits designed to prevent risks caused by concentration.

f. Accounts Receivable and Other Assets

Accounts receivable and other assets consist of general receivables, pledges receivable, advances and prepaid expenses. Pledges receivable represent unconditional promises to give by donors due within the next year.

g. Land, Buildings and Equipment

Buildings and equipment are carried at cost, less accumulated depreciation. Depreciation of buildings and equipment is recorded on a straight-line basis over the estimated useful lives of the assets. Upon retirement and disposition, the cost and accumulated depreciation of buildings and equipment are removed from the accounts with any gain or loss reflected in the Consolidated Statement of Activities and Changes in Net Assets. Expenses for maintenance and repairs are expensed as incurred. Assets with a value of \$5,000 or greater are capitalized and depreciated over their useful life while assets with a value less than \$5,000 are expensed when purchased.

h. Impairment of Long-Lived Assets

CCF reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced by a charge to the Consolidated Statement of Activities and Changes in Net Assets.

i. Net Assets

Balances and transactions are presented according to the existence or absence of donor-imposed restrictions. This has been accomplished by recording transactions into the following classes of net assets:

Unrestricted net assets – Net assets resulting from public support and revenue not subject to donor-imposed restrictions.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

Temporarily restricted net assets – Net assets resulting from public support and revenue whose use by CCF is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of CCF pursuant to those donor-imposed stipulations.

Permanently restricted net assets – Net assets that generally represent contributions and other inflows of assets whose use by CCF is permanently limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of CCF.

Public support and revenue are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Sponsorship revenue is classified as temporarily restricted. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from temporarily restricted net assets to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless donors or state law restrict their use.

j. Revenue Recognition

Revenue is recognized during the period it is earned. Donated or contributed land, buildings and equipment, investments, services and gifts-in-kind are recorded at fair market value when received. Government grant revenue is recognized as earned, generally in proportion to the reimbursable expenses incurred during the period.

k. Expenses

Expenses are recognized during the period in which they are incurred. Expenses paid in advance are deferred to the applicable period. The cost of providing various programs and supporting services have been summarized on a functional bases in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. CCF recognizes an expense for program costs at the time the funds are disbursed to a project or committed to a project. The costs of producing television broadcasts used in fund raising appeals are expensed as incurred.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

l. Definition of Operations

Operating revenue and expenses generally reflect those revenues and expenses that management can influence and use to support operations in a given year, and exclude investment income (including interest and dividends, realized and unrealized gains) and unusual transactions unrelated to CCF's ordinary activities.

m. Pension Plan

Pension costs are determined using the unit credit actuarial cost method. The plan is funded on a current basis as deemed necessary by management and the plan's consulting actuaries. The pension plan is subject to the applicable provisions of the Employment Retirement Income Security Act of 1974, as amended.

n. Foreign Currency Translation

All cash balances in foreign banks have been translated at foreign exchange rates in effect as of June 30, 2008 and 2007. No other assets or liabilities of CCF are subject to foreign currency translation. All foreign office revenue and expense amounts are converted at the rate of exchange in effect at approximately the date of the transaction. Currency transaction (losses)/gains were (\$16,236) and \$446,376 as of June 30, 2008 and 2007, respectively.

o. Summarized Comparative Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the organization's consolidated financial statements for the year ended June 30, 2007, from which the summarized information was derived.

p. Reclassifications

Certain prior year classifications have been made to conform with current year presentation.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

3. Cash and Cash Equivalents

CCF considers all short-term deposits with an original maturity of three months or less to be cash equivalents. The carrying amounts reported in the accompanying Consolidated Statements of Financial Position for these financial instruments approximate their fair values. Cash in excess of current operating and program requirements was invested throughout the year on a short-term basis in various money market instruments. Approximately \$5,536,988 and \$3,702,000 as of June 30, 2008 and 2007, respectively, of cash and cash equivalents held at CCF's Fund Raising Offices (see Note 12) is limited as to use for CCF activities in the respective countries.

4. Investments

Investments, at fair value, as of June 30, 2008 and 2007 are summarized as follows:

	<u>2008</u>	<u>2007</u>
Cash and cash equivalents	\$ 155,636	\$ 94,723
Real estate investment trust	1,677,125	1,308,828
Bonds - other	3,835,201	2,543,240
Common stock	1,734,631	2,411,545
U.S. Government obligations	2,050,700	2,570,153
Mutual funds	18,491,052	23,570,529
Alternative funds	7,101,986	6,460,000
Total	<u>\$ 35,046,331</u>	<u>\$ 38,959,018</u>

Note: Alternative investments were reported at cost in FY2007. The FY2007 presentation was not adjusted to fair value because the change had an immaterial impact on the presentation of the financial statements.

Investments returns consist of interest and dividends, unrealized gains and losses and realized gains and losses. Investment return is summarized for the years ended June 30, 2008 and 2007, as follows:

	<u>2008</u>	<u>2007</u>
Investment and currency transactions	\$ 253,685	\$ 708,426
Currency transaction loss (gain), net	16,236	(446,376)
Total interest and dividend income	269,921	262,050
Realized gain on investments	1,267,494	3,326,582
Unrealized (loss) gain on investments	(1,364,082)	1,802,901
Total investment return	<u>\$ 173,333</u>	<u>\$ 5,391,533</u>

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

The participation in CCF's investment pool and ownership of the investments as June 30, 2008 and 2007 are shown in the table below:

	<u>2008</u>	<u>2007</u>
Unrestricted net assets	\$ 2,978,274	\$ 2,665,166
Temporarily restricted net assets	24,125,658	28,492,923
Permanently restricted net assets	7,942,399	7,800,929
	<u>\$ 35,046,331</u>	<u>\$ 38,959,018</u>

5. Charitable Gift Annuities

Total investments include amounts invested for CCF's charitable gift annuity program. These amounts are held in two segregated investment accounts. One for annuities issued to residents of California and another for annuities issued to residents of other states in which CCF is authorized to issue gift annuities. Both segregated accounts are stated at fair market value. Under the charitable gift annuity agreements, the donor contributes assets to CCF. In return for the contribution, CCF pays an annuity to the donor, and/or another annuitant selected by the donor, for the remainder of the annuitant's life, subject in some instances to a deferred beginning date. The payout is a fixed amount based on a percentage of the original gift, as defined by the agreement. The fair value of the assets received under the annuity agreement is held in the applicable segregated investment account and invested in assets intended to comply with any investment restrictions imposed by California or the other states in which CCF is authorized to issue gift annuities. Contribution income is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors.

These segregated investments as of June 30, 2008 and 2007 totaled \$2,878,274 and \$2,565,166, respectively. Included in the above amounts, the segregated investment account for California resident annuitants totaled \$269,659 and \$334,724 at June 30, 2008 and 2007, respectively. The liability associated with these charitable gift annuities is recorded at the present value of the gift based on the IRS mortality tables and IRS interest rates as of the date of agreement which range from 5.7% to 15.6%. The liability amounts calculated at discount rates ranging from 1.4% to 13.83% are included in "Accounts payable and accrued expenses" on the Consolidated Statements of Financial Position as of June 30, 2008 and 2007 and total \$1,580,437 and \$1,464,065, respectively.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

6. Land, Buildings and Equipment

Land, buildings and equipment at June 30, 2008 and 2007 are recorded at cost and summarized as follows:

	Useful Life	2008	2007
Land	–	\$ 1,180,378	\$ 1,180,378
Buildings and improvements	5 to 40 years	14,996,444	14,757,218
Furniture, fixtures and equipment	3 to 10 years	16,986,014	15,611,368
Construction in progress	–	411,631	372,314
Subtotal		<u>33,574,467</u>	<u>31,921,278</u>
Accumulated depreciation		<u>(18,965,009)</u>	<u>(16,573,746)</u>
Total		<u>\$ 14,609,458</u>	<u>\$ 15,347,532</u>

7. Benefit Plans

CCF has a non-contributory defined benefit pension plan (the Pension Plan) and a defined contribution plan (403(b) Plan).

Pension Plan

The following table summarizes the Pension Plan benefit obligations, for the years ended June 30, 2008 and 2007:

	2008	2007
Accumulated benefit obligation	<u>\$ 21,097,663</u>	<u>\$ 20,777,176</u>
Benefit obligations	\$(21,097,663)	\$(20,777,176)
Fair value of plan assets	17,732,683	19,613,508
Funded status	<u>\$ (3,364,980)</u>	<u>\$ (1,163,668)</u>
Accrued benefit liability recognized in the statements of financial position	<u>\$ 3,364,980</u>	<u>\$ 1,163,668</u>

The amount of benefit payments from the Pension Plan is as follows:

	2008	2007
Benefit payments	<u>\$ 1,115,899</u>	<u>\$ 1,050,098</u>

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

Expected future benefit payments of the Pension Plan as of June 30, 2008 are as follows:

<u>Fiscal Year</u>	
2009	\$ 1,175,867
2010	1,255,074
2011	1,268,310
2012	1,289,959
2013	1,323,739
2014 – 2018	7,680,456

The minimum required contribution for the fiscal year ended June 30, 2007 which was to be paid in FY2008 was \$646,286. CCF made contributions to the Pension Plan of \$707,210 and \$1,263,085 during the fiscal years ended June 30, 2008 and 2007, respectively.

	<u>2008</u>	<u>2007</u>
Components of net periodic pension cost:		
Interest cost	\$ 1,272,875	\$ 1,263,150
Expected return on plan assets	(1,398,369)	(1,276,873)
Recognized net actuarial loss	113,732	86,703
Prior service cost recognized	-	-
Pension curtailment	-	-
Net periodic pension cost	<u>\$ (11,762)</u>	<u>\$ 72,980</u>

A minimum pension liability is required when the actuarial present value of accumulated benefits exceeds plan assets and accrued pension liabilities. The minimum liability adjustments, which (decreased) increased net assets by (\$2,920,284) and \$901,781, are reported in the consolidated statements of activities and changes in net assets for the years ended June 30, 2008 and 2007, respectively.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

The asset allocation for CCF's Pension Plan at the end of 2008 and 2007, and the target allocation for 2009 by asset category are as follows:

	Target Allocation	Percentage of Plan Assets at Year End	
	2009	2008	2007
Equity securities	70.0%	70.4%	71.1%
Fixed income securities	30.0%	29.6%	28.9%
Total	100.0%	100.0%	100.0%

CCF's policy is to provide for growth of capital with a moderate level of volatility by investing assets per the target allocations stated above. The assets will be reallocated periodically to meet the above target allocations.

The expected long-term rate of return for the Plan's total assets is based on the expected return of each of the above categories, weighted based on the median of the target allocation for each class. Equity securities are expected to return 10% to 11% over the long-term, while cash and fixed income is expected to return between 4% and 6%.

Benefit obligations were determined using the following weighted-average assumptions:

	2008	2007
Discount rate	6.25%	6.25%
Expected return on plan assets	7.5	7.5
Rate of compensation increase	N/A	N/A

Effective June 30, 2006, CCF elected to freeze the defined benefit.

403(b) Plan

All employees are eligible to participate in the 403(b) Plan. CCF contributes 6% to 12% of employees' base pay to the Plan each payroll period based on their period of service with CCF. In addition, CCF will match up to 3% of the employees' individual contributions. The actual rate will be approved annually by the CCF Board of Directors. Total expense recognized for the year ended June 30, 2008 and 2007 related to the 403(b) Plan was \$1,159,101 and \$984,011, respectively. In addition CCF has a 457 Plan available to executives at the Vice President level and above. Total expense recognized

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

for the year ended June 30, 2008 and 2007 related to the 457 Plan was \$2,008 and \$519, respectively.

8. Revolving Line of Credit

At June 30, 2008 and 2007, CCF has a one year; \$10,000,000 collateralized revolving line of credit with interest payable at LIBOR + 60 basis points. This line of credit is collateralized by a note on CCF's corporate headquarters building located in Richmond, Virginia.

Total interest expense on the revolving line of credit was \$91,078 and \$134,728 for the years ended June 30, 2008 and 2007, respectively.

9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2008 and 2007 were available for the following purposes:

	<u>2008</u>	<u>2007</u>
Subsidy and gifts for children	\$ 22,682,184	\$ 19,449,945
Appeal funded programs	3,564,414	3,600,857
Local programs and other	781,540	825,875
Total	<u>\$ 27,028,138</u>	<u>\$ 23,876,677</u>

10. Permanently Restricted Net Assets

Permanently restricted net assets were \$7,942,399 and \$7,800,929 at June 30, 2008 and 2007, respectively. The principal of these net assets must be invested in perpetuity; however, the income is expendable to support subsidy for children and other restricted program activities.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

11. International Sponsors

Support from international sponsors is generated by autonomous organizations and consolidated operations.

Autonomous Organizations

Supporting CCF are ChildFund Australia, BORNEfonden (Denmark), Un Enfant Par La Main (France), CCF Kinderhilfswerk (Germany), ChildFund Ireland, ChildFund Japan, ChildFund Korea, Barnfonden (Sweden), Taiwan Fund for Children and Families, and ChildFund New Zealand. These autonomous organizations are incorporated in their respective countries for the purpose of initiating and overseeing programs that are distinct and unique to their mission. Because CCF does not control these organizations, their related assets, liabilities, net assets, revenues and expenses are not reflected in the accompanying Consolidated Financial Statements.

The sponsorships and special gifts for children received from these organizations are included in the Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30, 2008 and 2007 and are summarized by country in the accompanying table. As of June 30, 2008 and 2007, CCF has sponsorship receivables from these autonomous organizations totaling \$2,562,973 and \$1,948,568, respectively. CCF recognized service fee revenue from these autonomous organizations in the Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30, 2008 and 2007 of \$1,289,997 and \$1,090,751, respectively.

Consolidated Operations

CCF works with national Fund Raising Offices in Brazil, Mexico, Thailand and other countries that provide sponsorship revenue. These offices are organizations or segments of organizations that are independently registered in conformity with the laws of their respective countries.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

The sponsorships and special gifts for children received from the consolidated operations are included in the Consolidated Statements of Activities and Changes in Net Assets for the years ended June 30, 2008 and 2007, and are summarized in the accompanying table.

	Sponsorships	Special Gifts for Children	Total	
			2008	2007
Autonomous organizations:				
Australia	\$ 14,784,809	\$ 1,134,869	\$ 15,919,678	\$ 12,016,086
Denmark	4,298,766	492,246	4,791,012	3,889,856
France	1,890,991	174,161	2,065,012	1,844,723
Germany	6,729,892	486,998	7,216,890	6,467,188
Ireland	1,082,760	165,269	1,248,029	889,870
Japan	112,083	-	112,083	36,531
New Zealand	6,229,644	621,498	6,851,142	5,386,413
Sweden	4,495,958	600,152	5,096,110	4,251,666
Korea	374,456	1,819	376,275	31,150
Taiwan	6,041,234	427,727	6,468,961	5,905,814
Total autonomous organizations	46,040,593	4,104,739	50,145,332	40,719,297
Consolidated operations:				
Brazil	2,661,084	638,546	3,299,630	2,390,389
Mexico	995,329	23,667	1,018,996	283,090
Thailand	2,705,942	31,710	2,737,652	1,452,410
Other	9,003	510	9,513	5,489
Total consolidated operations	6,371,358	694,433	7,065,791	4,131,378
Total international sponsors	\$ 52,411,951	\$ 4,799,172	\$ 57,211,123	\$ 44,850,675

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

12. Total Public Support

Public support is summarized for the years ended June 30, 2008 and 2007, as follows:

	<u>2008</u>	<u>2007</u>
United States	\$ 148,761,063	\$ 143,139,312
Autonomous organizations, support from sponsors (Note 11)	50,145,332	40,719,297
Autonomous organizations, other support	21,527,085	18,937,951
Consolidated operations, support from sponsors (Note 11)	7,065,791	4,131,378
Consolidated operations, other support	60,740	139,619
Total public support	<u>\$ 227,560,011</u>	<u>\$ 207,067,557</u>

13. Income Taxes

CCF has been granted exemption by the Internal Revenue Service (IRS) from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and is an exempt organization in the Commonwealth of Virginia. In addition, the IRS has determined that CCF is not a "private foundation." No provision for income taxes has been recorded for the years ended June 30, 2008 and 2007, as CCF has no taxable unrelated business income.

14. ChildFund Alliance

In April 2002, ChildFund Alliance (formerly CCF International) was established for charitable purposes to promote the well-being of children and their families and to promote the brand name of ChildFund. The Board of Directors consists of a significant percentage of CCF Board of Directors and staff; however, CCF does not have an economic interest in ChildFund Alliance; accordingly, ChildFund Alliance is not consolidated in CCF's consolidated financial statements.

Christian Children's Fund, Inc.

Notes to Consolidated Financial Statements (continued)

15. Operating Leases

CCF leases certain office space under non-cancellable operating lease agreements expiring at various times through 2013. Future minimum lease payments under these agreements as of June 30, 2008 are as follows:

<u>Year ending June 30,</u>	
2009	\$ 277,746
2010	129,668
2011	97,786
2012	41,778
2013	9,679
Total future minimum lease payments	<u>\$ 556,657</u>

Total rental expense under operating lease agreements was \$249,983 and \$200,924 in 2008 and 2007, respectively.

16. Commitments and Contingencies

CCF, in the ordinary course of its work with projects, is sometimes named as a defendant in litigation involving claims related to its contractual agreements. While it is CCF's policy to handle all claims promptly, efficiently, fairly, and in accordance with the provisions of its contracts and applicable laws, CCF may, nevertheless, be subjected to plaintiffs' allegations seeking damages. On the basis of information furnished by counsel and others, CCF believes there are no contingencies that will materially affect the Consolidated Financial Statements as of June 30, 2008.