

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2008

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AUDITORS' REPORT

TO THE MEMBERS OF
MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION

We have audited the statement of financial position of Mully Children's Family Charitable Foundation as at June 30, 2008 and the statements of net assets, revenue and expenditure and cash flows for the year then ended. these financial statements are the responsibility of the Organization's management. our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In common with similar non-profit organizations, the Foundation derives revenue from donations. The completeness of the records of such revenue is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expenditure, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of Mully Children's Family Charitable Foundation as at June 30, 2008 and the statements of changes in net assets, revenue and expenditure and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Mississauga, Ontario
October 8, 2008

**CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS**

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION
STATEMENT OF FINANCIAL POSITION

| As at June 30 | 2008 | 2007 |
|----------------------------------|-------------------|-----------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | \$ 217,372 | \$ 5,153 |
| Sales tax recoverable | 983 | 6 |
| | \$ 218,355 | \$ 5,159 |
| LIABILITIES | | |
| Current | | |
| Project funds payable | \$ 205,874 | \$ - |
| FUND BALANCE | | |
| Unrestricted general fund | <i>page 4</i> | |
| | 12,481 | 5,159 |
| | \$ 218,355 | \$ 5,159 |

Approved on behalf of the Board:

 Ms. V. Buchner, Chair

 Mr. M. Crane, Treasurer

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION
STATEMENT OF CHANGES IN NET ASSETS

| For the year ended June 30 | 2008 | 2007 |
|---|------------------|-----------------|
| Balance, beginning of year | \$ 5,159 | \$ - |
| Excess of revenue over expenditure for the year <i>page 5</i> | 7,322 | 5,159 |
| Balance, end of year | \$ 12,481 | \$ 5,159 |

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION
STATEMENT OF REVENUE AND EXPENDITURE

| For the year ended June 30 | 2008 | | 2007 | |
|--|-------------------|--------------|-------------------|--------------|
| | | % | | % |
| Revenue | | | | |
| Donations | \$ <u>677,911</u> | <u>100.0</u> | \$ <u>102,477</u> | <u>100.0</u> |
| Expenditure | | | | |
| Overseas | | | | |
| Child sponsorship and care | 35,501 | 5.2 | 50,000 | 48.8 |
| Education | 25,322 | 3.7 | 13,000 | 12.7 |
| Emergency relief and feeding programs | 178,490 | 26.3 | 23,237 | 22.7 |
| General | 132,883 | 19.6 | 10,735 | 10.5 |
| Capital projects - | | | | |
| Kitchen and water projects | 108,200 | 16.0 | - | - |
| Bulldozer | 190,610 | 28.1 | - | - |
| Administration fees | <u>(23,836)</u> | <u>(3.5)</u> | <u>-</u> | <u>-</u> |
| Total overseas expenditure | <u>647,170</u> | <u>95.5</u> | <u>96,972</u> | <u>94.6</u> |
| Home office | | | | |
| Advertising | 5,638 | 0.8 | - | - |
| Audit fee | 3,000 | 0.4 | - | - |
| Insurance | 2,203 | 0.3 | - | - |
| Office supplies | 7,779 | 1.1 | 346 | 0.3 |
| Telephone | 691 | 0.1 | - | - |
| Travel | <u>4,108</u> | <u>0.6</u> | <u>-</u> | <u>-</u> |
| Total home office expenditure | <u>23,419</u> | <u>3.5</u> | <u>346</u> | <u>0.3</u> |
| Total expenditure | <u>670,589</u> | <u>98.9</u> | <u>97,318</u> | <u>95.0</u> |
| Excess of revenue over expenditure for the year | <u>\$ 7,322</u> | <u>1.1</u> | <u>\$ 5,159</u> | <u>5.0</u> |

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION
STATEMENT OF CASH FLOWS

| For the year ended June 30 | 2008 | 2007 |
|---|-------------------|-----------------|
| Cash provided (used) by | | |
| Operating activities | | |
| Excess of revenue over expenditure for the year | \$ 7,322 | \$ 5,159 |
| Changes in non-cash working capital balances | | |
| Sales tax receivable | (977) | (6) |
| Project funds payable | <u>205,874</u> | <u>-</u> |
| Increase in cash | <u>212,219</u> | <u>5,153</u> |
| Balance, beginning of year | 5,153 | - |
| Balance, end of year | <u>\$ 217,372</u> | <u>\$ 5,153</u> |
| Supplemental information | | |
| Interest paid | <u>\$ -</u> | <u>\$ -</u> |

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

1. Nature of organization

Mully Children's Family Charitable Foundation (Foundation) was incorporated under the Canada Corporations Act as a Corporation without share capital on January 30, 2006.

The Foundation received charitable status under the Income Tax Act during this fiscal year.

The purpose of the Foundation is as follows -

- to receive and maintain a fund or funds and apply from time to time all or part thereof and/or the income there from for the purpose of seeking out, rescuing and rehabilitating orphans and vulnerable children, both boys and girls (the "Children") in Kenya, and providing them with protection, physical, and emotional support, and education for the purpose of reintegrating them into society, and in particular:
 - to provide physical and emotional support to the Children through food, shelter, clothing, medical care, formal and informal education and exposure to caring and supportive adult influences
 - to offer the Children vocational training in various skills such as carpentry, metal work, motor mechanics, agriculture, cloth designing and tailoring, elementary home economics in cookery and child care; the training in agriculture will have particular emphasis on horticulture, with a view to making the home(s) of the Children self reliant in food production and providing, besides surplus for income generation
 - to offer the Children spiritual and moral nourishment, counseling and guidance and Christian teaching
 - to rehabilitate the Children morally through character behaviour transformation with a view to enabling them to articulate themselves comfortably within society and the economy and, for those who have families, reuniting them with their families

The Foundation carries out its activities pursuant to Contracts and Agency Agreements. All funds expended are monitored by the Foundation.

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

2. Significant accounting policies

Basis of accounting and revenue recognition

The Foundation follows the accrual basis of accounting except for donations which are recorded when received.

Disclosure and use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Fund Accounting

The Foundation follows the principles of restricted fund accounting. These funds are held in accordance with the policies set by the Canadian Board. The following is a summary of the funds:

General Operating Fund

This includes the day to day operating activities of the Canadian administrative office involving the receipting of donations, payroll and the transferring of funds for further disbursement pursuant to agency agreement. All investment income is recorded as revenue to this fund.

Restricted Fund

Funds designated by Donors for specific purposes are set aside and disbursed in accordance with specific purposes.

Cash and cash equivalents

Cash and cash equivalents include cash, and those short-term money market instruments that are readily convertible to cash with an original term of less than 90 days.

Financial instruments - recognition and measurement

Effective July 1, 2007, the Foundation adopted the provisions of Canadian Institute of Chartered Accountants' Handbook (CICA Handbook) section 3855 - Financial Instruments - Recognition and Measurement and section 3861, Financial Instruments - Disclosure and Presentation. The changes in accounting policies have been applied retroactively with no restatement of prior periods and comparative balances have not been restated. There have not been any changes to the timing and recognition of financial assets and financial liabilities.

Under the new standards, financial assets and financial liabilities are initially recorded at fair value and their subsequent measurement is dependent on their classification, as described below. The classification depends on the purpose for which these financial instruments were acquired or issued, their characteristics and the Foundation's designation of such instruments. The standards require that all financial assets be classified as held-for-trading, available-for-sale, held-to-maturity or loans and receivables. Financial liabilities should be classified as held-for-trading or as other liabilities.

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

2. Significant accounting policies

Donations in kind

Volunteers contribute their time to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

The Foundation receives contributed materials, the fair value of which may or may not be reasonably determinable. Contributed materials are recognized as donations when fair value can be determined.

Recent accounting pronouncements issued and not yet adopted

Capital disclosures (section 1535 of the CICA Handbook)

This standard (effective for fiscal year June 30, 2009), requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and process for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance.

This standard will impact the Foundation's disclosures, but will not affect the Foundation's results or financial position.

Financial Instruments – Presentation (section 3863 of the CICA Handbook)

Financial Instruments – Disclosures (section 3862 of the CICA Handbook)

These standards (effective for fiscal year June 30, 2009) replace CICA section 3860, Financial instruments - disclosure and presentation, revising and enhancing its presentation requirements. These new standards place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

This standard will impact the Foundation's disclosures, but will not affect the Foundation's results or financial position.

MULLY CHILDREN'S FAMILY CHARITABLE FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

3. Financial instruments

| Classification and measurement | Classification | Measurement |
|--------------------------------|----------------------|----------------|
| Cash and cash equivalents | held-for trading | fair value |
| Sales tax recoverable | loans and receivable | amortized cost |

Risk disclosures

The main risks to which the Foundation's financial instruments are exposed are as follows -

Credit risk

Management's assessment of the Foundation's risk is low since the sales taxes receivable are from the Government of Canada.

Liquidity risk

Liquidity risk is the risk that the Foundation is not able to meet its financial obligations as they fall due. Management has assessed liquidity risk as low given the makeup of its accounts payable and has provided sufficient funding to fulfill its obligations.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Foundation. The Foundation's short term instruments are not subject to market risk; accordingly, market risk is considered low.

Interest rate risk

The Foundation has cash balances and no interest bearing debt. The Foundation's current policy is to invest excess cash in investment grade short-term deposit certificates issued by its banking institutions.