

INFINITE FAMILY

FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT

YEARS ENDED
DECEMBER 31, 2007 and 2006

INFINITE FAMILY

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Infinite Family
P.O. Box 2027
New York, New York 10108

I have reviewed the accompanying statements of financial position of Infinite Family as of December 31, 2007 and 2006, and the related statements of activities, cash flows, and functional expenses for the years then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of Infinite Family.

A review consists principally of inquiries of Infinite Family personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.



Certified Public Accountant
November 8, 2008

INFINITE FAMILY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2007 and 2006

A S S E T S

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents (Note 7)	\$ 62,410	\$ 99,310
Investments (Note 5)	1,080	2,029
Pledges receivable in less than one year	81,178	355
Prepaid expenses	362	362
Fixed assets, at cost, net of accumulated depreciation (Notes 2 and 6)	<u>22,293</u>	<u>3,297</u>
 Total Assets	 <u>\$ 167,323</u>	 <u>\$ 105,353</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 305	\$ 3,558
Commitments and contingencies (Note 8)		
Net Assets:		
Unrestricted (Note 2)	36,070	37,076
Temporarily Restricted (Notes 2 and 4)	130,948	64,719
 Total Net Assets	 <u>167,018</u>	 <u>101,795</u>
 Total Liabilities and Net Assets	 <u>\$ 167,323</u>	 <u>\$ 105,353</u>

See Independent Accountant's Review Report
and Notes to Financial Statements

INFINITE FAMILY

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2007

	<u>Un- restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenues, and gains:			
Public support:			
Individuals:			
Net Buddy	\$ -	12,210	12,210
Other	54,998	-	54,998
Churches	5,500	-	5,500
Foundations	34,170	120,000	154,170
Corporations	1,125	5,000	6,125
Donated goods and services (Note 10)	51,777	-	51,777
Net assets released from restrictions (Note 2)	70,981	(70,981)	-
Total Public Support	<u>218,551</u>	<u>66,229</u>	<u>284,780</u>
Revenues and gains:			
Interest income	1,422	-	1,422
Realized gain on investments (Note 5)	43	-	43
Total revenues and gains	<u>1,465</u>	<u>-</u>	<u>1,465</u>
Total support, revenues, and gains	<u>220,016</u>	<u>66,229</u>	<u>286,245</u>
Expenses (including donated goods and services of \$ 51,777, Note 10):			
Program services	171,170	-	171,170
General and administrative	30,146	-	30,146
Fundraising	19,706	-	19,706
Total expenses	<u>221,022</u>	<u>-</u>	<u>221,022</u>
(Decrease)/increase in net assets	(1,006)	66,229	65,223
Net assets at beginning of year	<u>37,076</u>	<u>64,719</u>	<u>101,795</u>
Net assets at end of year	<u>\$ 36,070</u>	<u>130,948</u>	<u>167,018</u>

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STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2006

	<u>Un- restricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support, revenues, and gains:			
Public support:			
Individuals:			
Net Buddy	\$ -	2,760	2,760
Other	12,283	10,000	22,283
Churches	7,673	-	7,673
Foundations	300	-	300
Corporations	3,000	-	3,000
Gala, including donated goods and and services of \$ 20,244 (Note 9)	53,139	-	53,139
Other donated services (Note 10)	50,000	-	50,000
Net assets released from restrictions (Note 2)	37,231	(37,231)	-
Total Public Support	<u>163,626</u>	<u>(24,471)</u>	<u>139,155</u>
Revenues and gains:			
Gala (Note 9)	15,426	-	15,426
Interest income	2,192	-	2,192
Realized gain on investments (Note 5)	385	-	385
Total revenues and gains	<u>18,003</u>	<u>-</u>	<u>18,003</u>
Total support, revenues, and gains	<u>181,629</u>	<u>(24,471)</u>	<u>157,158</u>
Expenses and losses (including donated goods and services of \$ 70,244, Note 10):			
Program services	195,882	-	195,882
General and administrative	15,024	-	15,024
Fundraising	14,654	-	14,654
Costs of direct benefits for attendees at gala (Note 9)	35,594	-	35,594
Unrealized loss on investment (Note 5)	15	-	15
Total expenses and losses	<u>261,169</u>	<u>-</u>	<u>261,169</u>
Decrease in net assets	(79,540)	(24,471)	(104,011)
Net assets at beginning of year	<u>116,616</u>	<u>89,190</u>	<u>205,806</u>
Net assets at end of year	<u>\$ 37,076</u>	<u>64,719</u>	<u>101,795</u>

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INFINITE FAMILY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows From Operating Activities:		
Cash received from donations	\$ 151,100	\$ 116,512
Cash received from the sale of gala goods and services (Note 9)	-	15,426
Interest received	1,422	2,192
Cash used for operating expenses	(167,834)	(199,471)
	<u> </u>	<u> </u>
Net Cash Used by Operating Activities	(15,312)	(65,341)
	<u> </u>	<u> </u>
Cash Flows From Investing Activities:		
Sale of investments (Note 5)	2,072	28,299
Acquisition of depreciable assets	(23,660)	(2,500)
	<u> </u>	<u> </u>
Net Cash (Used)/Provided by Investing Activities	(21,588)	25,799
	<u> </u>	<u> </u>
Net decrease in cash	(36,900)	(39,542)
CASH BALANCE, beginning of year	99,310	138,852
	<u> </u>	<u> </u>
CASH BALANCE, end of year	\$ 62,410	\$ 99,310
	<u> </u>	<u> </u>

See Independent Accountant's Review Report
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INFINITE FAMILY

STATEMENTS OF CASH FLOWS

RECONCILIATION OF CHANGE IN NET ASSETS TO

NET CASH USED BY OPERATING ACTIVITIES

YEARS ENDED DECEMBER 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Increase/(decrease) in net assets	\$ 65,223	\$(104,011)
Adjustments to reconcile increase/ (decrease) in net assets to net cash used by operating activities:		
Depreciation	4,664	549
Non-cash donation of marketable security	(1,080)	(2,044)
Realized gain on investments	(43)	(385)
Unrealized loss on investment	-	15
(Increase)/decrease in pledges receivable	(80,823)	49,645
Increase in prepaid expenses	-	(362)
Decrease in accounts payable	(3,253)	(8,748)
	<u> </u>	<u> </u>
Net Cash Used by Operating Activities	<u>\$ (15,312)</u>	<u>\$ (65,341)</u>

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INFINITE FAMILY

STATEMENT OF FUNCTIONAL EXPENSES

INCLUDING DONATED GOODS AND SERVICES OF \$ 51,777 (Note 10)

YEAR ENDED DECEMBER 31, 2007

	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fund- raising</u>	<u>Total</u>
Salaries	\$ 67,875	\$ -	\$ -	\$ 67,875
Payroll taxes	2,471	-	-	2,471
Professional and technical services	60,057	26,941	17,517	104,515
Training supplies and expenses	2,500	-	-	2,500
Grants	6,556	-	-	6,556
Outreach, printing, and promotion	2,368	-	703	3,071
Non-capitalized equipment/software	4,010	769	-	4,779
Postage and delivery	652	121	28	801
Program supplies	1,166	-	-	1,166
Office supplies and expenses	1,263	593	644	2,500
Telephone and internet	2,824	189	189	3,202
Meals, travel, and entertainment	15,180	-	292	15,472
Insurance	-	1,450	-	1,450
Depreciation	4,248	83	333	4,664
Total expenses	<u>\$ 171,170</u>	<u>\$ 30,146</u>	<u>\$ 19,706</u>	<u>\$ 221,022</u>

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STATEMENT OF FUNCTIONAL EXPENSES

INCLUDING DONATED GOODS AND SERVICES OF \$ 70,244 (Note 10)

YEAR ENDED DECEMBER 31, 2006

	<u>Program Services</u>	<u>General and Adminis- trative</u>	<u>Fund- raising</u>	<u>Direct Benefits to Gala Attendees</u>	<u>Total</u>
Professional and technical services	\$ 99,637	\$ 13,058	\$ 5,575	\$ 2,800	\$ 121,070
Training supplies and expenses	2,418	-	350	-	2,768
Grants	59,045	-	-	-	59,045
Technology services and supplies	7,911	-	-	-	7,911
Advertising, printing, and promotion	795	-	4,737	300	5,832
Occupancy	-	-	1,000	3,500	4,500
Equipment rental	-	-	-	3,000	3,000
Non-capitalized equipment/software	1,629	-	459	-	2,088
Postage and delivery	239	78	553	-	870
Program supplies	1,738	-	-	-	1,738
Office supplies and expenses	995	717	642	3,722	6,076
Telephone and internet	585	-	-	-	585
Meals, travel, and entertainment	20,416	8	1,338	11,144	32,906
Insurance	-	1,088	-	743	1,831
Cost of gala goods sold/raffled	-	-	-	7,747	7,747
Cost of gala gift bag goods	-	-	-	2,638	2,638
Depreciation	474	75	-	-	549
	<u>\$ 195,882</u>	<u>\$ 15,024</u>	<u>\$ 14,654</u>	<u>\$ 35,594</u>	<u>\$ 261,154</u>

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

1. **THE ORGANIZATION**

Infinite Family ("IF") was incorporated as a not-for-profit corporation in New York State on December 29, 1998. IF's charitable mission is to work with local organizations in Africa to connect American adult mentors/sponsors with orphans and vulnerable children using video conferencing, email, a secure internet site, and interactive tools and resources, to help the children learn to make good decisions, stay healthy, and develop academic and life skills. The American adult volunteers essentially act as part-time mentors to African children who have lost their parents primarily to the ravages of HIV/AIDS. Technology-based communication tools provide the platform for this interaction.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared under the accrual method of accounting.

Financial Statement Presentation

In accordance with Statements of Financial Accounting Standards No. 117, Financial Statements for Not-for-Profit Organizations, IF reports information regarding its public support, revenue, financial position, expenses, and activities under three classes of net assets based on the existence or absence of donor-imposed restrictions, defined as follows:

Permanently Restricted - net assets resulting from contributions and other inflows of assets the use of which by IF is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of IF. IF had no permanently restricted assets as of December 31, 2007 and 2006.

INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Financial Statement Presentation (cont'd)

Temporarily Restricted - net assets resulting from contributions and other inflows of assets the use of which by IF is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of IF pursuant to those stipulations. When such time restrictions end or when a purpose restriction is satisfied, the temporarily restricted assets are released and then reclassified to, and reported in the financial statements as, unrestricted net assets.

IF's policy is to treat all temporarily restricted donations as increases in temporarily restricted net assets even if the restrictions on those donations are satisfied during the year of receipt of the donation and the donation is subsequently released and reclassified to unrestricted net assets in that same year.

Temporarily restricted assets as of December 31, 2007 and 2006 were \$ 130,948 and \$ 64,719, respectively.

Unrestricted - the portion of net assets that is neither permanently nor temporarily restricted by donors. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Unrestricted net assets as of December 31, 2007 and 2006 were \$ 36,070 and \$ 37,076, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities, at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

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INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Grants, Contributions, and Revenues

Grants and contributions for support of current activities are recorded as unrestricted support in the current year. Grants and contributions received for future activities are recorded as temporarily restricted assets. Unconditional pledges are recorded as receivables in the year made.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted contributions are recorded as temporarily restricted or permanently restricted net assets.

Revenues from current activities are earned and recorded as services are rendered or goods are sold. Revenues received in advance for future services are deferred until earned.

Expenses

All costs for current activities are expensed as the costs are incurred. Disbursements for future activities are deferred as prepaid expenses.

Fixed Assets

Fixed assets consist of office equipment, website construction, and communication platform software. Office equipment and website construction costs are depreciated over a five year period using the straight-line method; communication platform software is depreciated over three years, also using the straight-line method. Expenditures equal to or in excess of \$ 750 are capitalized.

INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

3. **PRIVATE FOUNDATION STATUS**

IF has been granted federal 501(c)(3) exemption from federal income taxes by the Internal Revenue Service pursuant to a final determination letter dated May 5, 2000. The Internal Revenue Service classified IF as a private foundation.

On July 27, 2006, the Internal Revenue Service issued an advance ruling letter approving IF's application to terminate its private foundation status over a 60 month period under section 507(b)(1)(B) of the Internal Revenue Code. The 60 month period begins on January 1, 2006 and ends on December 31, 2010. If IF meets the requirements for public charity status under section 509(a) of Internal Revenue Code at the end of the 60 month period, IF's private foundation status will terminate and it will be classified as a public charity.

Pursuant to the Internal Revenue Service advance ruling letter of July 27, 2006, IF may solicit and accept donations in the capacity of a public charity during the 60 month termination period. The letter states that grantors and donors may rely on this advance determination of public charity status by the Internal Revenue Service for the purpose of the solicitation and acceptance of donations until at least 90 days after the end of the 60 month termination period.

4. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are/were available for the following purposes or periods:

<u>Restricted Purpose or Period</u>	<u>At December 31,</u>	
	<u>2007</u>	<u>2006</u>
Program development and operating support	\$ 120,000	\$ 57,621
Technology enhancement	-	5,000
Net buddy direct support for South African orphans and vulnerable children	5,948	2,098
Computer purchases	5,000	-
	<u>\$ 130,948</u>	<u>\$ 64,719</u>

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INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

5. **INVESTMENTS**

Investments are recorded at fair value at the end of each year, based on quoted market prices. IF has adopted a policy to liquidate any donations of marketable securities.

For the year ended December 31, 2007, IF received a donation of stock near the end of the year, valued at \$ 1,080, which also approximated the fair value at year-end. During the year, investments with a fair value of \$ 2,029 at December 31, 2006 were sold for \$ 2,072, resulting in a realized gain of \$ 43.

For the year ended December 31, 2006, a donation of stock was received near year-end that was valued at \$ 2,044 at the time of receipt; an unrealized loss of \$ 15 at year-end resulted in a recorded value at that time of \$ 2,029. During the year, investments with a fair value of \$ 27,914 on December 31, 2005 were sold for \$ 28,299. The sale resulted in a realized gain of \$ 385.

6. **FIXED ASSETS**

Fixed assets – Fixed assets consist of the following:

	<u>At December 31,</u>	
	<u>2007</u>	<u>2006</u>
Office equipment	\$ 2,665	\$ 1,496
Website construction	2,500	2,500
Communication platform software	22,491	-
	<u>27,656</u>	<u>3,996</u>
Less accumulated depreciation	(5,363)	(699)
	<u>\$ 22,293</u>	<u>\$ 3,297</u>

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INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

7. **CONCENTRATIONS**

At December 31, 2007 and 2006, IF had three bank accounts, the balance of each of which was less than the \$ 100,000 FDIC insured limit. IF also maintained a money market fund at Charles Schwab & Co. that had a balance of \$ 16,166 and \$ 32,678 at each respective year-end.

On an accrual basis, one donor accounted for approximately 51% of all donations, excluding donated goods and services, in the year ending December 31, 2007. For the year ending December 31, 2006, the same donor accounted for -0-% of all donations on an accrual basis, but approximately 42% of all cash donations received, including cash received from prior-year pledges receivable.

In addition, another donor accounted for approximately 13% of all donations in 2007, and -0-% in 2006 on both the accrual and cash basis method of accounting.

8. **COMMITMENTS AND CONTINGENCIES**

IF did not enter into any lease arrangements for the years ending December 31, 2007 and 2006. It had no commitments for the rental of office space or equipment in either of those years.

9. **GALA**

There was no gala or other significant special event in 2007.

IF did hold a gala event in 2006. The ticket price included both a donation component and an admission charge. The admission charge was based on the estimated fair market value of attending a similar event.

INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

9. GALA (cont'd)

The income and expenses for the 2006 gala were as follows:

Cash donations	\$ 32,895
Goods donations	6,438
Services and facilities donations	13,806
Admissions charges	5,950
Marketplace and raffle income	9,476
	<hr/>
Total income	68,565
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Fundraising expenses, including donated services of \$ 7,000	12,384
Direct cost of food, entertainment, event space, merchandise, etc., provided to attendees, including donated goods of \$ 6,438 and donated services and space of \$ 6,806	35,594
	<hr/>
Total expenses	47,978
	<hr/>
Net surplus	\$ 20,587
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10. DONATED GOODS AND SERVICES

In addition to the donated goods and services received for the gala (Note 9) in 2006, donated executive director services valued at \$ 50,000 were also received by IF in both 2007 and 2006. Other miscellaneous goods and services valued at \$ 1,777 were also donated in 2007.

INFINITE FAMILY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

10. **DONATED GOODS AND SERVICES (cont'd)**

The functional expense breakdown of the donated goods and services in the 2007 Statement of Functional Expenses is as follows:

	<u>Program Services</u>	<u>General And Adminis- trative</u>	<u>Fund- Raising</u>	<u>Total</u>
Professional and technical services	\$ 16,667	16,667	16,666	50,000
Outreach and promotion	170	-	-	170
Non-capitalized equipment	1,040	-	-	1,040
Telephone and internet	189	189	189	567
	<u>\$ 18,066</u>	<u>16,856</u>	<u>16,855</u>	<u>51,777</u>

The functional expense breakdown of the donated goods and services in the 2006 Statement of Functional Expenses, including the donated goods and services for the gala, is as follows:

	<u>Program Services</u>	<u>General And Adminis- trative</u>	<u>Gala Fund- Raising</u>	<u>Direct Benefits to Gala Attendees</u>	<u>Total</u>
Professional and technical services	\$ 37,500	12,500	4,500	800	55,300
Advertising, printing, and promotion	-	-	1,500	-	1,500
Occupancy	-	-	1,000	-	1,000
Meals and entertainment	-	-	-	6,006	6,006
Cost of goods raffled	-	-	-	3,800	3,800
Cost of gala gift bag goods	-	-	-	2,638	2,638
	<u>\$ 37,500</u>	<u>12,500</u>	<u>7,000</u>	<u>13,244</u>	<u>70,244</u>

11. **RELATED PARTY TRANSACTIONS**

In 2007, a \$ 30,000 cash donation was received by IF from a private foundation that was related to IF through common board control up through November 2007, at which point the IF board was restructured to eliminate the common control. The purpose of the private foundation donor is to promote the development of youth, and the instruction and training of youth.

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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 and 2006

11. **RELATED PARTY TRANSACTIONS (cont'd)**

The same private foundation was formed in 2005 to fund general youth development, instruction, and training grants that were funded by IF prior to the implementation of its IRS-approved plan to terminate its private foundation status and convert to a public charity (Note 3), but which might no longer be funded by IF under its new and specific mission focus on South African orphans and vulnerable children, as described in Note 1. Pursuant to this reorganization into two entities with similar but somewhat different charitable objectives, IF made a one-time capital grant to the new private foundation in 2006 in the amount of \$ 58,382 so that the private foundation could continue to fund general youth development, youth instruction, and youth training grants.

Other related party transactions consist of the donation by the executive director of her services as executive director, valued at \$ 50,000 in each of the 2007 and 2006 years, and the donation by the executive director of telephone and internet services of \$ 567 in 2007.