

**CHILDREN OF ARMENIA FUND, INC.
AND SUBSIDIARY**

**CONSOLIDATING FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION**

DECEMBER 31, 2009 AND 2008

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Children of Armenia Fund, Inc. and Subsidiary

We have audited the accompanying consolidating statements of financial position of Children of Armenia Fund, Inc. (a not-for-profit corporation) and Subsidiary as of December 31, 2009 and 2008, and the related consolidating statements of activities and cash flows for the years then ended. These consolidating financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audits. We did not audit the financial statements of the Subsidiary, COAF Armenia. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for COAF Armenia, is based solely on the reports of the other auditors.

We conducted our audits 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 consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating 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. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidating financial statements referred to above present fairly, in all material respects, the consolidated financial position of Children of Armenia Fund, Inc. and Subsidiary as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Lutz + Carr, LLP

New York, New York
July 30, 2010

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008

	2009			2008				
	COAF, Inc.	COAF Armenia	Eliminations	Consolidated Total	COAF, Inc.	COAF Armenia	Eliminations	Consolidated Total
Assets								
Cash and cash equivalents (Notes 1c and 3)	\$1,607,635	\$ 112,866	\$ -	\$ 1,720,501	\$1,622,227	\$ 191,152	\$ -	\$ 1,813,379
Unconditional promises to give (Notes 1e and 5)								
Unrestricted	403,289	-	-	403,289	206,182	-	-	206,182
Restricted for future programs	100,000	-	-	100,000	224,589	-	-	224,589
Prepaid expenses and other current assets	725	228,725	-	229,450	37,516	197,562	-	235,078
Investments (Note 1d)	129,651	-	-	129,651	17,006	-	-	17,006
Non-marketable investment (Notes 1d and 4)	157,837	-	-	157,837	121,467	-	-	121,467
Property and equipment (Notes 1f and 6)	2,460	36,474	-	38,934	957	66,387	-	67,344
Total Assets	<u>\$2,401,597</u>	<u>\$ 378,065</u>	<u>\$ -</u>	<u>\$ 2,779,662</u>	<u>\$2,229,944</u>	<u>\$ 455,101</u>	<u>\$ -</u>	<u>\$ 2,685,045</u>
Liabilities and Net Assets								
Liabilities								
Accounts payable	\$ 48,642	\$ 27,013	\$ -	\$ 75,655	\$ 63,168	\$ 233,805	\$ -	\$ 296,973
Loan payable (Note 7)	-	-	-	-	-	44,013	-	44,013
Total Liabilities	<u>48,642</u>	<u>27,013</u>	<u>-</u>	<u>75,655</u>	<u>63,168</u>	<u>277,818</u>	<u>-</u>	<u>340,986</u>
Commitment and Contingency								
Net Assets								
Unrestricted	2,252,955	-	-	2,252,955	1,942,187	-	-	1,942,187
Temporarily restricted (Note 2)	100,000	351,052	-	451,052	224,589	177,283	-	401,872
Total Net Assets	<u>2,352,955</u>	<u>351,052</u>	<u>-</u>	<u>2,704,007</u>	<u>2,166,776</u>	<u>177,283</u>	<u>-</u>	<u>2,344,059</u>
Total Liabilities and Net Assets	<u>\$2,401,597</u>	<u>\$ 378,065</u>	<u>\$ -</u>	<u>\$ 2,779,662</u>	<u>\$2,229,944</u>	<u>\$ 455,101</u>	<u>\$ -</u>	<u>\$ 2,685,045</u>

See notes to consolidating financial statements.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			2008				
	COAF, Inc.	COAF Armenia	Eliminations	Consolidated Total	COAF, Inc.	COAF Armenia	Eliminations	Consolidated Total
Changes in Unrestricted Net Assets								
Support and Revenue								
Contributions	\$ 294,338	\$ -	\$ -	\$ 294,338	\$ 265,239	\$ -	\$ -	\$ 265,239
Fundraising benefits	1,039,739	-	-	1,039,739	903,375	-	-	903,375
Less: Direct costs	(50,997)	-	-	(50,997)	(132,712)	-	-	(132,712)
Interest income	50,238	-	-	50,238	49,004	-	-	49,004
Unrealized gain (loss) on investments	40,516	-	-	40,516	(288,035)	-	-	(288,035)
Realized gain (loss) on investment	1,014	-	-	1,014	(203)	-	-	(203)
	<u>1,374,848</u>	<u>-</u>	<u>-</u>	<u>1,374,848</u>	<u>796,668</u>	<u>-</u>	<u>-</u>	<u>796,668</u>
Net assets released from restrictions								
Satisfaction of program restrictions	224,589	900,867	-	1,125,456	50,000	1,423,644	-	1,473,644
	<u>1,599,437</u>	<u>900,867</u>	<u>-</u>	<u>2,500,304</u>	<u>846,668</u>	<u>1,423,644</u>	<u>-</u>	<u>2,270,312</u>
Total Support and Revenue								
Expenses								
Program Services	1,042,421	900,867	(889,126)	1,054,162	1,503,508	1,429,860	(1,229,938)	1,703,430
Supporting Services								
Management and general	84,966	-	-	84,966	108,374	-	-	108,374
Fundraising	65,134	-	-	65,134	145,182	-	-	145,182
Total Supporting Services	<u>150,100</u>	<u>-</u>	<u>-</u>	<u>150,100</u>	<u>253,556</u>	<u>-</u>	<u>-</u>	<u>253,556</u>
Total Expenses	<u>1,192,521</u>	<u>900,867</u>	<u>(889,126)</u>	<u>1,204,262</u>	<u>1,757,064</u>	<u>1,429,860</u>	<u>(1,229,938)</u>	<u>1,956,986</u>
Increase (decrease) in unrestricted net assets before effects of foreign currency exchange gain (loss)	406,916	-	889,126	1,296,042	(910,396)	(6,216)	1,229,938	313,326
Foreign currency exchange gain (loss)	(96,148)	-	-	(96,148)	5,439	-	-	5,439
Increase (Decrease) in Unrestricted Net Assets	<u>310,768</u>	<u>-</u>	<u>889,126</u>	<u>1,199,894</u>	<u>(904,957)</u>	<u>(6,216)</u>	<u>1,229,938</u>	<u>318,765</u>
Changes in Temporarily Restricted Net Assets								
Contributions	-	1,114,265	(889,126)	225,139	-	1,437,279	(1,229,938)	207,341
Fundraising benefit	100,000	-	-	100,000	224,589	-	-	224,589
Net assets released from restrictions	(224,589)	(900,867)	-	(1,125,456)	(50,000)	(1,423,644)	-	(1,473,644)
Other decreases to temporarily restricted net assets (exchange rate loss)	-	(39,629)	-	(39,629)	-	(5,367)	-	(5,367)
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(124,589)</u>	<u>173,769</u>	<u>(889,126)</u>	<u>(839,946)</u>	<u>174,589</u>	<u>8,268</u>	<u>(1,229,938)</u>	<u>(1,047,081)</u>
Increase (decrease) in net assets	186,179	173,769	-	359,948	(730,368)	2,052	-	(728,316)
Net assets, beginning of year	<u>2,166,776</u>	<u>177,283</u>	<u>-</u>	<u>2,344,059</u>	<u>2,897,144</u>	<u>175,231</u>	<u>-</u>	<u>3,072,375</u>
Net Assets, End of Year	<u>\$2,352,955</u>	<u>\$ 351,052</u>	<u>\$ -</u>	<u>\$ 2,704,007</u>	<u>\$2,166,776</u>	<u>\$ 177,283</u>	<u>\$ -</u>	<u>\$ 2,344,059</u>

See notes to consolidating financial statements.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

CONSOLIDATING STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009			2008				
	COAF, Inc.	COAF Armenia	Eliminations	Consolidated Total	COAF, Inc.	COAF Armenia	Eliminations	Consolidated Total
Cash Flows From Operating Activities								
Increase (decrease) in net assets	\$ 186,179	\$ 173,769	\$ -	\$ 359,948	\$ (730,368)	\$ 2,052	\$ -	\$ (728,316)
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:								
Depreciation	618	18,102	-	18,720	191	18,594	-	18,785
Realized and unrealized gains (losses) on investments	(41,530)	-	-	(41,530)	288,238	-	-	288,238
Donated marketable securities	(337,866)	-	-	(337,866)	(539,731)	-	-	(539,731)
Currency loss	-	11,811	-	11,811	-	-	-	-
(Increase) decrease in:								
Unconditional promises to give	(72,518)	-	-	(72,518)	318,897	-	-	318,897
Prepaid expenses and other current assets	36,791	(31,163)	-	5,628	(29,264)	(9,935)	-	(39,199)
Increase (decrease) in accounts payable	(14,526)	(206,792)	-	(221,318)	18,611	37,601	-	56,212
Net Cash Provided (Used) By Operating Activities	<u>(242,852)</u>	<u>(34,273)</u>	<u>-</u>	<u>(277,125)</u>	<u>(673,426)</u>	<u>48,312</u>	<u>-</u>	<u>(625,114)</u>
Cash Flows From Investing Activities								
Sale of investments	1,585,462	-	-	1,585,462	523,035	-	-	523,035
Purchase of investments	(1,355,081)	-	-	(1,355,081)	-	-	-	-
Purchase of property and equipment	(2,121)	-	-	(2,121)	(1,148)	(15,406)	-	(16,554)
Net Cash Provided (Used) By Investing Activities	<u>228,260</u>	<u>-</u>	<u>-</u>	<u>228,260</u>	<u>521,887</u>	<u>(15,406)</u>	<u>-</u>	<u>506,481</u>
Cash Flows From Financing Activities								
Proceeds from (payments of) loan payable	-	(44,013)	-	(44,013)	-	44,013	-	44,013
Net increase (decrease) in cash and cash equivalents	(14,592)	(78,286)	-	(92,878)	(151,539)	76,919	-	(74,620)
Cash and cash equivalents, beginning of year	<u>1,622,227</u>	<u>191,152</u>	<u>-</u>	<u>1,813,379</u>	<u>1,773,766</u>	<u>114,233</u>	<u>-</u>	<u>1,887,999</u>
Cash and Cash Equivalents, End of Year	<u>\$1,607,635</u>	<u>\$ 112,866</u>	<u>\$ -</u>	<u>\$ 1,720,501</u>	<u>\$1,622,227</u>	<u>\$ 191,152</u>	<u>\$ -</u>	<u>\$ 1,813,379</u>

See notes to consolidating financial statements.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

Since its founding in 2000, Children of Armenia Fund, Inc. and Subsidiary (the "Fund") has worked to secure a future for children in Armenia's impoverished rural villages through improved education, health care, community life and economic conditions. At their core, the Fund's programs create and sustain opportunities for growth and progress. Partnerships with the United Nations Development Programme (UNDP), United States Agency for International Development (USAID) and the World Bank, along with other local and international organizations, have allowed the Fund to further leverage its resources and deliver on a highly efficient program in one of the most economically disadvantaged regions of the world.

Over the course of several years, the Fund's regional cluster has grown from one to ten villages as the model has evolved and become more effective. Programs are broad and include strategic activity in the areas of Education, Health, Child and Family Services, Community Engagement, Economic Development and Infrastructure Rehabilitation. The Fund's approach to development is holistic and comprehensive, rooted in the belief that long-term results can only be achieved through programs that address the unique issues facing each and every community. Each challenge is addressed from the ground up, working closely with local communities every step of the way.

While the Fund's programs are currently concentrated in rural Armenia, its innovative approach of addressing rural poverty can be applied in any impoverished region of the world. The Fund aspires to form alliances with organizations operating in other regions and to share its methodology in order to eradicate poverty, paving the way for peaceful resolutions to many of the regional conflicts that exist today.

In addition to managing its operations from its headquarters in New York City, the Fund operates through a local entity, Children of Armenia Fund ("COAF Armenia") in order to carry out the implementation of its programs directly on the ground in Armenia.

b - Principles of Consolidation

The accompanying consolidating financial statements include the accounts of Children of Armenia Fund, Inc. ("COAF USA") and COAF Armenia (Note 1a). All significant intercompany balances and transactions have been eliminated in consolidation.

c - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Fund considers money market funds and all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Investments

The Fund reflects investments at fair value in the statement of financial position. Unrealized gains and losses on investments are reflected in the statement of financial activities.

Fair value is an estimate of the exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (i.e., the exit price at the measurement date). Fair value measurements are not adjusted for transaction costs. The fair value hierarchy prioritizes inputs to valuation techniques used to measure fair value into three levels.

Unadjusted quoted prices in active markets for identical assets or liabilities are referred to as Level 1 inputs. Inputs other than quoted market prices that are observable, either directly or indirectly, and reasonably available are referred to as Level 2 inputs. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the assumptions developed by the Organization based on available information about what market participants would use in valuing the asset or liability and are referred to as Level 3.

An asset or liability's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Availability of observable inputs can vary and is affected by a variety of factors. Level 3 assets and liabilities involve greater judgment than Level 1 or Level 2 assets or liabilities.

Investments in a Canadian treasury bill at December 31, 2009 and marketable equity securities at December 31, 2008 are classified within Level 1 of the fair value hierarchy. Fair value is determined using quoted market values, which approximates cost.

The Fund's non-marketable investment (see Note 4) is classified within Level 3 of the fair value hierarchy because it trades infrequently (or not at all) and therefore has little or no readily available pricing. Unobservable inputs are used to measure fair value to the extent that observable inputs are not available.

For positions that are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability and such adjustments are generally based on available market information. In the absence of such evidence, management's best estimate is used.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

d - Investments (continued)

The value assigned to this investment and any unrealized gains or losses reported are based on available information and does not necessarily represent amounts that might be realized if a ready market existed and such differences could be material. The ultimate realization of such amounts depends on future events and circumstances and therefore, valuation estimates may differ from the value realized upon disposition of individual positions.

e - Unconditional Promises to Give and Contributions

Contributions are recognized when the donor makes a promise to give to the Fund that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the fiscal year in which the contributions are recognized. All other donor restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

f - Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the useful life of the related asset.

g - Financial Statement Presentation

The Fund is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

h - 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Tax Status

COAF USA is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation. COAF Armenia is subject to the laws of Armenia and has various information reporting requirements.

j - Subsequent Events

The Fund has evaluated subsequent events through July 30, 2010, the date that the financial statements are considered available to be issued.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 2 - Restriction on Net Assets

Temporarily restricted net assets are restricted for future periods and programs.

Note 3 - Concentration of Credit Risk

The Fund maintains its cash balances and investments in financial institutions located in New York, New York and Yerevan, Armenia. The cash and investment balances maintained in New York, at times, may exceed federally insured limits.

Note 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 in which the founder of the Fund is a minority shareholder. Founders Holdings, Inc. and its affiliate are holders of shares of Antigenics, Inc., a publicly traded company. The investment is reported at fair market value as determined by management (which is initially based upon the traded price of Antigenics, Inc. stock, appropriately discounted to reflect factors described in Note 1d), and does not necessarily represent the amounts which might ultimately be realized.

The following summarizes changes in fair value of the Fund's Level 3 non-marketable investment for the year ended December 31, 2009:

Balance, beginning of year	\$121,467
Unrealized gain	<u>36,370</u>
Balance, End of Year	<u>\$157,837</u>

Note 5 - Unconditional Promises to Give

Unconditional promises to give are due in less than one year. Uncollectible promises are expected to be insignificant.

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

Note 6 - Property and Equipment

Property and equipment consist of the following:

	<u>2009</u>	<u>2008</u>
Building and construction costs	\$ 60,239	\$ 60,239
Automobiles	54,500	54,500
Office equipment	<u>27,307</u>	<u>25,186</u>
	142,046	139,925
Less: Accumulated depreciation	(91,301)	(72,581)
Foreign currency loss	<u>(11,811)</u>	<u>-</u>
	<u>\$ 38,934</u>	<u>\$ 67,344</u>

Note 7 - Loan Payable

The loan payable at December 31, 2008 was a non-interest bearing advance from HEIFER International, which was repaid on April 8, 2009.

Note 8 - Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and its supporting services.

ADDITIONAL INFORMATION



LOTZ AND CARR

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**INDEPENDENT AUDITORS' REPORT ON
ADDITIONAL INFORMATION**

To the Board of Directors of
Children of Armenia Fund, Inc. and Subsidiary

Our report on our audits of the consolidating financial statements of Children of Armenia Fund, Inc. and Subsidiary for 2009 and 2008 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the consolidating financial statements taken as a whole. The Schedule of Functional Expenses of Children of Armenia Fund, Inc. for the year ended December 31, 2009 with comparative totals for 2008 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.

Lutz + Carr, LLP

New York, New York
July 30, 2010

CHILDREN OF ARMENIA FUND, INC. AND SUBSIDIARY

SCHEDULE OF FUNCTIONAL EXPENSES - CHILDREN OF ARMENIA FUND, INC.

YEAR ENDED DECEMBER 31, 2009 WITH COMPARATIVE TOTALS FOR 2008

	Program Services	Supporting Services			2009	2008 *
		Management and General	Fundraising	Total	Total Expenses	Total Expenses
Grants	\$ 899,126	\$ -	\$ -	\$ -	\$ 899,126	\$1,253,386
Salaries	-	-	-	-	-	52,500
Fringe benefits	-	-	-	-	-	5,396
Professional fees	-	23,633	-	23,633	23,633	36,541
Consultants	57,473	35,572	18,741	54,313	111,786	149,289
Travel	36,500	2,877	2,778	5,655	42,155	66,831
Office supplies	-	3,901	-	3,901	3,901	1,644
Telephone	115	629	-	629	744	6,441
Printing	5,903	950	6,510	7,460	13,363	36,692
Postage	-	3,070	104	3,174	3,174	12,451
Insurance	-	1,936	-	1,936	1,936	1,928
Bank and credit card fees	-	6,764	-	6,764	6,764	6,124
Other US administrative expenses	4,114	2,056	686	2,742	6,856	1,129
Event costs	253	-	35,987	35,987	36,240	72,049
Dues and subscriptions	-	2,960	328	3,288	3,288	3,412
Bad debt	-	-	-	-	-	14,200
Media and other program expenses	38,937	-	-	-	38,937	36,860
Depreciation	-	618	-	618	618	191
Total Expenses, 2009	<u>\$1,042,421</u>	<u>\$ 84,966</u>	<u>\$ 65,134</u>	<u>\$150,100</u>	<u>\$1,192,521</u>	
Total Expenses, 2008	<u>\$1,503,508</u>	<u>\$ 108,374</u>	<u>\$ 145,182</u>	<u>\$253,556</u>		<u>\$1,757,064</u>

* Certain amounts have been reclassified for comparative purposes.

See independent auditors' report on additional information.