

**INVISIBLE CHILDREN, INC.
FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008**

INVISIBLE CHILDREN, INC.

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To The Board of Directors
Invisible Children, Inc.
1620 Fifth Avenue, Suite 400
San Diego, CA 92101-2738

Independent Auditor's Report

We have audited the accompanying statements of financial position of Invisible Children, Inc. as of June 30, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits in accordance with generally accepted auditing standards of 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 misstatements. 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Invisible Children, Inc. as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles of the United States of America.

A handwritten signature in cursive script that reads 'Considine & Considine'.

CONSIDINE & CONSIDINE
An Accountancy Corporation

September 18, 2009

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INVISIBLE CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

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	2009	2008
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,078,034	\$ 1,943,003
Accounts Receivable	12,292	39,733
Pledges Receivable	153,737	345,620
Program Materials Inventory	194,571	196,598
Prepaid Expenses (Note 3)	83,295	41,696
	1,521,929	2,566,650
PROPERTY & EQUIPMENT (NOTE 4)	651,758	648,517
TOTAL ASSETS	2,173,687	3,215,167
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	337,743	187,167
Capital Leases - Current Portion (Note 6)	11,196	17,277
	348,939	204,444
LONG-TERM LIABILITIES		
Line of Credit (Note 5)	300,000	300,000
Capital Leases (Note 6)	-	11,196
	300,000	311,196
TOTAL LIABILITIES	648,939	515,640
COMMITMENTS (NOTE 7)		
NET ASSETS (NOTE 8)		
Unrestricted	105,070	674,542
Temporarily Restricted	1,419,678	2,024,985
	1,524,748	2,699,527
TOTAL LIABILITIES AND NET ASSETS	\$ 2,173,687	\$ 3,215,167

See Accompanying Notes

INVISIBLE CHILDREN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Program Material Revenue	\$ 2,389,697	\$ -	\$ -	\$ 2,389,697
General Donations	2,081,860	-	-	2,081,860
Schools 4 Schools	-	1,535,897	-	1,535,897
Grants	-	1,203,000	-	1,203,000
Direct Support	-	355,437	-	355,437
Better World Books Revenue	251,654	-	-	251,654
Interest Income	18,331	-	-	18,331
Fundraising Event Sales	8,735	-	-	8,735
Funds Released from Restriction	3,699,641	(3,699,641)	-	-
	<u>8,449,918</u>	<u>(605,307)</u>	<u>-</u>	<u>7,844,611</u>
FUNCTIONAL ALLOCATION OF EXPENSES				
Program	7,695,159	-	-	7,695,159
General and Management	1,007,081	-	-	1,007,081
Development	317,150	-	-	317,150
	<u>9,019,390</u>	<u>-</u>	<u>-</u>	<u>9,019,390</u>
CHANGE IN NET ASSETS	(569,472)	(605,307)	-	(1,174,779)
NET ASSETS - BEGINNING OF YEAR	674,542	2,024,985	-	2,699,527
NET ASSETS - END OF YEAR	<u>\$ 105,070</u>	<u>\$ 1,419,678</u>	<u>\$ -</u>	<u>\$ 1,524,748</u>

See Accompanying Notes

INVISIBLE CHILDREN, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
General Donations	\$ 2,266,902	\$ -	\$ -	\$ 2,266,902
Program Material Revenue	1,976,404	-	-	1,976,404
Schools 4 Schools	-	1,776,953	-	1,776,953
Grants	-	1,115,700	-	1,115,700
Direct Support	-	195,924	-	195,924
Interest Income	45,326	-	-	45,326
Funds Released from Restriction	2,197,110	(2,197,110)	-	-
	<u>6,485,742</u>	<u>891,467</u>	<u>-</u>	<u>7,377,209</u>
FUNCTIONAL ALLOCATION OF EXPENSES				
Program	5,936,755	-	-	5,936,755
General and Management	975,978	-	-	975,978
Development	153,268	-	-	153,268
	<u>7,066,001</u>	<u>-</u>	<u>-</u>	<u>7,066,001</u>
CHANGE IN NET ASSETS	(580,259)	891,467	-	311,208
NET ASSETS - BEGINNING OF YEAR	1,254,801	1,133,518	-	2,388,319
NET ASSETS - END OF YEAR	<u>\$ 674,542</u>	<u>\$ 2,024,985</u>	<u>\$ -</u>	<u>\$ 2,699,527</u>

See Accompanying Notes

INVISIBLE CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009

	PROGRAM	GENERAL AND MANAGEMENT	DEVELOPMENT	TOTAL
EXPENSES				
Compensation Costs	\$ 1,478,088	\$ 371,224	\$ 60,644	\$ 1,909,956
Direct Services	2,972,283	-	-	2,972,283
Direct Support Expense	190,344	1,190	700	192,234
Entertainment	6,762	2,367	906	10,035
Fees and Licenses	75,159	135,214	2,460	212,833
Film Costs	76,763	-	8,529	85,292
Insurance	90,126	51,326	8,308	149,760
Interest	4,993	-	555	5,548
Loss on Disposal of Asset	5,360	-	-	5,360
Office	48,776	31,365	830	80,971
Postage	80,220	169,174	12,420	261,814
Production Cost	975,534	-	-	975,534
Professional Services	294,890	42,950	79,252	417,092
Program Communication	140,973	18,314	27,843	187,130
Program Supplies	212,461	14,074	272	226,807
Rent	152,992	95,907	31,083	279,982
Travel and Transportation	689,463	19,471	52,931	761,865
Utilities	28,605	54,505	11,377	94,487
TOTAL EXPENSES BEFORE DEPRECIATION	7,523,792	1,007,081	298,110	8,828,983
Depreciation	171,367	-	19,040	190,407
TOTAL EXPENSES	\$ 7,695,159	\$ 1,007,081	\$ 317,150	\$ 9,019,390

See Accompanying Notes

INVISIBLE CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	PROGRAM	GENERAL AND MANAGEMENT	DEVELOPMENT	TOTAL
EXPENSES				
Compensation Costs	\$ 1,396,670	\$ 428,422	\$ 110,401	\$ 1,935,493
Direct Services	2,418,887	-	-	2,418,887
Direct Support Expense	90,359	32,693	-	123,052
Entertainment	10,108	540	2,404	13,052
Fees and Licenses	6,859	109,586	-	116,445
Film Costs	56,430	-	6,270	62,700
Insurance	91,218	65,624	-	156,842
Interest	1,238	-	137	1,375
Office	55,677	26,112	-	81,789
Postage	8,844	136,651	855	146,350
Production Cost	458,377	-	-	458,377
Professional Services	247,950	21,065	-	269,015
Program Communication	76,653	26,547	3,106	106,306
Program Supplies	53,292	13,978	-	67,270
Rent	148,671	36,962	-	185,633
Travel and Transportation	658,841	19,611	15,097	693,549
Utilities	21,696	58,187	-	79,883
TOTAL EXPENSES BEFORE DEPRECIATION	5,801,770	975,978	138,270	6,916,018
Depreciation	134,985	-	14,998	149,983
TOTAL EXPENSES	\$ 5,936,755	\$ 975,978	\$ 153,268	\$ 7,066,001

See Accompanying Notes

INVISIBLE CHILDREN, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

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	2009	2008
CASH FLOWS (USED)/PROVIDED BY OPERATING ACTIVITIES		
(Decrease)/Increase in Net Assets	\$ (1,174,779)	\$ 311,208
ADJUSTMENTS TO RECONCILE (DECREASE)/INCREASE IN NET ASSETS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Depreciation	190,407	149,983
Loss on Sale of Asset	5,360	-
Decrease/(Increase) in Accounts Receivable	27,441	(27,526)
Decrease/(Increase) in Pledges Receivable	191,883	(309,002)
Decrease/(Increase) in Inventory	2,027	(40,361)
Increase in Prepaid Expenses	(41,598)	(4,290)
Increase in Accounts Payable and Accrued Expenses	150,575	73,655
	(526,095)	157,541
NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	(648,684)	153,667
CASH FLOWS (USED)/PROVIDED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(199,008)	(277,983)
Investment in Mutual Funds	-	600,000
	(199,008)	322,017
CASH FLOWS (USED)/PROVIDED BY FINANCING ACTIVITIES		
Borrowings on Line of Credit	-	300,000
Principal Payments on Capital Leases	(17,277)	(21,770)
	(17,277)	278,230
NET (DECREASE)/INCREASE IN CASH	(864,969)	753,914
CASH, BEGINNING OF YEAR	1,943,003	1,189,089
CASH, ENDING OF YEAR	\$ 1,078,034	\$ 1,943,003
SUPPLEMENTAL DISCLOSURES		
Interest Paid	\$ 5,547	\$ 1,375
Taxes Paid	\$ -	\$ -

See Accompanying Notes

INVISIBLE CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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NOTE 1 ORGANIZATION

Invisible Children, Inc. is a California nonprofit corporation, formed September 9, 2004. The Organization is classified by the Internal Revenue Service as a tax-exempt 501 (c)(3) organization and is recognized as a public charity rather than a private foundation. It is the vision of Invisible Children to change culture, policy, and lives through collisions of power and poverty. Invisible Children's programs in the United States include production of a feature version of Invisible Children, a National Tour, the Schools 4 Schools Program, the Rescue International National Awareness Event, and a grassroots awareness campaign. The Organization's programs in Uganda include an Education Campaign, the implementation of Schools 4 Schools funds raised, and micro-economic programs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported in compliance with Financial Accounting Standards Board.

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

The Organization maintains its cash accounts at two national commercial banks and one financial investment company, which at times exceed the federally insured deposit limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant risk on cash.

Inventory - Inventory consists of program materials and is valued at lower of cost or market, determined using the first in, first out method. Management has determined the allowance for obsolete inventory to be \$0 at June 30, 2009 and 2008.

INVISIBLE CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable - Accounts receivable consist of receivables on sales of merchandise.

Pledges Receivable - Pledges receivable consist of unconditional promises to give, which are recorded at the net realizable value at the time the promises are received. Included in pledges receivable are website donations and receivables from a collaboration with Better World Books. All pledges receivable are expected to be collected within one year. Pledges receivable related to website donations that are deposited bi-monthly totaled approximately \$54,000 and \$37,000 as of June 30, 2009 and 2008, respectively.

Management assesses the collectability of all accounts and pledges receivable at the close of each period and records an allowance for doubtful accounts based on specific identification. Management has determined Accounts Receivable and Pledges Receivable allowance for doubtful accounts to be \$0 at June 30, 2009 and 2008.

Prepaid Expenses - Expense items of a nature which will benefit future periods are charged to the prepaid expense account and are amortized over actual periods benefited.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of five to seven years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Donor Imposed Restrictions - All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

INVISIBLE CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition - Revenue is recognized when earned, which may be when cash is received, unconditional promises made, in-kind donations received or services rendered. The Organization records in-kind donations at fair value at the date of the donation.

Donated Services - The Organization recognizes the value of donated services by recording the services at their fair value. All donated services recognized must create a non-financial asset or must require specialized skills that would have been purchased if they were not donated. During the years ending June 30, 2009 and 2008, the Organization had many individuals volunteer substantial time and effort in order to perform a variety of tasks in the United States and Africa to assist the Organization in its mission. However, these services do not meet the criteria for recognition as contributed services.

Production and Film Costs - Costs related to the production of a documentary to raise awareness are being expensed as incurred.

Income Taxes - Invisible Children is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Therefore, no provision has been made for federal income taxes in the accompanying financial statements.

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications - Certain reclassifications have been made to the June 30, 2008 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

INVISIBLE CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 PREPAID EXPENSES

Prepaid expenses consists of:

	2009	2008
Insurance	\$ 32,002	\$ 21,664
Security Deposit	22,647	-
Rent	21,796	15,771
Other	6,850	4,261
	\$ 83,295	\$ 41,696

NOTE 4 PROPERTY AND EQUIPMENT

Major categories of property and equipment are summarized as follows:

	2009	2008
Computer Equipment	\$ 651,569	\$ 600,912
Transportation Equipment	220,053	126,660
Video and Camera Equipment	168,289	154,493
Furniture and Fixtures	40,058	8,737
	1,079,969	890,802
Accumulated Depreciation	(428,211)	(242,285)
	\$ 651,758	\$ 648,517

NOTE 5 LINE OF CREDIT

The Organization has a line of credit for \$300,000 with Wells Fargo Bank. The monthly payment is interest only with interest at prime plus one percent as published in the "Money Rates" section of the Western Edition of the Wall Street Journal. The rates at June 30, 2009 and 2008 were 5% and 7.75%, respectively. The line matures in August 2009 and is secured by general business property. As of June 30, 2009 and 2008, the Organization had \$300,000 drawn against the line.

INVISIBLE CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 6 CAPITAL LEASES

The Organization has two non-cancellable leases that are recorded as capital leases. A third capital lease matured during the year ending June 30, 2009. The leases are for computers and computer accessories. Included in property and equipment on the accompanying statements of financial position as of June 30, 2009 and 2008 is equipment acquired under these capital leases with capitalized costs of \$51,193 and \$66,679, less accumulated depreciation of \$24,252 and \$23,304, respectively. Interest expense on the outstanding obligations under the capital leases was \$699 and \$1,375 for the years ended June 30, 2009 and 2008, respectively.

Capital Leases consists of the following:

	2009	2008
Apple Financial Services		
Principal & Interest payments of \$356 per month; 3.57% interest Due September, 2009	\$ 1,063	\$ 5,219
Apple Financial Services		
Principal & Interest payments of \$1,142 per month; 3.36% interest Due March, 2010	10,133	23,254
	11,196	28,473
Less: Current Portion	(11,196)	(17,277)
	\$ -	\$ 11,196

Minimum future obligations on the capital leases for the year ended June 30 are as follows:

	2009	\$ 11,345
Less: Amount Representing Interest		(149)
		\$ 11,196

INVISIBLE CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 7 COMMITMENTS

In January 2009, the Organization entered into an agreement to lease office space. The lease is non-cancelable and expires in January 2011.

In July 2009, the Organization entered into two 6 month non-cancelable leases for residential property.

The Organization leases a residential property on a month-to-month basis.

Minimum future payments under the non-cancelable leases for the years ended June 30 are approximately as follows:

	2010	\$ 287,436
	2011	143,718
		\$ 431,154

The total rent expense for the years ended June 30, 2009 and 2008 was \$279,983 and \$185,409, respectively.

NOTE 8 NET ASSETS

Net assets consists of the following at June 30, 2009 and 2008:

	2009	2008
Unrestricted	\$ 105,070	\$ 674,542
Temporarily Restricted:		
Schools 4 Schools	1,419,678	1,657,703
Grants	-	367,282
	1,419,678	2,024,985
Total Net Assets	\$ 1,524,748	\$ 2,699,527

Schools 4 Schools campaign consist of funds raised for the purpose of rebuilding schools in Northern Uganda.

Grants consist of funds primarily received from private foundations and individuals for the purpose specified by the donor.