

JEWELERS FOR CHILDREN

TABLE OF CONTENTS

INDEPENDENT AUDITORS' REPORT	1
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5-10

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Jewelers for Children

We have audited the accompanying statements of financial position of Jewelers for Children (a nonprofit organization) as of September 30, 2010 and 2009, and the related statements of activities, 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 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 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 audit provides 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 Jewelers for Children as of September 30, 2010 and 2009, and the related statement of activities, functional expenses and cash flows for the years then ended in conformity with the accounting principles generally accepted in the United States of America.

Kringsberg Wolf & Co.P.C.

New York, New York
October 28, 2010

JEWELERS FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30,

	2010	2009
Assets		
Current assts:		
Cash and cash equivalents	\$ 145,152	\$ 1,794,787
Investments at fair value	400,426	398,628
Unconditional promises to give (net of allowance for doubtful accounts of \$7,500 and \$7,500 for 2010 and 2009 respectively)	377,885	15,350
Prepaid expenses and other current assets	2,539	1,347
	926,002	2,210,112
Capitalized software (net of amortization of \$12,935 and \$9,240 for 2010 and 2009, respectively)	5,544	9,240
Total Assets	\$ 931,546	\$ 2,219,352
Liabilities and Net Assets		
Current liabilities:		
Accrued payroll	\$ 79,608	\$ 78,303
Accrued expenses	25,194	25,219
Grants Payable	455,000	1,740,000
Total Liabilities	559,802	1,843,522
Net Assets:		
Unrestricted	371,744	375,830
Total Liabilities and Net Assets	\$ 931,546	\$ 2,219,352

See accompanying notes to financial statements.

JEWELERS FOR CHILDREN
STATEMENTS OF ACTIVITIES AND FUNCTIONAL EXPENSES
(UNRESTRICTED)
FOR THE YEARS ENDED SEPTEMBER 30,

	2010	2009
Support and revenue:		
Special event	\$ 3,403,696	\$ 2,211,836
Less: cost of direct benefit to donors	558,315	529,064
Net revenue from the special event	2,845,381	1,682,772
Contributions and other fundraising activities	696,190	525,982
Investment income	2,792	7,269
Donated items, non-cash income (net of \$209,038 and \$326,023 for 2010 and 2009, respectively)	27,143	25,848
Total support and revenue	3,571,506	2,241,871
Functional Expenses:		
Program service expenses		
Grants:		
National CASA	600,000	500,000
St. Jude Children's Research Hospital	600,000	500,000
Make-A-Wish of America	600,000	225,000
Elizabeth Glaser Pediatric AIDS and Research Foundation	530,000	225,000
Autism Speaks	508,520	225,000
Save the Children	64,650	-
Make-A-Wish International	50,000	25,000
American Red Cross	30,000	-
Direct Relief International	30,000	-
Santa America	25,000	25,000
Juvenile Diabetes Research Fund	-	25,000
Total program expenses	3,038,170	1,750,000
Fundraising expenses:		
Advertising and marketing expense	8,663	8,319
Equipment rental	2,150	5,936
Special programs	31,939	39,192
Total fundraising expenses	42,752	53,447
Administrative expenses:		
Salaries	282,233	280,363
Rent	27,143	50,848
Professional fees	66,470	33,889
Payroll taxes and fringe benefits	29,340	29,504
Bad debt expense	7,600	4,756
Postage and shipping	14,776	11,109
Pension expense	14,630	12,128
Office	18,655	11,441
Travel	10,766	11,061
Credit card and bank charges	14,256	10,060
Telephone	3,959	4,161
Amortization	3,696	3,696
Insurance	2,944	3,084
Unrealized (gain) loss in investments	(1,798)	1,120
Total administrative expenses	494,670	467,220
Total functional expenses	3,575,592	2,270,667
Change in net assets	(4,086)	(28,796)
Net assets, beginning of year	375,830	404,626
Net assets, end of year	\$ 371,744	\$ 375,830

See accompanying notes to financial statements

**JEWELERS FOR CHILDREN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30,**

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (4,086)	\$ (28,796)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Amortization	3,696	3,696
Provision for doubtful accounts	-	(5,445)
Unrealized (gain) loss in investments	(1,798)	1,120
Changes in operating assets and liabilities:		
(Increase) decrease in unconditional promises to give	(362,535)	236,042
(Increase) decrease in prepaid expenses	(1,192)	12,807
Increase (decrease) in accrued payroll	1,306	(39,702)
(Decrease) in accrued expenses	(26)	(12,839)
(Decrease) increase in grants payable	<u>(1,285,000)</u>	<u>1,090,000</u>
Net cash (used in) provided by operating activities	<u>(1,649,635)</u>	<u>1,256,883</u>
 Cash flows from investing activities:		
Purchase of investments	(400,000)	(1,273,000)
Proceeds from sale of investments	<u>400,000</u>	<u>1,073,000</u>
Net cash (used in) investing activities	<u>-</u>	<u>(200,000)</u>
 Net (decrease) increase in cash and cash equivalents	(1,649,635)	1,056,883
 Cash and cash equivalents, beginning of year	<u>1,794,787</u>	<u>737,904</u>
 Cash and cash equivalents, end of year	<u>\$ 145,152</u>	<u>\$ 1,794,787</u>
 Supplemental disclosures of cash flow information:		
Interest Expense Paid	<u>\$ -</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities:

Jewelers for Children (the "Organization") was incorporated on March 24, 1993. The Organization was formed by the manufacturers and retailers in the jewelry industry to hold an annual dinner dance ("special event") and other fundraising activities with the net proceeds donated to worthy 501(c) (3) charities.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation:

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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.

Cash and Cash Equivalents:

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE 1 -**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)****Fair value of financial instruments:**

Fair value of financial instruments requires disclosures of the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the statement of financial position of the Organization, for which it is practicable to estimate fair value. The Organization has a number of financial instruments, including cash, investments, receivables, and payables. The Organization estimates that the fair value of all financial instruments at September 30, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of amounts the Organization could realize in a current market exchange.

Contributions:

The Organization receives substantially all of its support and revenue from the special event. The special event is an annual dinner dance held in June in Las Vegas that is primarily attended by manufacturers, trade association representatives, and retailers in the jewelry industry. The net proceeds from the special event and other fundraising activities are donated to charities.

The Organization also makes annual pledges to charities. Generally, all contributions raised flow through the Organization to fund the operations and then the Organization donates the net proceeds to the charities.

Contributions are recognized when received or pledged. Special event income is recognized when earned. All contributions and income are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization has also adopted SFAS No., 116, "Accounting for Contributions Received and Contributions Made." The Organization has received contributions with donor-imposed restrictions that result in permanently restricted net assets.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their fair values at the date of donation.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect the reported amounts 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. Actual results could differ from those estimates.

Concentration of Credit Risk:

Financial instruments which potentially subject the Organization to a concentration of credit risk are cash and investments which are maintained with a major financial institution and are in excess of FDIC insurance limits. This financial institution has a strong credit rating and management believes that credit risk related to these accounts is minimal.

Investments:

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Promises to Give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Amortization:

Computer software is stated at cost. The cost of the software is charged against income over the estimated useful life, using the straight line method of depreciation. Repairs and maintenance, which are not considered betterments and do not extend the useful life of property and equipment, are charged to expense as incurred.

NOTE - 2 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give at September 30, 2010 relate to unconditional pledges from donors for the 2010 "Special Event". As of October 26, 2010, approximately \$103,885 of this amount was collected.

NOTE - 3 PROGRAM SERVICES AND GRANTS PAYABLE

Grants payable consist of amounts pledged, but not paid. In fiscal 2009, the partners include the Make-A-Wish Foundation of America, the St. Jude Children's Research Hospital, the National CASA Association, the Elizabeth Glaser Pediatric AIDS Foundation, the Santa-America Fund, the Juvenile Diabetes Research Foundation, the Autism Speaks, and the Make-A-Wish Foundation International with grants payable in the amount of \$225,000, \$500,000, \$500,000, \$225,000, \$15,000, \$25,000, \$225,000, and \$25,000, respectively. In fiscal 2010, the partners include the Make-A-Wish Foundation of America, the St. Jude Children's Research Hospital, the National CASA Association, the Elizabeth Glaser Pediatric AIDS Foundation, the Santa-America Fund, and the Make-A-Wish Foundation International with grants payable in the amount of \$100,000, \$100,000, \$100,000, \$80,000, \$25,000, and \$50,000, respectively.

NOTE - 4 PASS-THROUGH CONTRIBUTIONS

In 2010, Zale Corporation raised money directly for Autism Speaks. The contributions that Zale Corporation raised were passed through the Organization so that both were recognized as making contributions to Autism Speaks. The contributions that were made to Autism Speaks included \$508,520.

NOTE - 5 DONATED SERVICES AND MATERIALS

The Organization receives donated services from unpaid volunteers who assist in fundraising and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition under Statement of Financial Accounting Standards ("SFAS") No. 116, "Accounting for Contributions Received and Contributions Made," have not been satisfied.

The Organization receives donated materials that are used as prizes for raffles, as part of their fundraising activities. Donated materials have been recognized as net revenue in the Statement of Activities. The estimated fair market value of the materials received in 2010 and 2009 was \$236,181 and \$376,871, respectively. Total donated items, non-cash, of \$236,181 are recorded as follows in 2010: \$209,038 in fundraising and \$27,143 for the use of office space. Total donated items, non-cash, of \$376,871 are recorded as follows in 2009: \$326,023 in fundraising and \$50,848 for the use of office space. The use of office space is recorded in management and general expenses in both 2010 and 2009 as \$27,143 and \$50,848, respectively.

NOTE - 6 TAX STATUS

The Organization was incorporated in the State of New York and is exempt from Federal and state income taxes under Section 501 (c) (3) of the Internal Revenue Code and has been classified as a "charitable organization". Therefore, the Organization has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended September 30, 2010 and 2009.

NOTE - 7 PENSION EXPENSE

The Organization has a 401k plan in which substantially all of the employees of the Company are eligible to participate and participation in the plan is voluntary. Eligible employees may contribute into employee directed investments up to amounts allowed under the Internal Revenue Code. The Company provides participants of the plan with a mandatory matching contribution to meet safe harbor provisions.

NOTE - 7

**PENSION EXPENSE
(continued)**

In addition, the Organization has a defined contribution plan in which discretionary contributions are made on an annual basis. Pension expense for the years ended September 30, 2010 and 2009 was \$14,630 and \$12,128, respectively.