

FEEDING HUNGRY CHILDREN, INC.

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT*

September 30, 2009 and 2008

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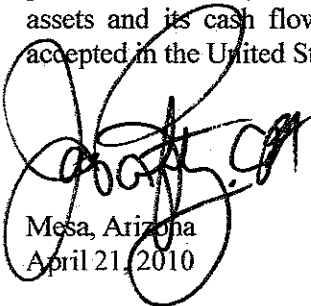
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feeding Hungry Children, Inc.
Peoria, Arizona

I have audited the accompanying statements of financial position of Feeding Hungry Children, Inc., (an Arizona nonprofit organization) as of September 30, 2009 and 2008 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. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

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



Mesa, Arizona
April 21, 2010

FEEDING HUNGRY CHILDREN, INC.
STATEMENTS OF FINANCIAL POSITION
September 30,

ASSETS

	2009	2008
<i>Current Assets</i>		
Cash	\$ 12,764	\$ 27,845
Pledges receivable, net	24,881	24,889
	37,645	52,734
 <i>Property and Equipment, Net</i>		
Equipment, furniture and fixtures	70	105
	\$ 37,715	\$ 52,839

NET ASSETS

<i>Net Assets - Unrestricted</i>	\$ 37,715	\$ 52,839
	\$ 37,715	\$ 52,839

See accompanying notes to the financial statements

FEEDING HUNGRY CHILDREN, INC.
STATEMENTS OF ACTIVITIES
Years Ended September 30,

	2009	2008
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 1,523,667	\$ 582,729
Contributions	42,600	42,121
Total Unrestricted Support	1,566,267	624,850
<i>Expenses</i>		
Program services	1,572,698	634,847
Management services	5,034	2,101
Fundraising	3,659	1,379
Total Expenses	1,581,391	638,327
(Decrease) in Net Assets	(15,124)	(13,477)
<i>Net Assets, beginning of year</i>	52,839	66,316
<i>Net Assets, end of year</i>	\$ 37,715	\$ 52,839

See accompanying notes to the financial statements

FEEDING HUNGRY CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2009

	Program Services	Supporting Services		Total
		Management	Fundraising	
Gifts-in-kind	\$ 1,523,667	\$ -	\$ -	\$ 1,523,667
Program support	36,500	-	-	36,500
Accounting	3,552	3,551	3,659	10,762
Program development	5,400	600	-	6,000
Legal fees	1,316	329	-	1,645
Website maintenance	879	220	-	1,099
Supplies	612	153	-	765
Telephone	447	112	-	559
Postage	179	45	-	224
Bank fees	90	10	-	100
Depreciation	28	7	-	35
Licenses and fees	28	7	-	35
	<u>\$ 1,572,698</u>	<u>\$ 5,034</u>	<u>\$ 3,659</u>	<u>\$ 1,581,391</u>

See accompanying notes to the financial statements

FEEDING HUNGRY CHILDREN, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2008

	Program Services	Supporting Services		Total
		Management	Fundraising	
Gifts-in-kind	\$ 582,732	\$ -	\$ -	\$ 582,732
Program support	47,711	-	-	47,711
Accounting	1,338	1,338	1,379	4,055
Supplies	1,029	257	-	1,286
Travel, conferences and meetings	889	222	-	1,111
Professional fees	800	200	-	1,000
Telephone	206	52	-	258
Licenses and fees	91	23	-	114
Depreciation	28	7	-	35
Program development	23	3	-	25
	<u>\$ 634,847</u>	<u>\$ 2,101</u>	<u>\$ 1,379</u>	<u>\$ 638,327</u>

See accompanying notes to the financial statements

FEEDING HUNGRY CHILDREN, INC.*STATEMENTS OF CASH FLOWS*

Years Ended September 30,

	<u>2009</u>	<u>2008</u>
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 42,608	\$ 59,078
Cash paid to suppliers	<u>(57,689)</u>	<u>(55,563)</u>
Net Cash (Used) Provided By Operating Activities	<u>(15,081)</u>	<u>3,515</u>
<i>Net (Decrease) Increase in Cash and Cash Equivalents</i>	(15,081)	3,515
<i>Beginning Cash and Cash Equivalents</i>	<u>27,845</u>	<u>24,330</u>
<i>Ending Cash and Cash Equivalents</i>	<u><u>\$ 12,764</u></u>	<u><u>\$ 27,845</u></u>
<i>Reconciliation of Changes in Net Assets to Net Cash (Used) by Operating Activities:</i>		
(Decrease) in net assets	\$ (15,124)	\$ (13,477)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35	35
Decrease in operating assets		
Pledges receivable	<u>8</u>	<u>16,957</u>
<i>Net Cash (Used) Provided By Operating Activities</i>	<u><u>\$ (15,081)</u></u>	<u><u>\$ 3,515</u></u>

See accompanying notes to the financial statements

FEEDING HUNGRY CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization reports in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations. The Organization reports adhere to the following accounting policies:

Corporate Organization

Feeding Hungry Children, Inc. (FHC), formerly known as Christian Children's Education Fund, Inc. (CCEF), is a nonprofit organization incorporated September 12, 2000 in the State of Arizona. The organization changed its name from Christian Children's Education Fund to Feeding Hungry Children, Inc. in a May 2008 amendment to the Articles of Incorporation, filed by the Arizona Corporation Commission in July 2008. The Organization is a human health and welfare organization whose major sectors of involvement are child education projects; providing tuition scholarships to children in disadvantaged communities; emergency food and medical assistance; providing clothing food and medical help to deprived children.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its statement of Accounting Standards Codification (ASC). Under the Standards for the Financial Statements of Not-For-Profit Organizations 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. The Organization had no temporary or permanently restricted net assets to date.

Fair Value of Financial Instruments

The following methods and assumptions were used by Feeding Hungry Children, Inc. in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Pledges Receivable: Receivables are carried at net realizable value, which equals the principal outstanding less an allowance for uncollectible balances and the costs of collecting accounts.

The estimated fair values of Feeding Hungry Children, Inc. financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 12,764	\$ 12,764
Pledges Receivable	\$ 24,881	\$ 24,881

The Organization estimates that the fair value of all financial instruments at September 30, 2009, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statements of Financial Position.

FEEDING HUNGRY CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue and Support Recognition

Support restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues of the current restricted fund when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expended are reported as temporarily restricted deferred revenue.

The Organization recognizes pledges as revenue under FASB ASC Not-For-Profit Entities: Revenue Recognition. Under FASB ASC the standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Basis of Accounting

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

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Income Taxes

The Organization is a public charity, nonprofit organization as defined in the Internal Revenue Code Section 501(c)(3) and is therefore exempt from federal and state income taxes.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting policies requires management to make estimates and 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 reported period. Actual results could differ from those estimates.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost. Depreciation is computed using primarily straight line method.

FEEDING HUNGRY CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Functional Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statements of activity. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by Feeding Hungry Children, Inc.'s management.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 21, 2010.

Fair Value Measurement

The Organization measures the fair value of Gift in Kind revenues and expenses in accordance with FASB ASC, Fair Value Measurements and Disclosures. The standard provides a hierarchy for prioritizing inputs to valuation techniques: level 1 inputs are unadjusted quoted prices in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Feeding Hungry Children, Inc.'s gift in kind revenue and expenses as of September 30, 2009 and 2008 were measured at a wholesale fair value of \$1,523,667 and \$582,729, respectively, using level 3 inputs obtained from independent studies.

Gifts in Kind

The Organization records humanitarian donations of food, clothing and misc. materials in accordance with industry standards developed by the Association of Evangelical Relief and Development Organizations, which is in accordance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as Organization distributes the goods for charitable purposes. All such donations are reported as increases in unrestricted net assets as the donor has not restricted the donated asset to a specific purpose and has given the Organization unilateral power to redirect the goods to another beneficiary. Donated materials for September 30, 2009 and 2008 were \$1,523,667 and \$582,729, respectively.

During the years ended September 30, 2009 and 2008 Feeding Hungry Children, Inc. distributed approximately 1,015,778 and 959,451 pounds of donated food, respectively, to member agencies (and other food banks). The distributed food is valued at \$1.50 per pound, which amounts to \$1,523,667 and \$582,729, respectively. The Organization did not have any donated food on hand at September 30, 2009 and 2008

FEEDING HUNGRY CHILDREN, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE B – PLEDGES RECEIVABLE

Pledges receivable consisted of the following for the years ended September 30,

	<u>2009</u>	<u>2008</u>
Federated campaign pledges	\$ 33,175	\$ 33,185
Less 25% shrinkage	<u>(8,294)</u>	<u>(8,296)</u>
	<u>\$ 24,881</u>	<u>\$ 24,889</u>

The allowance for shrinkage is an estimate based on historical performance, federation estimates and projection of trends.

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment at September 30, consisted of the following:

	<u>2009</u>	<u>2008</u>
Equipment, Furniture & Fixtures	\$ 4,106	\$ 4,106
Less Accumulated Depreciation	<u>(4,036)</u>	<u>(4,001)</u>
	<u>\$ 70</u>	<u>\$ 105</u>

Depreciation expense for the years ended September 30, 2009 and 2008 was \$35 and \$35, respectively.

NOTE D – CONCENTRATIONS

Feeding Hungry Children, Inc. received approximately 97% and 100% of their cash support in 2009 and 2008, respectively, from federated campaign contributions. If this support does not continue in the future, there might be substantial doubt about the Organization's ability to continue as a going concern. Management believes this support will continue in the future, and if not the support can be replaced from other sources. Total cash contributions received from this entity in 2009 and 2008 were \$41,496 and \$41,921, respectively.

The Organization received 100% and 66% of their gift-in-kind contributions in 2009 and 2008 from a single non-profit entity. If this support does not continue in the future, there might be substantial doubt about the Organization's ability to continue as a going concern. Management believes this support will continue in the future, and if not the support can be replaced from other sources. Total gift-in-kind contributions received from this entity in 2009 and 2008 were \$1,523,667 and \$381,719, respectively.

NOTE E – SIGNIFICANT ACCOUNTING ESTIMATES

The Organization participates in the Combined Federal Campaign (CFC) in which federal employees are eligible to participate by selecting one or more charitable organizations to receive donations as a payroll deduction from the employee's compensation. The amount of pledges to eventually be collected is an estimate. The Organization estimates shrinkage of approximately 25% from what was pledged to what is eventually collected. Based on the history of the Organization and CFC, management believes this reduction reasonably states the true net value of what it will receive. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional adjustments that is possible.