

FEEDING AMERICA'S HUNGRY CHILDREN

*FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT*

September 30, 2007 and 2006

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James E. Raftery, CPA, PC

606 N. Stapley Drive
Mesa, Arizona 85203

(480) 835-1040
FAX (480) 835-8832

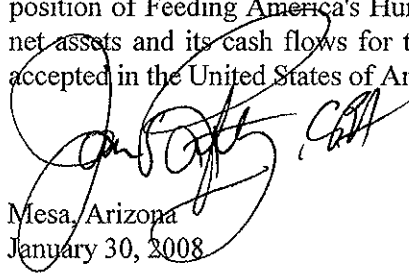
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feeding America's Hungry Children
Peoria, Arizona

I have audited the accompanying statements of financial position of Feeding America's Hungry Children, (an Arizona nonprofit organization) as of September 30, 2007 and 2006 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 America's Hungry Children as of September 30, 2007 and 2006 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
January 30, 2008

FEEDING AMERICA'S HUNGRY CHILDREN
STATEMENTS OF FINANCIAL POSITION
September 30,

ASSETS

	<u>2007</u>	<u>2006</u>
<i>Current Assets</i>		
Cash	\$ 65,952	\$ 30,309
Pledges receivable, net	<u>218,167</u>	<u>182,905</u>
 Total Current Assets	 <u>\$ 284,119</u>	 <u>\$ 213,214</u>

LIABILITIES AND NET ASSETS

<i>Liabilities</i> - Accounts Payable	\$ 3,200	\$ -
 <i>Net Assets</i> - Unrestricted	 <u>280,919</u>	 <u>213,214</u>
	 <u>\$ 284,119</u>	 <u>\$ 213,214</u>

See accompanying notes to the financial statements

FEEDING AMERICA'S HUNGRY CHILDREN
STATEMENTS OF ACTIVITIES
Years ended September 30,

	<u>2007</u>	<u>2006</u>
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 828,649	\$ 1,046,670
Contributions	330,454	334,675
	<hr/>	<hr/>
Total Support	1,159,103	1,381,345
 <i>Expenses</i>		
Program services	1,073,209	1,282,856
Management services	3,913	765
Fundraising services	14,276	653
	<hr/>	<hr/>
Total Expenses	1,091,398	1,284,274
 Increase in Net Assets	67,705	97,071
 <i>Net Assets, beginning of year</i>	<hr/>	<hr/>
	213,214	116,143
 <i>Net Assets, end of year</i>	<hr/> <hr/>	<hr/> <hr/>
	\$ 280,919	\$ 213,214

See accompanying notes to the financial statements

FEEDING AMERICA'S HUNGRY CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2007

	Program Services	Management	Fundraising	Totals
Gifts-in-kind	\$ 828,649	\$ -	\$ -	\$ 828,649
Program support	225,664	-	-	225,664
Advertising	-	-	12,885	12,885
Program development	5,200	1,300	-	6,500
Legal fees	3,750	500	750	5,000
Accounting fees	3,205	427	641	4,273
Supplies	2,310	577	-	2,887
Travel, conferences and meetings	1,982	495	-	2,477
Telephone and utilities	1,598	399	-	1,997
Dues and subscriptions	762	191	-	953
Postage and shipping	70	17	-	87
Bank fees	13	3	-	16
Licenses and Fees	8	2	-	10
	<u>\$ 1,073,209</u>	<u>\$ 3,913</u>	<u>\$ 14,276</u>	<u>\$ 1,091,398</u>

See accompanying notes to the financial statements

FEEDING AMERICA'S HUNGRY CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2006

	Program Services	Management	Fundraising	Totals
Gifts-in-kind	\$ 1,046,670	\$ -	\$ -	\$ 1,046,670
Program support	231,600	-	-	231,600
Accounting fees	3,264	435	653	4,352
Telephone and utilities	1,229	307	-	1,536
Postage and shipping	69	17	-	86
Supplies	16	4	-	20
Licenses & Fees	8	2	-	10
	<u>\$ 1,282,856</u>	<u>\$ 765</u>	<u>\$ 653</u>	<u>\$ 1,284,274</u>

See accompanying notes to the financial statements

FEEDING AMERICA'S HUNGRY CHILDREN
STATEMENTS OF CASH FLOWS
Years ended September 30,

	<u>2007</u>	<u>2006</u>
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 295,192	\$ 226,699
Cash paid to suppliers	<u>(259,549)</u>	<u>(237,604)</u>
Net Cash Provided By Operating Activities	<u>35,643</u>	<u>(10,905)</u>
<i>Net Increase in Cash and Cash Equivalents</i>	35,643	(10,905)
<i>Beginning Cash and Cash Equivalents</i>	<u>30,309</u>	<u>41,214</u>
<i>Ending Cash and Cash Equivalents</i>	<u>\$ 65,952</u>	<u>\$ 30,309</u>
<i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i>		
Increase in net assets	\$ 67,705	\$ 97,071
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) in operating assets		
Pledges receivable	(35,262)	(107,976)
Increase in operating liabilities		
Accounts payable	<u>3,200</u>	<u>-</u>
<i>Net Cash Provided (Used) By Operating Activities</i>	<u>\$ 35,643</u>	<u>\$ (10,905)</u>

See accompanying notes to the financial statements

FEEDING AMERICA'S HUNGRY CHILDREN
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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 America's Hungry Children is a nonprofit organization incorporated July 12, 2002 in the State of Arizona. The Organization provides assistance to needy people in a holistic way by various means such as feeding, education, medical help, spiritual direction, public education, acquiring and distributing food, medical supplies and other goods. They provide a national network for independent non-profit food providers that will ensure the feeding of hungry people.

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. The Organization had no temporary or permanently restricted net assets to date.

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 Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 116, 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.

FEEDING AMERICA'S HUNGRY CHILDREN
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

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

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.

Gifts in Kind

Donated materials are recorded at their estimated fair market value when received. Donated materials for September 30, 2007 and 2006 were \$828,649 and \$1,046,670, respectively.

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.

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.

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 the Organization's management.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended September 30, 2007 was \$12,885. There was no advertising expense for the year ended September 30, 2006.

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by Feed My Hungry Children 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.

FEEDING AMERICA'S HUNGRY CHILDREN
NOTES TO FINANCIAL STATEMENTS
September 30, 2007

NOTE B - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

The estimated fair values of Feed My Hungry Children's 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	\$ 65,952	\$ 65,952
Pledges Receivable	\$ 218,167	\$ 218,167

The Organization estimates that the fair value of all financial instruments at September 30, 2007, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statements of Financial Position.

NOTE C - PLEDGES RECEIVABLE

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

	<u>2007</u>	<u>2006</u>
Federated campaign pledges	\$ 272,709	\$ 228,631
Less 20 % shrinkage	54,542	45,726
	<u>\$ 218,167</u>	<u>\$ 182,905</u>

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

NOTE D - CONCENTRATIONS

The Organization received 96% and 98% of their support in 2007 and 2006 from the combined federal campaign, respectively. The Organization received 100% of their gift-in-kind contributions in 2007 and 2006 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 cash contributions received from the campaign in 2007 and 2006 was \$318,909 and \$328,675, respectively. Total gift-in-kind contributions received from this entity in 2007 and 2006 was \$828,649 and \$1,046,670, 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 20% 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.