

**FEEDING AMERICA'S HUNGRY CHILDREN**

*FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT*

September 30, 2008 and 2007

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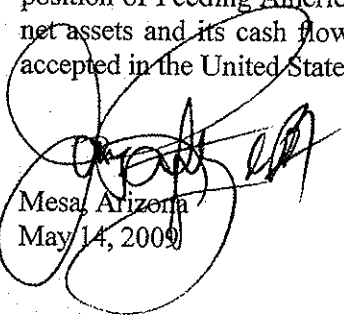
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**J****James E. Raftery, CPA, PC**606 N. Stapley Drive  
Mesa, Arizona 85203(480) 835-1040  
FAX (480) 835-8832**INDEPENDENT AUDITOR'S REPORT**To the Board of Directors  
Feeding America's Hungry Children  
Peoria, Arizona

I have audited the accompanying statements of financial position of Feeding America's Hungry Children, (an Arizona nonprofit organization) as of September 30, 2008 and 2007 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, 2008 and 2007 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  
May 14, 2009

FEEDING AMERICA'S HUNGRY CHILDREN

STATEMENTS OF FINANCIAL POSITION

September 30,

ASSETS

	<u>2008</u>	<u>2007</u>
<i>Current Assets</i>		
Cash	\$ 67,157	\$ 65,952
Pledges receivable, net	<u>143,102</u>	<u>218,167</u>
Total Current Assets	<u>\$ 210,259</u>	<u>\$ 284,119</u>

LIABILITIES AND NET ASSETS

<i>Liabilities</i> - Accounts payable	\$ 3,200	\$ 3,200
<i>Net Assets</i> - Unrestricted	<u>207,059</u>	<u>280,919</u>
	<u>\$ 210,259</u>	<u>\$ 284,119</u>

See accompanying notes to the financial statements

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

	<u>2008</u>	<u>2007</u>
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 803,746	\$ 828,649
Contributions	<u>232,099</u>	<u>330,454</u>
Total Support	1,035,845	1,159,103
<i>Expenses</i>		
Program services	1,100,505	1,073,209
Management services	8,493	3,913
Fundraising services	<u>707</u>	<u>14,276</u>
Total Expenses	<u>1,109,705</u>	<u>1,091,398</u>
 (Decrease) Increase in Net Assets	 (73,860)	 67,705
 <i>Net Assets, beginning of year</i>	 <u>280,919</u>	 <u>213,214</u>
 <i>Net Assets, end of year</i>	 <u><u>\$ 207,059</u></u>	 <u><u>\$ 280,919</u></u>

*See accompanying notes to the financial statements*

**FEEDING AMERICA'S HUNGRY CHILDREN**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year Ended September 30, 2008

	Program Services	Management	Fundraising	Totals
Gifts-in-kind	\$ 803,746	\$ -	\$ -	\$ 803,746
Program support	261,136	-	-	261,136
Program development	24,040	6,010	-	30,050
Accounting fees	3,534	471	707	4,712
Travel, conferences and meetings	3,292	823	-	4,115
Supplies	2,286	571	-	2,857
Telephone and utilities	1,961	490	-	2,451
Dues and subscriptions	241	60	-	301
Postage and shipping	198	49	-	247
Licenses and fees	72	18	-	90
	<u>\$ 1,100,505</u>	<u>\$ 8,493</u>	<u>\$ 707</u>	<u>\$ 1,109,705</u>

*See accompanying notes to the financial statements*

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

	<u>Program Services</u>	<u>Management</u>	<u>Fundraising</u>	<u>Totals</u>
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**

*STATEMENTS OF CASH FLOWS*

Years Ended September 30,

	<u>2008</u>	<u>2007</u>
<i><b>Cash Flows from Operating Activities</b></i>		
Cash received from donors and grants	\$ 307,164	\$ 295,192
Cash paid to suppliers	<u>(305,959)</u>	<u>(259,549)</u>
Net Cash Provided By Operating Activities	<u>1,205</u>	<u>35,643</u>
<i><b>Net Increase in Cash and Cash Equivalents</b></i>	1,205	35,643
<i><b>Beginning Cash and Cash Equivalents</b></i>	<u>65,952</u>	<u>30,309</u>
<i><b>Ending Cash and Cash Equivalents</b></i>	<u><u>\$ 67,157</u></u>	<u><u>\$ 65,952</u></u>
<i><b>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</b></i>		
(Decrease) Increase in net assets	\$ (73,860)	\$ 67,705
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) Decrease in operating assets		
Pledges receivable	75,065	(35,262)
Increase in operating liabilities		
Accounts payable	<u>-</u>	<u>3,200</u>
<i><b>Net Cash Provided By Operating Activities</b></i>	<u><u>\$ 1,205</u></u>	<u><u>\$ 35,643</u></u>

*See accompanying notes to the financial statements*

# FEEDING AMERICA'S HUNGRY CHILDREN

## NOTES TO FINANCIAL STATEMENTS

September 30, 2008

### 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.

#### Fair Value of Financial Instruments

The following methods and assumptions were used by Feeding America's 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.

The estimated fair values of Feeding America's Hungry Children 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	\$ 67,157	\$ 67,157
Pledges receivable	\$ 143,102	\$ 143,102

The Organization estimates that the fair value of all financial instruments at September 30, 2008, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statements of Financial Position.

**FEEDING AMERICA'S HUNGRY CHILDREN**  
*NOTES TO FINANCIAL STATEMENTS*  
September 30, 2008

**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 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.

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

During the years ended September 30, 2008 and 2007 Feeding America's Hungry Children distributed approximately 535,831 and 552,433 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 \$803,746 and \$828,649 in 2008 and 2007, respectively. The value of donated food on hand at September 30, 2008 and 2007 was \$0.00 and \$0.00 respectively and is reported on the statement of financial position in accordance with the provisions of SFAS No.136 *Transfers of Assets to a Not-for-Profit Organization or a Charitable Trust That Raises or Holds Contributions for Others*, which require the Food Bank to record the value of donated food as inventory and revenue when the Food Bank has unilateral power to redirect the transfer of the food to another beneficiary.

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.

**FEEDING AMERICA'S HUNGRY CHILDREN**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2008

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

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 year ended September 30, 2007 was \$12,885. There was no advertising expense for the year ended September 30, 2008.

**NOTE B - PLEDGES RECEIVABLE**

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

	2008	2007
Federated campaign pledges	\$ 190,803	\$ 272,709
Less 25% and 20 % shrinkage, respectively	47,701	54,542
	<u>\$ 143,102</u>	<u>\$ 218,167</u>

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

**NOTE C - CONCENTRATIONS**

The Organization received 92% and 96% of their support in 2008 and 2007 from the combined federal campaign, respectively. Total cash contributions received from the campaign in 2008 and 2007 was \$214,022 and \$318,909, respectively. The Organization received 100% of their gift-in-kind contributions in 2008 and 2007 from two non-profits and a single non-profit entity, respectively. Total gift-in-kind contributions received from the entities in 2008 and 2007 was \$803,746 and \$828,649, respectively. 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.

**FEEDING AMERICA'S HUNGRY CHILDREN**

*NOTES TO FINANCIAL STATEMENTS*

September 30, 2008

**NOTE D – 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.