

**FEED MY HUNGRY CHILDREN, INC.**

*FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT*

September 30, 2008 and 2007

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James E. Raftery, CPA, PC

606 N. Stapley Drive  
Mesa, Arizona 85203

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

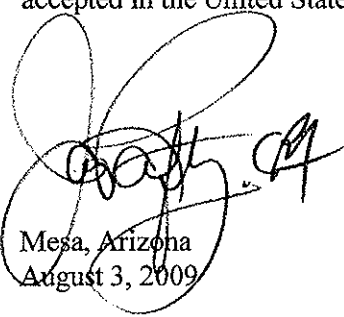
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Feed My Hungry Children  
Peoria, Arizona

I have audited the accompanying statements of financial position of Feed My Hungry Children, Inc., (a Montana nonprofit organization) as of September 30, 2008 and 2007, and the related statements of activities, functional allocation, 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. 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 Feed My Hungry Children, Inc. 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.



Mesa, Arizona  
August 3, 2009

**FEED MY HUNGRY CHILDREN, INC**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30,

**ASSETS**

	<b>2008</b>	<b>2007</b>
<i><b>Current Assets</b></i>		
Cash	\$ 46,598	\$ 60,611
Pledges receivable, net	103,242	62,322
Other receivables	6,400	3,200
Prepaid expenses	1,549	1,061
Total Current Assets	157,789	127,194
<i><b>Property and Equipment, net</b></i>	84,363	81,923
	\$ 242,152	\$ 209,117

**LIABILITIES AND NET ASSETS**

<i><b>Current Liabilities</b></i> - Accounts payable	\$ -	\$ -
<i><b>Net Assets</b></i> - Unrestricted	242,152	209,117
	\$ 242,152	\$ 209,117

*See accompanying notes to the financial statements*

**FEED MY HUNGRY CHILDREN, INC.**  
**STATEMENTS OF ACTIVITIES**  
Years Ended September 30,

	<u>2008</u>	<u>2007</u>
<i><b>Unrestricted Net Assets</b></i>		
Support		
Gifts-in-kind	\$2,381,029	\$ 1,484,357
Contributions	315,676	222,460
Rental income	<u>3,200</u>	<u>3,200</u>
Total Unrestricted Support	2,699,905	1,710,017
 <i><b>Expenses</b></i>		
Program services	2,611,974	1,693,463
Management services	46,443	41,508
Fundraising services	<u>8,453</u>	<u>4,456</u>
Total Expenses	<u>2,666,870</u>	<u>1,739,427</u>
 Increase (Decrease) in Net Assets	33,035	(29,410)
 <i><b>Net Assets, beginning of year</b></i>	<u>209,117</u>	<u>238,527</u>
 <i><b>Net Assets, end of year</b></i>	<u><u>\$ 242,152</u></u>	<u><u>\$ 209,117</u></u>

*See accompanying notes to the financial statements*

**FEED MY HUNGRY CHILDREN, INC.**  
**STATEMENT OF FUNCTIONAL ALLOCATION**  
Year Ended September 30, 2008

	Program Services	Supporting Services		Totals
		Management	Fund Raising	
Gifts-in-kind	\$2,381,029	\$ -	\$ -	\$ 2,381,029
Pastoral allowance	123,934	30,984	-	154,918
Meetings	22,870	4,288	1,429	28,587
Rental	20,620	3,866	1,289	25,775
Program support	25,135	-	-	25,135
Vehicle expense	13,811	2,590	863	17,264
Accounting fees	9,054	1,698	566	11,318
Supplies	6,467	1,213	404	8,084
Meals and entertainment	220	661	3,524	4,405
Telephone	2,046	384	128	2,558
Insurance	1,200	225	75	1,500
Utilities	1,137	213	71	1,421
Travel	1,343	-	-	1,343
Depreciation	931	175	58	1,164
Licenses and fees	969	-	-	969
Dues and subscriptions	480	90	30	600
Property Taxes	442	-	-	442
Advertising	148	28	9	185
Postage	116	22	7	145
Bank fees	22	6	-	28
	<u>\$2,611,974</u>	<u>\$ 46,443</u>	<u>\$ 8,453</u>	<u>\$ 2,666,870</u>

*See accompanying notes to the financial statements*

**FEED MY HUNGRY CHILDREN, INC.**  
**STATEMENT OF FUNCTIONAL ALLOCATION**  
Year Ended September 30, 2007

	Program Services	Supporting Services		Totals
		Management	Fund Raising	
Gifts-in-kind	\$ 1,484,357	\$ -	\$ -	\$ 1,484,357
Pastoral allowance	111,358	27,840	-	139,198
Rental	20,029	3,755	1,252	25,036
Meetings	15,442	2,895	965	19,303
Program support	15,780	-	-	15,780
Vehicle expense	9,798	1,837	612	12,248
Travel	9,103	-	-	9,103
Depreciation	6,538	1,226	409	8,172
Accounting fees	6,094	1,143	381	7,617
Supplies	5,339	1,001	334	6,674
Advertising	2,772	520	173	3,465
Telephone	1,953	366	122	2,441
Penalties	1,200	300	-	1,500
Dues and subscriptions	1,140	214	71	1,425
Utilities	870	163	54	1,087
Interest Expense	766	144	48	957
Insurance	523	98	33	654
Retreats	309	-	-	309
Licenses and fees	60	-	-	60
Postage	22	4	1	27
Professional fees	11	2	1	14
	<u>\$ 1,693,463</u>	<u>\$ 41,508</u>	<u>\$ 4,456</u>	<u>\$ 1,739,427</u>

*See accompanying notes to the financial statements*

**FEED MY HUNGRY CHILDREN, INC.**

*STATEMENTS OF CASH FLOWS*

Years Ended September 30,

	<u>2008</u>	<u>2007</u>
<b><i>Cash Flows from Operating Activities</i></b>		
Cash received from donors and grants	\$ 274,756	\$ 250,532
Cash paid to suppliers	<u>(285,165)</u>	<u>(255,379)</u>
Net Cash (Used) By Operating Activities	<u>(10,409)</u>	<u>(4,847)</u>
<b><i>Cash Flows from Investing Activities</i></b>		
Purchase of property and equipment	<u>(3,604)</u>	<u>-</u>
Net Cash (Used) By Investing Activities	<u>(3,604)</u>	<u>-</u>
<b><i>Cash Flows from Financing Activities</i></b>		
Payments on Long Term Debt	<u>-</u>	<u>(9,660)</u>
Net Cash (Used) By Financing Activities	<u>-</u>	<u>(9,660)</u>
<b><i>Net (Decrease) in Cash and Cash Equivalents</i></b>	<u>(14,013)</u>	<u>(14,507)</u>
<b><i>Beginning Cash and Cash Equivalents</i></b>	<u>60,611</u>	<u>75,118</u>
<b><i>Ending Cash and Cash Equivalents</i></b>	<u>\$ 46,598</u>	<u>\$ 60,611</u>
<b><i>Reconciliation of Changes in Net Assets to Net Cash (Used)</i></b>		
<b><i>By Operating Activities:</i></b>		
Increase (Decrease) in net assets	\$ 33,035	\$ (29,410)
Adjustments to reconcile change in net assets to cash (used) by operating activities:		
Depreciation	1,164	8,171
Decrease (Increase) in operating assets:		
Pledges receivable	(40,920)	27,869
Other receivables	(3,200)	(2,997)
Prepaid expenses	(488)	(503)
(Decrease) in operating liabilities		
Accounts payable	<u>-</u>	<u>(7,977)</u>
<b><i>Net Cash (Used) By Operating Activities</i></b>	<u>\$ (10,409)</u>	<u>\$ (4,847)</u>

*See accompanying notes to the financial statements*

**FEED MY HUNGRY CHILDREN, INC.**  
**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

Feed My Hungry Children, Inc. fka Word of Victory Outreach Ministries, Incorporated is a nonprofit organization incorporated September 28, 1988 in the State of Montana. The Organization is a religious organization that ministers the Word of God and provides mission support and humanitarian aid throughout the country and other countries. In addition, the Organization operates a congregation membership called Word of Victory. The organization also provides supplies and monetary support to other organizations.

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.

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	\$ 46,598	\$ 46,598
Pledges Receivable	\$ 103,242	\$ 103,242

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.

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.

**FEED MY HUNGRY CHILDREN, INC.**  
*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.

*Furniture 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.

*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 value when received. Donated food and clothing are recorded at industry standards. Donated materials for September 30, 2008 and 2007 were \$2,381,029 and \$1,484,357, 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 reporting 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 date 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.

**FEED MY HUNGRY CHILDREN, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2008

**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 Feed My Hungry Children, Inc.'s management.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended September 30, 2008 and 2007 were \$185 and \$3,465, respectively.

**NOTE B- PLEDGES RECEIVABLE**

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

	<u>2008</u>	<u>2007</u>
Children's Charities of America Pledges,	\$ 137,656	\$ 83,096
Less 25% shrinkage	(34,414)	(20,774)
	<u>\$ 103,242</u>	<u>\$ 62,322</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>2008</u>	<u>2007</u>
Equipment, Furniture & Fixtures	\$ 20,236	\$ 16,632
Vehicle	33,535	33,535
Land	80,000	80,000
Less Accumulated Depreciation	(49,408)	(48,244)
	<u>\$ 84,363</u>	<u>\$ 81,923</u>

Depreciation expense for the years ended September 30, 2008 and 2007 was \$1,164 and \$8,172, respectively.

**NOTE D - CONCENTRATIONS**

The Organization received 49% and 44% of their cash support in 2008 and 2007 from federated campaign contributions, respectively. Total cash contributions received from the campaign in 2008 and 2007 was \$156,323 and \$97,214, respectively. The Organization received 81% of their non-cash support in 2008 from two non-profit entities and 82% of their non-cash support in 2007 from a single non-profit entity. Total non-cash contributions received from these entities in 2008 and 2007 was \$1,935,238 and \$1,624,378, 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.

**FEED MY HUNGRY CHILDREN, INC.**

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2008

**NOTE E – COMMITMENTS AND CONTINGENCIES**

The Organization leases office space from a lease entered into on August 1, 2006 and expired on July 31, 2007. The lease has been extended at the beginning of each year since then and will expire on August 31, 2009. The monthly payments are \$1,957 per month plus tax. Rent expense for the year ended September 30, 2008 and 2007 was \$24,110 and \$23,441, respectively.

**NOTE F – 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.

**NOTE G – RELATED PARTY TRANSACTION**

Feed My Hungry Children entered into a sale lease back transaction with the brother of an officer of the organization. A 160 acre parcel of land located in Chouteau County, Montana was purchased from Missouri Breaks, Inc. by Feed My Hungry Children for \$80,000 as of August 9, 2006. On this date Feed My Hungry Children leased the purchased land to Missouri Breaks for one year for \$20 an acre. Rent is due October 1<sup>st</sup> each year. The lease will automatically renew at year end unless one of the parties cancels the lease within sixty days of the lease end. Rental income for the years ended September 30, 2008 and 2007 was \$3,200.