

Children's Hunger Fund Foundation

Financial Statements

September 30, 2014

BYEMAN & CLEARY
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Children's Hunger Fund Foundation

We have audited the accompanying financial statements of Children's Hunger Fund Foundation (a nonprofit corporation), which comprise the statement of financial position as of September 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Hunger Fund Foundation as of September 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



January 7, 2015

CHILDREN'S HUNGER FUND FOUNDATION

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2014

ASSETS

Current assets:

Cash	\$ 24,432
Pledges receivable (net of allowance for uncollectible pledges of \$3,352)	15,922
Inventory	120,000
Investments	<u>1,169,504</u>
Total current assets / Total assets	<u>\$1,329,858</u>

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 2,529
Grants payable	<u>10,500</u>
Total current liabilities / Total liabilities	<u>13,029</u>

Net assets:

Unrestricted net assets:	
Designated by board of directors for endowment	1,169,504
Undesignated	<u>147,325</u>
Total unrestricted net assets / Total net assets	<u>1,316,829</u>

Total liabilities and net assets	<u>\$1,329,858</u>
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The accompanying notes are an integral part of these financial statements.

CHILDREN'S HUNGER FUND FOUNDATION

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Unrestricted</u>
Support and revenue:	
Contributions	\$ 28,140
Contributions - gifts-in-kind	120,000
Dividend income	29,843
Interest income	6,458
Realized gains on investments	219,940
Unrealized losses on investments	<u>(131,886)</u>
Total support and revenue	<u>272,495</u>
Expenses:	
Program services	35,058
Supporting activities:	
Management & general	29,283
Fundraising	<u>1,712</u>
Total expenses	<u>66,053</u>
Change in net assets	206,442
Net assets at beginning of year	<u>1,110,387</u>
Net assets at end of year	<u>\$ 1,316,829</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S HUNGER FUND FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Program Service</u>	<u>Management & General</u>	<u>Fund- Raising</u>	<u>Total Expenses</u>
Bank charges and other fees	\$ -	\$ 3,100	\$ -	\$ 3,100
Interest expense	-	1,892	-	1,892
Provision for uncollectible pledges	-	9,850	-	9,850
Freight	2,085	-	-	2,085
Insurance	-	4,013	-	4,013
Outside service	11,134	10,428	1,712	23,274
Grants	<u>21,839</u>	<u>-</u>	<u>-</u>	<u>21,839</u>
Total expenses	<u>\$ 35,058</u>	<u>\$ 29,283</u>	<u>\$ 1,712</u>	<u>\$ 66,053</u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S HUNGER FUND FOUNDATION

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED SEPTEMBER 30, 2014

Cash flows from operating activities:

Change in net assets	\$ 206,442
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Net realized gains on investments	(219,940)
Net unrealized losses on investments	131,886
Contributed in kind inventory not providing cash	(120,000)
Provision for uncollectible pledges	(9,601)
(Increase) decrease in:	
Pledges receivable	45,888
Increase (decrease) in:	
Accounts payable	2,529
Accounts payable related party	(3,700)
Grants payable	(13,980)
Net cash provided by operating activities	<u>19,524</u>

Cash flows from investing activities:

Proceeds from the sale of investments	879,610
Purchase of investments	<u>(775,619)</u>
Net cash provided by investing activities	<u>103,991</u>

Cash flows from financing activities:

Principal payments on line of credit	<u>(137,927)</u>
Net cash used by financing activities	<u>(137,927)</u>

Net Decrease in cash (14,412)

Cash at beginning of year 38,844

Cash at end of year \$ 24,432

Supplemental disclosures:

 Cash paid for interest \$ 2,300

The accompanying notes are an integral part of these financial statements.

CHILDREN'S HUNGER FUND FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

1. NATURE OF ORGANIZATION

Children's Hunger Fund Foundation is a nonprofit corporation incorporated in California to assist in meeting the physical and spiritual needs of children and their families in developing countries and the USA by obtaining and distributing food and other items and by working in cooperation with other organizations toward that end. The Organization is tax-exempt under Internal Revenue Code Section 501(c)(3).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Organization uses accrual basis accounting and also follows the standards of Accord Network in recording gifts-in-kind.

Public support, revenue, and reclassifications

Revenue is recognized when earned and support is recognized when cash is received, unconditional promises are made, or ownership of other assets is transferred. Pledges are recorded in the statement of financial position when the Organization is notified of the pledge, and allowances are provided for amounts estimated as uncollectible. Bequests are recorded as income at the time the Organization has an established right to the bequest and the proceeds are measurable.

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Gifts of property and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Expirations of donor restrictions are reported when donated or acquired long-lived assets are placed in service unless donors stipulate otherwise.

Contributed services

During the year ended September 30, 2014, the value of contributed services meeting the requirements for recognition in the financial statements was not material and none was recorded.

Cash

Cash represents deposits in a bank checking account.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying disclosures. Accordingly, actual results could differ from those estimates.

CHILDREN'S HUNGER FUND FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

Donated materials

Donated materials are recorded as income at the estimated fair value of the material received. Fair market value is determined by using estimated wholesale prices. The value of these materials when distributed is recorded as expense. Donated materials consist of various salvage items. The inventory of \$120,000 is the undistributed amount of these items.

Classes of net assets

Unrestricted net assets include amounts available to be used at the discretion of the board of directors in the organization's programs and operations and those resources invested in equipment. Temporarily restricted net assets are those that are restricted by donors for specific operating purposes. Permanently restricted net assets are those that represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted in accordance with donor intentions. There are no temporarily or permanently restricted net assets at September 30, 2014. All donations are considered available for unrestricted use, unless specifically restricted by the donor.

Board designated endowment funds

As of September 30, 2014, the board of directors has designated the balance of investments of \$1,169,504 as a general endowment to support the mission of the Organization. Since the amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Investment policies call for investing only in investment grade debt and equity securities. The board will make appropriations from the endowment as needs for families around the world are presented to them by management.

Expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income taxes

The federal and state tax returns of the Organization for the years ended September 30, 2014, 2013, and 2012 are subject to examination by the Internal Revenue Service, generally for three years after they are filed. In addition, the December 31, 2011 tax return is subject to examination by the state of California until four years after the date it was filed.

3. INVESTMENTS

As noted in the following table, investments consist of a variety of publicly traded securities and cash in banks. The publicly traded securities are carried at their quoted market value on September 30, 2014.

CHILDREN'S HUNGER FUND FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

3. INVESTMENTS - continued

<u>Investment Type</u>	<u>Original Cost</u>	<u>Market Value</u>	<u>Unrealized Gain or (Loss)</u>
Cash	\$ 255,710	\$255,710	\$ ----
Certificates of deposit	50,000	49,990	(10)
Corporate stocks	581,772	755,065	173,293
Mutual funds	34,391	40,549	6,158
Corporate bonds	<u>86,578</u>	<u>68,190</u>	<u>(18,388)</u>
Total	<u>\$1,008,451</u>	<u>\$1,169,504</u>	<u>\$161,053</u>

Investment income, for the year ended September 30, 2014, consists of the following:

Realized gains on investments	\$219,940
Current year unrealized losses on investments	(131,886)
Interest and dividends	<u>36,301</u>
	<u>\$124,355</u>

4. PLEDGES RECEIVABLE

Pledges receivable from the Combined Federal Campaign at September 30, 2014 are \$20,167. An allowance for uncollectible pledges of \$3,352 has been recorded. All pledges are expected to be collected within one year. The allowance for uncollectible pledges is based on rates of uncollected pledges in prior years.

5. REVOLVING LINE OF CREDIT

The Organization has a revolving line credit with the financial institution that holds its investments. The maximum that may be borrowed under the line of credit is \$300,000. The interest rate is the LIBOR rate plus 3.38 percent. The loan is due on demand of the lender. All investments are pledged as collateral for this loan. During the year ended September 30, 2014, the Organization paid-off the loan in the amount of \$137,927.

6. RELATED PARTY TRANSACTIONS

The staff of Children's Hunger Fund provided administrative and fundraising services to Children's Hunger Fund Foundation for a fee of \$14,268. The financial results of Children's Hunger Fund are not combined with those of Children's Hunger Fund Foundation.

7. CONCENTRATIONS

Children's Hunger Fund Foundation maintains cash in a bank located in Southern California. The deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2014, there were no uninsured account balances. Investments are not insured by the FDIC and are subject to loss in value.

Children's Hunger Fund Foundation is supported primarily by donor contributions. Approximately 91% of the organization's cash support is provided from the Combined Federal Campaign. All of the Gifts-in-kind came from one nonprofit corporation.

CHILDREN'S HUNGER FUND FOUNDATION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2014

8. UNCERTAIN TAX POSITIONS

Accounting principles require management of the Organization to evaluate tax positions taken and the likelihood of being sustained if challenged by a taxing authority. Management has determined that there are no material uncertain tax positions. Therefore, no accruals have been recorded and no specific tax details are reported in these financial statements.

9. CONTINGENCIES

Children's Hunger Fund Foundation is self-insured for general liability and casualty losses. There are no known claims of a material amount.

10. FAIR VALUE MEASUREMENTS

Assets and liabilities subject to fair value reporting are classified based on the type of inputs used to value the asset or liability. The three types are: valuations based on quoted market prices for identical assets exchanged in active markets (quoted prices), valuation inputs that are directly or indirectly observable in a market place (other market valuations), and inputs where there is no observable market place and therefore valuations are derived from the Organization's internal information (non – market valuations). Valuations based on the three types of inputs for the year ended September 30, 2014 are:

<u>Description</u>	<u>Quoted Prices</u>	<u>Other Market Valuations</u>	<u>Non – Market Valuations</u>
Investments	\$1,169,504	\$ ----	\$ ----
Pledges receivable	----	----	15,922
Total	<u>\$1,169,504</u>	<u>\$ ----</u>	<u>\$ 15,922</u>

Changes in assets measured by non – market valuation methods for the year ended September 30, 2014 are:

<u>Description</u>	<u>Non – Market Valuations</u>
Beginning balance: Pledges receivable	\$ 52,209
Collection of prior year pledges receivable	(52,209)
Pledges received in 2014 net of allowance	21,295
Collection of current year pledges	<u>(5,373)</u>
Ending balance: Pledges receivable	<u>\$ 15,922</u>

The fair value of pledges receivable are the uncollected pledges less an estimate for uncollectible pledges. The pledges have not been discounted for the time value of money or any other factors that might decrease the current value of the pledges as all pledges are current and management believes no other factors exist to affect the fair value of pledges.

11. EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through January 7, 2015, the date which the financial statements were available to be issued and there are no subsequent events to report.