

**A CHILD'S HOPE FUND**

*FINANCIAL STATEMENTS,  
SUPPLEMENTARY INFORMATION  
AND INDEPENDENT AUDITOR'S REPORT*

June 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

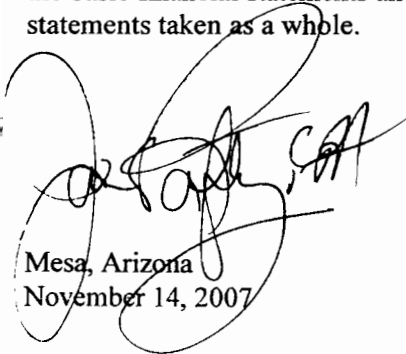
**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
A Child's Hope Fund  
Carlsbad, California

I have audited the accompanying statements of financial position of A Child's Hope Fund, (a California nonprofit organization) as of June 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 A Child's Hope Fund as of June 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. The information in the accompanying schedules of program expenses is not a required part of the basic financial statements and is presented only for supplementary analysis purposes. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Mesa, Arizona  
November 14, 2007

**A CHILD'S HOPE FUND**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30,

**ASSETS**

	<b>2007</b>	<b>2006</b>
<b><i>Current Assets</i></b>		
Cash	\$ 226,098	\$ 164,003
Pledges receivable, net	116,933	119,437
Advances	-	1,992
Prepaid expense	677	770
Total Current Assets	343,708	286,202
 <b><i>Property and Equipment, net</i></b>	 4,690	 6,310
	<b>\$ 348,398</b>	<b>\$ 292,512</b>

**LIABILITIES AND NET ASSETS**

<b><i>Current Liabilities-</i></b> Accounts Payable	\$ 15,267	\$ -
 <b><i>Net Assets</i></b>		
Unrestricted	332,314	265,476
Restricted	817	27,036
	333,131	292,512
	<b>\$ 348,398</b>	<b>\$ 292,512</b>

*See accompanying notes to the financial statements*

**A CHILD'S HOPE FUND**  
**STATEMENTS OF ACTIVITIES**  
Years ended June 30,

	<b>2007</b>	<b>2006</b>
<b><i>Unrestricted Net Assets</i></b>		
Support		
Gifts-in-kind	\$ 6,772,895	\$ 7,102,126
Grants	27,754	51,036
Contributions	129,745	148,409
Interest income	723	710
Total Unrestricted Revenue, Gains, and Other Support	6,931,117	7,302,281
<b><i>Expenses and Losses</i></b>		
Program services	6,857,820	7,214,270
Management services	16,263	11,720
Fundraising	16,415	9,538
Total Expenses	6,890,498	7,235,528
Gain on disposal of assets	-	94
Total Expenses and Losses	6,890,498	7,235,622
Increase in Net Assets	40,619	66,659
<b><i>Net Assets, beginning of year</i></b>	292,512	225,853
<b><i>Net Assets, end of year</i></b>	\$ 333,131	\$ 292,512

*See accompanying notes to the financial statements*

**A CHILD'S HOPE FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2007

	Program	Supporting Services		Total
	Services	Management	Fundraising	
Gifts-in-kind	\$ 6,772,895	\$ -	\$ -	\$ 6,772,895
Postage & shipping	47,994	-	-	47,994
Officer's salaries	8,400	4,200	4,200	16,800
Occupancy	7,603	401	-	8,004
Accounting fees	3,459	2,767	692	6,918
Advertising	319	-	6,066	6,385
Legal fees	3,093	2,474	619	6,186
Grants & allocations	5,829	-	-	5,829
Professional fees	2,550	2,039	511	5,100
Travel	2,105	262	262	2,629
Registration fees	-	-	2,614	2,614
Insurance	-	2,440	-	2,440
Dues and Subscriptions	1,150	1,150	-	2,300
Depreciation	810	407	403	1,620
Warehousing costs	1,161	-	-	1,161
Conferences & meetings	-	-	1,026	1,026
Bank fees	201	50	-	251
Office expense	98	25	-	123
Miscellaneous expense	44	35	9	88
Telephone	68	8	8	85
Repairs and Maintenance	40	5	5	50
	<u>\$ 6,857,820</u>	<u>\$ 16,263</u>	<u>\$ 16,415</u>	<u>\$ 6,890,498</u>

*See accompanying notes to the financial statements*

**A CHILD'S HOPE FUND**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
Year ended June 30, 2006

	Program	Supporting Services		Total
	Services	Management	Fundraising	
Gifts-in-kind	\$ 7,102,126	\$ -	\$ -	\$ 7,102,126
Postage and shipping	49,093	-	-	49,093
Grants & allocations	36,275	-	-	36,275
Officer's salaries	8,400	4,200	4,200	16,800
Occupancy	7,951	419	-	8,370
Accounting fees	2,919	2,335	584	5,837
Office expense	2,397	602	-	2,999
Advertising	145	-	2,750	2,895
Insurance	-	2,312	-	2,312
Warehousing costs	2,174	-	-	2,174
Legal fees	666	533	133	1,332
Automobile expense	629	503	126	1,258
Professional fees	600	480	120	1,200
Conferences and meetings	-	-	1,046	1,046
Depreciation	482	242	240	964
Registration fees	-	-	309	309
Travel	202	25	25	252
Bank fees	182	45	-	227
Miscellaneous expense	29	24	5	59
	<u>\$ 7,214,270</u>	<u>\$ 11,720</u>	<u>\$ 9,538</u>	<u>\$ 7,235,528</u>

*See accompanying notes to the financial statements*

**A CHILD'S HOPE FUND**  
**STATEMENTS OF CASH FLOWS**  
Years ended June 30,

	<b>2007</b>	<b>2006</b>
<b><i>Cash Flows from Operating Activities</i></b>		
Cash received from donors and grants	\$ 159,986	\$ 200,560
Cash paid to suppliers	(98,614)	(142,859)
Interest income	723	710
	62,095	58,411
<b><i>Cash Flows from Investing Activities</i></b>		
Purchase of equipment	-	(6,886)
	-	(6,886)
Net Cash (Used) By Investing Activities	-	(6,886)
	62,095	51,525
<b><i>Net Increase in Cash and Cash Equivalents</i></b>	62,095	51,525
<b><i>Beginning Cash and Cash Equivalents</i></b>	164,003	112,478
<b><i>Ending Cash and Cash Equivalents</i></b>	\$ 226,098	\$ 164,003
<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	\$ 40,619	\$ 66,659
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	1,620	964
Loss on disposal of assets	-	94
(Increase) Decrease in assets		
Miscellaneous receivables	2,009	(17)
Prepaid expenses	93	1
Pledges receivable, net	2,487	1,115
Increase (Decrease) in liabilities		
Accounts payable	15,267	(10,405)
<b><i>Net Cash Used By Operating Activities</i></b>	\$ 62,095	\$ 58,411

*See accompanying notes to the financial statements*



**A CHILD'S HOPE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
June 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

A Child's Hope Fund (hereafter referred to as "ACHF") is a California non-profit religious corporation dedicated to Christian ethics and practices of humanitarianism, morality, and human rights, especially as they impact children and their families and the education of the public toward such concerns.

To that end, ACHF is committed to serving a wide variety of people in diverse cultural and economic settings, especially their families and in their communities, who suffer emotional, spiritual, physical, and economic needs that result from conditions beyond their personal control.

Fair Value of Financial Instruments

The estimated fair values of the Organization's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Short-Term Investments	\$ 226,098	\$ 226,098
Pledges Receivable	\$ 116,933	\$ 116,933

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Short-Term Investments- The carrying amount approximates fair value because of the short maturities of those investments.

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 Organization estimates that the fair value of all financial instruments at June 30, 2007, 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 received \$-0- and \$51,036 in temporarily restricted funds from World Emergency Relief, a registered charity under the laws of the United Kingdom for the years ended June 30, 2007 and 2006, respectively. The funds were restricted for humanitarian and development support of indigenous people in the Americas. As of June 30, 2007 and 2006, \$817 and \$27,036 of the restricted funds still remained.

**A CHILD'S HOPE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**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.

**Gifts in Kind**

Donated materials are recorded at their estimated fair market value (wholesale or less) when received. Donated materials for June 30, 2007 and 2006 were \$6,772,895 and \$7,102,126, respectively. ACHF also acted as a facilitator for a project in Honduras for a shipment of vitamins valued by the original resource provider, Feed the Need, at \$245,951. ACHF also paid for ocean freight and ancillary costs, valued at \$8,746 and \$374, respectively.

**Income Taxes**

The Organization is a non-profit, charitable organization that is exempt from federal and state income taxes as described in Section 501(c)(3) of the Internal Revenue Code and Section 2370(1)(d) of the California Revenue and Taxation Code. The Organization is a public charity, and is not a private foundation as described in Section 509(a) of the Internal Revenue Code.

**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 an initial maturity 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.

**A CHILD'S HOPE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

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

**Property and Equipment**

ACHF capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset. Property and equipment acquisitions are recorded at cost, except for donated items that are recorded at the fair market value when received. Depreciation is recognized using the straight-line method over the assets' estimated lives of seven years.

**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 A Child's Hope Fund's management.

**Advertising Costs**

The Company expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2007 and 2006 were \$6,385 and \$2,895, respectively.

**Shipping Costs**

Shipping costs are expensed as incurred and classified as a separate line item on the statement of functional allocation.

**NOTE B - PROPERTY AND EQUIPMENT**

Property and equipment are summarized by major classification as follows:

	<u>2007</u>	<u>2006</u>
Furniture & Fixtures	\$ 6,281	\$ 6,281
Equipment	1,825	1,825
	<u>8,106</u>	<u>8,106</u>
Less: Accumulated Depreciation	(3,416)	(1,796)
	<u>\$ 4,690</u>	<u>\$ 6,310</u>

Depreciation expense was \$1,620 and \$964 for the years ended June 30, 2007 and 2006.

**NOTE C - PLEDGES RECEIVABLE**

Pledges receivable consisted of the following for the year ended June 30,:

	<u>2007</u>	<u>2006</u>
Federated Campaign Pledges	\$ 146,166	\$ 149,296
Less 25% allowance for shrinkage	(29,233)	(29,859)
	<u>\$ 116,933</u>	<u>\$ 119,437</u>

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

**A CHILD'S HOPE FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2007

**NOTE D – CONCENTRATIONS**

The Organization received 18% and 26% of its monetary support in 2007 and 2006, from a single non-profit entity. The amounts received were \$27,754 and \$51,036, respectively. The organization received 82% and 73% of its monetary support in 2007 and 2006, from federated campaigns. The amounts received were \$129,414 and \$145,880 , 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

**NOTE E – COMPENSATED ABSENCES**

The Organization currently has no formal policy for accruing compensated absences and believes the amount to be immaterial.

**NOTE F – CASH**

The total cash held by A Child's Hope Fund at June 30, 2007 and 2006, includes \$35,531 and \$0-, respectively, in monies that are not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is not of particular concern at this time.

**NOTE G – 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.

***SUPPLEMENTARY INFORMATION***

**A CHILD'S HOPE FUND**  
**SCHEDULE OF PROGRAM EXPENSES**  
For the Year Ended June 30, 2007

	<u>Europe</u>	<u>Central America</u>	<u>South America</u>	<u>Asia</u>	<u>Totals</u>
Gifts-in-kind	\$ 3,360	\$6,448,921	\$ 29,899	\$ 290,715	\$6,772,895
Postage & shipping	24	212	45,698	2,060	47,994
Officer's salaries	4	37	7,998	361	8,400
Accounting fees	4	34	7,240	326	7,603
Occupancy	3	26	5,550	250	5,829
Advertising	2	15	3,294	148	3,459
Grants & allocations	2	14	2,945	133	3,093
Travel	1	11	2,428	109	2,550
Depreciation	1	9	2,004	90	2,105
Registration fees	1	5	1,105	50	1,161
Insurance	1	5	1,095	49	1,150
Conferences & meetings	-	4	771	35	810
Legal fees	-	1	304	14	319
Bank fees	-	1	191	9	201
Office expense	-	-	94	4	98
Telephone	-	-	65	3	68
Miscellaneous expense	-	-	42	2	44
Repairs and Maintenance	-	-	38	2	40
<b><i>Total Program Expenses</i></b>	<b><u>\$ 3,402</u></b>	<b><u>\$6,449,296</u></b>	<b><u>\$ 110,762</u></b>	<b><u>\$ 294,360</u></b>	<b><u>\$ 6,857,820</u></b>

**A CHILD'S HOPE FUND**  
**SCHEDULE OF PROGRAM EXPENSES**  
For the Year Ended June 30, 2006

	Central America	South America	Asia	Totals
Gifts-in-kind	\$ 1,057,317	\$6,044,586	\$ 223	\$ 7,102,126
Postage and shipping	41,783	7,309	2	49,093
Grants and allocations	30,873	5,400	1	36,275
Officer's salaries	7,149	1,251	-	8,400
Occupancy	6,767	1,184	-	7,951
Accounting fees	2,484	435	-	2,919
Office expense	2,040	357	-	2,397
Warehousing costs	1,850	324	-	2,174
Legal fees	567	99	-	666
Automobile expense	535	94	-	629
Professional fees	511	89	-	600
Depreciation	410	72	-	482
Travel	172	30	-	202
Bank fees	155	27	-	182
Advertising	123	22	-	145
Miscellaneous expense	26	4	-	29
<b>Total Program Expenses</b>	<b>\$ 1,152,763</b>	<b>\$6,061,281</b>	<b>\$ 226</b>	<b>\$ 7,214,270</b>