

A CHILD'S HOPE FUND

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

June 30, 2009 and 2008

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
<i>Statements of Financial Position</i>	2
<i>Statements of Activities</i>	3
<i>Statements of Functional Expenses</i>	4-5
<i>Statements of Cash Flows</i>	6
<i>Notes to Financial Statements</i>	7-10
SUPPLEMENTARY INFORMATION	
<i>Schedules of Program Expenses</i>	11-12



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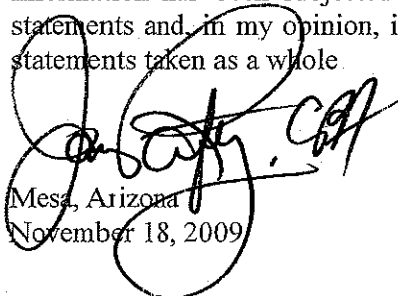
INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statements of financial position of A Child's Hope Fund, (a California nonprofit organization) as of June 30, 2009 and 2008 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, 2009 and 2008, 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 18, 2009

A CHILD'S HOPE FUND
STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	2009	2008
<i>Current Assets</i>		
Cash	\$ 160,473	\$ 227,139
Pledges receivable, net	149,553	98,610
Travel advance	3,439	-
Miscellaneous receivable	51,284	6,000
Prepaid expense	3,832	9,561
Total Current Assets	368,581	341,310
 <i>Property and Equipment, net</i>		
	2,003	3,140
	\$ 370,584	\$ 344,450

LIABILITIES AND NET ASSETS

<i>Current Liabilities</i>		
Accounts payable	\$ 8,001	\$ 12,161
Accrued compensation	5,000	-
Grants payable	-	5,000
Total Current Liabilities	13,001	17,161
 <i>Net Assets</i>		
Unrestricted	357,583	326,472
Restricted	-	817
	357,583	327,289
	\$ 370,584	\$ 344,450

See accompanying notes to the financial statements

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

	2009	2008
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 6,731,497	\$ 3,628,078
Grants	-	62,500
Contributions	175,016	115,970
Miscellaneous income	10,443	143
Interest income	622	735
Total support	6,917,578	3,807,426
Net assets released from restrictions	817	-
Total unrestricted revenue, gains, and other support	6,918,395	3,807,426
<i>Expenses and Losses</i>		
Program services	6,838,788	3,789,767
Management services	26,256	13,408
Fundraising	22,240	10,093
Total expenses	6,887,284	3,813,268
Increase (Decrease) in unrestricted net assets	31,111	(5,842)
<i>Temporarily Restricted Net Assets</i>		
Net assets released from restrictions	(817)	-
(Decrease) in temporarily restricted net assets	(817)	-
Increase (Decrease) in net assets	30,294	(5,842)
<i>Net Assets, beginning of year</i>	327,289	333,131
<i>Net Assets, end of year</i>	\$ 357,583	\$ 327,289

See accompanying notes to the financial statements

A CHILD'S HOPE FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2009

	Program	Supporting Services		Total
	Services	Management	Fundraising	
Gifts-in-kind	\$ 6,731,497	\$ -	\$ -	\$ 6,731,497
Officer's compensation	19,200	9,600	9,600	38,400
Occupancy	28,504	1,502	-	30,006
Postage and shipping	20,491	-	-	20,491
Rent	9,591	505	-	10,096
Grants	9,130	-	-	9,130
Accounting fees	3,713	2,970	743	7,426
Travel	5,924	737	737	7,398
Insurance	-	6,058	-	6,058
Legal fees	2,921	2,336	584	5,841
Advertising	220	-	4,175	4,395
Registration fees	-	-	4,086	4,086
Office expense	3,058	768	-	3,826
Professional fees	1,650	1,319	331	3,300
Conferences and meetings	-	-	1,555	1,555
Telephone	1,176	146	146	1,468
Depreciation	568	286	283	1,137
Warehousing costs	1,029	-	-	1,029
Bank fees	116	29	-	145
	<u>\$ 6,838,788</u>	<u>\$ 26,256</u>	<u>\$ 22,240</u>	<u>\$ 6,887,284</u>

See accompanying notes to the financial statements

A CHILD'S HOPE FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2008

	Program	Supporting Services		Total
	Services	Management	Fundraising	
Gifts-in-kind	\$ 3,628,078	\$ -	\$ -	\$ 3,628,078
Grants	59,777	-	-	59,777
Postage and shipping	58,209	-	-	58,209
Officer's compensation	8,400	4,200	4,200	16,800
Occupancy	13,303	701	-	14,004
Rent	11,515	607	-	12,122
Accounting fees	3,687	2,949	738	7,374
Professional fees	1,613	1,289	323	3,225
Travel	2,416	301	301	3,018
Insurance	-	2,850	-	2,850
Registration fees	-	-	2,847	2,847
Warehousing costs	1,701	-	-	1,701
Depreciation	775	390	385	1,550
Advertising	51	-	974	1,025
Conferences & meetings	-	-	289	289
Legal fees	98	79	20	197
Telephone	76	10	10	96
Miscellaneous expense	28	22	6	56
Bank fees	40	10	-	50
	<u>\$ 3,789,767</u>	<u>\$ 13,408</u>	<u>\$ 10,093</u>	<u>\$ 3,813,268</u>

See accompanying notes to the financial statements

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

	2009	2008
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 124,073	\$ 196,793
Cash paid to suppliers	(153,081)	(190,630)
Miscellaneous income	10,443	143
Interest income	622	735
Net Cash (Used) Provided By Operating Activities	(17,943)	7,041
<i>Cash Flows from Financing Activities</i>		
Miscellaneous receivable	(45,284)	(6,000)
Travel advance	(3,439)	-
Net Cash (Used) By Financing Activities	(48,723)	(6,000)
<i>Net (Decrease) Increase in Cash and Cash Equivalents</i>	(66,666)	1,041
<i>Beginning Cash and Cash Equivalents</i>	227,139	226,098
<i>Ending Cash and Cash Equivalents</i>	\$ 160,473	\$ 227,139
<i>Reconciliation of Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:</i>		
(Decrease) in net assets	\$ 30,294	\$ (5,842)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	1,137	1,550
(Increase) Decrease in assets		
Prepaid expenses	5,729	(8,884)
Pledges receivable, net	(50,943)	18,323
Increase (Decrease) in liabilities		
Accrued compensation	5,000	-
Accounts payable	(4,160)	(3,106)
Grant payable	(5,000)	5,000
<i>Net Cash (Used) Provided By Operating Activities</i>	\$ (17,943)	\$ 7,041

See accompanying notes to the financial statements

A CHILD'S HOPE FUND
NOTES TO FINANCIAL STATEMENTS

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 the Christian practices of humanitarianism and human rights, especially as they impact children, their families, the communities and/or organizations where they live or are served, 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	\$ 160,473	\$ 160,473
Pledges Receivable	\$ 149,553	\$ 149,553

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, 2009, 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 no temporarily restricted funds for the years ended June 30, 2009 and 2008, respectively. All funds received in the past were restricted for humanitarian and development support of indigenous people in the Americas. As of June 30, 2009 and 2008, \$0- and \$817 of temporarily restricted funds still remained, respectively.

A CHILD'S HOPE FUND
NOTES TO FINANCIAL STATEMENTS

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 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.

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 three to seven years.

A CHILD'S HOPE FUND
NOTES TO FINANCIAL STATEMENTS

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 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, 2009 and 2008 were \$4,395 and \$1,025, respectively.

Shipping Costs

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 18, 2009.

Fair Value Measurement

ACHF measures the fair value of Gift-in-Kind revenues and expenses, which is presented in the statement of activity and statement of functional allocation, through the application of Statement of Financial Accounting Standards (SFAS) 157, *Fair Value Measurements*. SFAS 157 provide a hierarchy prioritizing inputs to valuation techniques: level 1 inputs are unadjusted quoted prices in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ACHF's Gift-in-Kind revenue and expenses were measured at a wholesale fair value of \$6,731,497 and \$3,628,078 as of June 30, 2009 and 2008, respectively, using level 3 inputs obtained from Redbook and internet sources of like products.

Gifts in Kind

The Organization records humanitarian donations in accordance with industry standards developed by the Association of Evangelical Relief and Development. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded when Organization distributes the goods for charitable purposes. All such donations are reported as increases in unrestricted net assets as the donor has not restricted the donated asset to a specific purpose and has given the Organization unilateral power to redirect the goods to another beneficiary. Donated materials for the year ended June 30, 2009 and 2008 was valued at \$6,731,497 and \$3,628,078. The recognition of the gift-in-kind revenue and expense is limited to instances where Organization takes possession or constructive title of a gift-in-kind donation from the original donor, or takes possession as the end-user agency.

A CHILD'S HOPE FUND
NOTES TO FINANCIAL STATEMENTS

NOTE B - PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classification as follows:

	2009	2008
Furniture & Fixtures	\$ 5,132	\$ 5,132
Equipment	2,974	2,974
	8,106	8,106
Less: Accumulated Depreciation	(6,103)	(4,966)
	\$ 2,003	\$ 3,140

Depreciation expense was \$1,137 and \$1,550 for the years ended June 30, 2009 and 2008.

NOTE C - PLEDGES RECEIVABLE

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

	2009	2008
Federated Campaign Pledges	\$ 199,404	\$ 131,480
Less 25% allowance for shrinkage	(49,851)	(32,870)
	\$ 149,553	\$ 98,610

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

NOTE D - CONCENTRATIONS

The Organization received 34% of its monetary support in 2008, from a single non-profit entity. The amount received was \$62,500. The organization received 97% and 65% of its monetary support in 2009 and 2008, from federated campaigns. The amounts received were \$170,172 and \$114,137, respectively. The organization received 88% and 98% of its Gift in kind support in 2009 and 2008, from two organizations. The amounts received were \$5,904,803 and \$3,548,453, 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 - 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 F - RELATED PARTY

In the current year, the Organization received a \$4,288 donation from an Organization owned by the CEO.

In the prior year, the Organization received a \$62,500 unrestricted grant from an Organization with a common board member. Additionally, a relative of a board member received \$2,500 in program support.

SUPPLEMENTARY INFORMATION

A CHILD'S HOPE FUND
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2009

	Carribean	Domestic	Central America	Asia	Totals
Gifts-in-kind	\$ 366,259	\$ -	\$ 2,451,089	\$ 3,914,149	\$ 6,731,497
Occupancy	1,548	11	10,383	16,562	28,504
Postage and shipping	1,113	8	7,464	11,906	20,491
Officer's compensation	1,043	7	6,994	11,156	19,200
Rent	520	4	3,494	5,573	9,591
Grants	-	2,500	4,174	2,456	9,130
Travel	322	2	2,158	3,442	5,924
Accounting fees	203	1	1,352	2,157	3,713
Office expense	166	1	1,114	1,777	3,058
Legal fees	159	1	1,064	1,697	2,921
Professional fees	89	1	601	959	1,650
Telephone	65	-	428	683	1,176
Warehousing costs	56	-	375	598	1,029
Depreciation	31	-	207	330	568
Advertising	12	-	80	128	220
Bank fees	7	-	42	67	116
<i>Total Program Expenses</i>	<u>\$ 371,593</u>	<u>\$ 2,536</u>	<u>\$ 2,491,019</u>	<u>\$ 3,973,640</u>	<u>\$ 6,838,788</u>

A CHILD'S HOPE FUND
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2008

	Carribean	Europe	Domestic	Central America	South America	Asia	Totals
Gifts-in-kind	\$312,364	\$ -	\$ -	\$3,101,295	\$214,419	\$ -	\$3,628,078
Grants	-	4,219	45,058	5,000	-	5,500	59,777
Postage and shipping	4,930	67	711	49,030	3,384	87	58,209
Occupancy	1,127	15	163	11,205	773	20	13,303
Rent	975	13	141	9,699	670	17	11,515
Officer's compensation	711	10	103	7,075	488	13	8,400
Accounting fees	312	4	45	3,106	214	5	3,687
Travel	205	3	30	2,035	140	4	2,416
Warehousing costs	144	2	21	1,433	99	3	1,701
Professional fees	137	2	20	1,358	94	2	1,613
Depreciation	66	1	9	653	45	1	775
Legal fees	8	-	1	83	6	-	98
Telephone	6	-	1	64	4	-	76
Advertising	4	-	1	43	3	-	51
Bank fees	3	-	-	34	2	-	40
Miscellaneous expense	2	-	-	24	2	-	28
Total Program Expenses	\$320,994	\$ 4,336	\$46,304	\$3,192,137	\$220,344	\$ 5,652	\$3,789,767