

A CHILD'S HOPE FUND

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

June 30, 2010 and 2009

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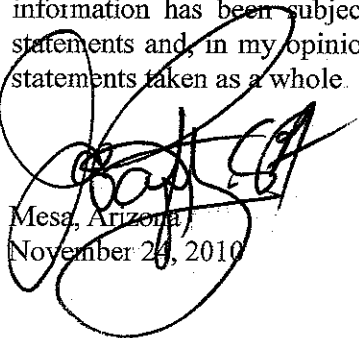
INDEPENDENT AUDITOR'S REPORT

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, 2010 and 2009 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, 2010 and 2009, 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 24, 2010

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

ASSETS

	2010	2009
<i>Current Assets</i>		
Cash	\$ 129,145	\$ 160,473
Pledges receivable, net	112,556	149,553
Travel advance	4,666	3,439
Miscellaneous receivable - related parties	7,323	51,284
Prepaid expense	1,905	2,077
Total Current Assets	255,595	366,826
 <i>Property and Equipment, net</i>	 1,444	 2,003
 <i>Other Assets - Deposits</i>	 1,754	 1,755
	\$ 258,793	\$ 370,584

LIABILITIES AND NET ASSETS

<i>Current Liabilities</i>		
Accounts payable	\$ 2,495	\$ 8,001
Accrued compensation	-	5,000
Total Current Liabilities	2,495	13,001
 <i>Net Assets</i>		
Unrestricted	256,298	357,583
	256,298	357,583
	\$ 258,793	\$ 370,584

See accompanying notes to the financial statements

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

	2010	2009
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 2,263,688	\$ 6,731,497
Contributions	138,356	175,016
Miscellaneous income	24,965	10,443
Interest income	404	622
Total support	2,427,413	6,917,578
Net assets released from restrictions	-	817
Total unrestricted revenue, gains, and other support	2,427,413	6,918,395
<i>Expenses and Losses</i>		
Program services	2,434,373	6,838,788
Management services	46,297	26,256
Fundraising	44,230	22,240
Total expenses	2,524,900	6,887,284
Increase (Decrease) in unrestricted net assets	(97,487)	31,111
<i>Temporarily Restricted Net Assets</i>		
Net assets released from restrictions	-	(817)
(Decrease) in temporarily restricted net assets	-	(817)
Increase (Decrease) in net assets	(97,487)	30,294
<i>Net Assets, beginning of year</i>	357,583	327,289
<i>Prior Period Adjustment</i>	(3,798)	-
<i>Net Assets, end of year</i>	\$ 256,298	\$ 357,583

See accompanying notes to the financial statements

A CHILD'S HOPE FUND
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2010

	Program	Supporting Services		Total
	Services	Management	Fundraising	
Gifts-in-kind	\$ 2,263,688	\$ -	\$ -	\$ 2,263,688
Officer's compensation	30,500	15,250	15,250	61,000
GIK shipping	40,266	-	-	40,266
Accounting fees	19,458	15,565	3,893	38,916
Travel	19,298	2,402	2,402	24,102
Employee benefits	10,713	5,357	5,357	21,427
Rent	16,501	870	-	17,371
Grants	14,375	-	-	14,375
Advertising	649	-	12,337	12,986
Procurement fees	6,350	-	-	6,350
Telephone	4,301	535	535	5,371
Insurance	-	3,974	-	3,974
Registration fees	-	-	2,668	2,668
Office expense	1,707	429	-	2,136
Legal fees	875	700	175	1,750
Utilities	1,509	79	-	1,588
Postage and shipping	1,410	-	-	1,410
Payroll taxes	528	264	264	1,056
Payroll processing fees	492	247	247	986
Conferences and meetings	-	-	918	918
Warehousing costs	577	-	-	577
Depreciation	279	141	139	559
Dues and subscriptions	222	222	-	444
Automobile expense	203	162	40	405
Bank fees	296	74	-	370
Occupancy	154	8	-	162
Miscellaneous expense	22	18	5	45
	<u>\$ 2,434,373</u>	<u>\$ 46,297</u>	<u>\$ 44,230</u>	<u>\$ 2,524,900</u>

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
GIK shipping fees	15,484	-	-	15,484
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
Postage and shipping	5,007	-	-	5,007
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 & 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
STATEMENTS OF CASH FLOWS
Years ended June 30,

	<u>2010</u>	<u>2009</u>
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 175,353	\$ 124,073
Cash paid to suppliers	(274,784)	(153,081)
Miscellaneous income	24,965	10,443
Interest income	404	622
	<u> </u>	<u> </u>
Net Cash (Used) By Operating Activities	(74,062)	(17,943)
 <i>Cash Flows from Financing Activities</i>		
Miscellaneous receivable	43,961	(45,284)
Travel advance	(1,227)	(3,439)
	<u> </u>	<u> </u>
Net Cash Provided (Used) By Financing Activities	42,734	(48,723)
 <i>Net (Decrease) in Cash and Cash Equivalents</i>	 (31,328)	 (66,666)
 <i>Beginning Cash and Cash Equivalents</i>	 <u>160,473</u>	 <u>227,139</u>
 <i>Ending Cash and Cash Equivalents</i>	 <u><u>\$ 129,145</u></u>	 <u><u>\$ 160,473</u></u>
 <i>Reconciliation of Changes in Net Assets to Net Cash (Used) by Operating Activities:</i>		
Increase (Decrease) in net assets	\$ (97,487)	\$ 30,294
Prior period adjustment	(3,798)	-
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	559	1,137
(Increase) Decrease in assets		
Prepaid expenses	173	5,729
Pledges receivable, net	36,997	(50,943)
Increase (Decrease) in liabilities		
Accrued compensation	(5,000)	5,000
Accounts payable	(5,506)	(4,160)
Grant payable	-	(5,000)
	<u> </u>	<u> </u>
<i>Net Cash (Used) By Operating Activities</i>	<u><u>\$ (74,062)</u></u>	<u><u>\$ (17,943)</u></u>

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. A Child's Hope Fund reports adhere to the following accounting policies:

Corporate Organization

A Child's Hope Fund (hereafter referred to as “the Organization”) 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, A Child's Hope Fund 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 following methods and assumptions were used by A Child's Hope Fund in estimating its fair value disclosures for financial instruments:

Cash: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Receivables: 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 A Child's Hope Fund instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash	\$ 129,145	\$ 129,145
Pledges Receivable	\$ 112,556	\$ 112,556

The Organization estimates that the fair value of all financial instruments at June 30, 2010 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 (FASB) in its statement of Accounting Standards Codification (ASC). Under the Standards for the Financial Statements of Not-For-Profit Organizations 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.

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 received no temporarily restricted support during 2010 and 2009, respectively. All restrictions were met in the corresponding years and there were no temporary or permanently restricted net assets at June 30, 2010 and 2009.

The Organization recognizes pledges as revenue under FASB ASC Not-For-Profit Entities: Revenue Recognition. Under FASB ASC the standard, 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.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

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.

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

A Child's Hope Fund 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)

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.

Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by the Organization's management.

Fair Value Measurement

The Organization measures the fair value of gift-in-kind revenues and expenses in accordance with FASB ASC, Fair Value Measurements and Disclosures. The standard provides a hierarchy for 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.

The Organization's gift-in-kind revenue and expenses as of June 30, 2010 and 2009 were measured at a wholesale fair value of \$2,263,688 and \$6,731,497, respectively, using level 3 inputs obtained from independent studies.

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 the 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, 2010 and 2009 was valued at \$2,263,688 and \$6,731,497. 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.

Shipping Costs

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

A CHILD'S HOPE FUND
NOTES TO FINANCIAL STATEMENTS

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 24, 2010

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended June 30, 2010 and 2009 were \$12,986 and \$4,395, respectively.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following for the year ended June 30,:

	<u>2010</u>	<u>2009</u>
Furniture & Fixtures	\$ 5,132	\$ 5,132
Equipment	<u>2,974</u>	<u>2,974</u>
	8,106	8,106
Accumulated Depreciation	<u>(6,662)</u>	<u>(6,103)</u>
	<u>\$ 1,444</u>	<u>\$ 2,003</u>

Depreciation expense was \$559 and \$1,137 for the years ended June 30, 2010 and 2009.

NOTE C – PLEDGES RECEIVABLE

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

	<u>2010</u>	<u>2009</u>
Federated Campaign Pledges	\$ 150,075	\$ 199,404
Less 25% allowance for shrinkage	<u>(37,519)</u>	<u>(49,851)</u>
	<u>\$ 112,556</u>	<u>\$ 149,553</u>

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

NOTE D – CONCENTRATIONS

The Organization received 98% and 97% of its monetary support in 2010 and 2009, from federated campaigns. The amounts received were \$127,357 and \$170,172, respectively. The Organization received 95% and 88% of its Gift in kind support in 2010 and 2009, from one and two organizations. The amounts received were \$2,146,367 and \$5,904,803, 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.

A CHILD'S HOPE FUND
NOTES TO FINANCIAL STATEMENTS

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 – COMPENSATED ABSENCES

The Organization has not accounted for compensated absences because currently it cannot be reasonably estimated, but believes the amount to be immaterial.

NOTE G – RELATED PARTIES

At June 30, 2010 and 2009, miscellaneous receivables consisted of \$7,323 and \$51,284, respectively, in amounts due to the Organization from related party organizations owned by the CEO. For the year ended June 30, 2010, the Organization received \$24,965 in miscellaneous income for consulting services provided to related organizations owned by the CEO. For the year ended June 30, 2009, the Organization received a \$4,288 donation from an Organization owned by the CEO. In addition, a relative of a board member received \$2,500 in program support in 2009.

NOTE H – COMMITMENTS

The Organization leases office space under a twelve month operating lease, which expired March 31, 2010. At the fulfillment of the original lease term, the Organization opted to renew the lease for an additional year, extending the expiration date to March 31, 2011 with a monthly lease expense of \$1,377. Total lease expense for the office space for the years ended June 30, 2010 and 2009 was \$17,371 and \$10,906, respectively.

NOTE I – PRIOR PERIOD ADJUSTMENT

The Organization recorded a prior period adjustment to reverse out an un-cleared deposit from the 2008 fiscal year. The total amount of the adjustment recorded in 2010 was \$3,798. Retroactive inclusion of this amount in the financial statements in 2008 would have resulted in a decrease in net assets of \$3,798 at 2008.

NOTE J – RECLASSIFICATIONS

Certain line items of the statements of financial position and statement of functional expenses for the year ended June 30, 2009 have been reclassified to conform to presentation in the June 30, 2010 financial statements. These reclassifications have no impact on net assets or results of operations.

SUPPLEMENTARY INFORMATION

A CHILD'S HOPE FUND
SCHEDULE OF PROGRAM EXPENSES
For the Year Ended June 30, 2010

	Central America & the Caribbean	Europe	Sub-Saharan Africa	East Asia & the Pacific	Totals
Gifts-in-kind	\$ 196,947	\$ 506,789	\$ 171,207	\$ 1,388,745	\$ 2,263,688
GIK shipping	3,475	8,950	3,021	24,819	40,266
Officer's compensation	2,633	6,779	2,289	18,799	30,500
Accounting fees	1,680	4,325	1,460	11,993	19,458
Travel	1,665	4,290	1,448.01	11,895	19,298
Rent	1,424	3,668	1,238	10,171	16,501
Grants	-	387	-	13,988	14,375
Employee benefits	925	2,381	804	6,603	10,713
Procurement fees	548	1,411	476	3,914	6,350
Telephone	371	956	323	2,651	4,301
Office expense	147	379	128	1,052	1,707
Utilities	130	335	113	930	1,509
Postage and shipping	122	313	106	869	1,410
Legal fees	76	194	66	539	875
Advertising	56	144	49	400	649
Warehousing costs	49	128	43	356	577
Payroll taxes	46	117	40	325	528
Payroll processing fees	43	109	37	303	492
Bank fees	26	66	22	182	296
Depreciation	24	62	21	172	279
Dues and subscriptions	19	49	17	137	222
Automobile expense	18	45	15	125	203
Occupancy	13	34	12	95	154
Miscellaneous expense	1	5	2	14	22
Total Program Expenses	\$ 210,440	\$ 541,920	\$ 182,936	\$ 1,499,077	\$ 2,434,373

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

	<u>Caribbean</u>	<u>Domestic</u>	<u>Central America</u>	<u>Asia</u>	<u>Totals</u>
Gifts-in-kind	\$366,259	\$ -	\$2,451,089	\$ 3,914,149	\$6,731,497
Occupancy	1,549	11	10,383	16,562	28,504
Officer's compensation	1,043	7	6,994	11,156	19,200
GIK shipping fees	841	6	5,640	8,997	15,484
Rent	521	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
Postage and shipping	272	2	1,824	2,909	5,007
Accounting fees	202	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	90	1	601	959	1,650
Telephone	64	-	428	683	1,176
Warehousing costs	56	-	375	598	1,029
Depreciation	31	-	207	330	568
Advertising	12	-	80	128	220
Bank fees	6	-	42	67	116
Total Program Expenses	<u>\$371,593</u>	<u>\$ 2,536</u>	<u>\$2,491,019</u>	<u>\$ 3,973,640</u>	<u>\$6,838,788</u>