

CHILDREN'S HUNGER FUND

Consolidated Financial Statements
With Independent Auditors' Report

March 31, 2019 and December 31, 2017

CHILDREN'S HUNGER FUND

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	5
Consolidated Statement of Functional Expenses - fifteen months ended March 31, 2019	6
Consolidated Statement of Functional Expenses - twelve months ended December 31, 2017	7
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	10
Supplementary Data	
Independent Auditors' Report on Supplemental Information	27
Consolidating Statement of Financial Position as of March 31, 2019	28
Consolidating Statement of Financial Position as of December 31, 2017	30
Consolidating Statement of Activities - fifteen months ended March 31, 2019	32
Consolidating Statement of Activities - twelve months ended December 31, 2017	33

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Children's Hunger Fund
Sylmar, California

We have audited the accompanying consolidated financial statements of Children's Hunger Fund and its subsidiary (CHF), which comprise the consolidated statements of financial position as of March 31, 2019 and December 31, 2017, and the related consolidated statements of activities, functional expenses, and cash flows for the fifteen months and twelve months then ended, respectively, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

The Board of Directors
Children's Hunger Fund
Sylmar, California

Opinion

In our opinion, based on our audits, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Children's Hunger Fund and its subsidiary as of March 31, 2019 and December 31, 2017, and the changes in its net assets and cash flows for the fifteen months and twelve months then ended, respectively, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Children's Hunger Fund and its subsidiary has adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, as described in note 2. This has had a material effect on the presentation of the March 31, 2019 and December 31, 2017, financial statements. Our opinion is not modified with respect to this matter.

Capin Crouse LLP

Tarzana, California
July 31, 2019

CHILDREN'S HUNGER FUND

Consolidated Statements of Financial Position

	March 31, 2019	December 31, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 4,128,752	\$ 4,737,419
Pledges and accounts receivable (net of allowance for uncollectible pledges of \$0 and \$25,028)	47,473	1,037,152
Investments	18,933	20,705
Inventory	2,417,405	7,486,178
Prepaid expenses	336,992	293,801
	6,949,555	13,575,255
Endowment investments	1,296,695	1,324,626
Deposits	71,953	60,953
Asset held for sale	213,300	-
Beneficial interest in trusts	61,217	-
Cash held for long-term purpose	2,247	1,505,021
Land, buildings and equipment—net	16,074,249	12,982,717
Total Assets	\$ 24,669,216	\$ 29,448,572
LIABILITIES AND NET ASSETS:		
Current liabilities:		
Accounts payable	\$ 331,306	\$ 774,977
Accrued expenses	46,910	20,036
Wages and related expense payable	171,399	122,036
Deferred income	40,942	106,900
Current portion of deferred rent and lease incentives	37,177	37,177
Current portion of capital lease obligation	19,798	16,144
Current portion of long-term debt	154,741	146,855
	802,273	1,224,125
Deferred rent and lease incentives—net of current portion	90,923	146,840
Capital lease obligation—net of current portion	35,547	61,661
Long-term debt—net of current portion	4,621,199	4,811,789
Total liabilities	5,549,942	6,244,415

(continued)

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidated Statements of Financial Position (continued)

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2017</u>
Net Assets:		
Without donor restrictions:		
Undesignated	16,343,265	17,653,175
Designated by board of directors for endowment	<u>1,296,695</u>	<u>1,324,626</u>
	17,639,960	18,977,801
With donor restrictions	<u>1,479,314</u>	4,226,356
Total net assets	<u>19,119,274</u>	<u>23,204,157</u>
 Total Liabilities and Net Assets	 <u>\$ 24,669,216</u>	 <u>\$ 29,448,572</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidated Statements of Activities

	Fifteen Months Ended March 31, 2019			Twelve Months Ended December 31, 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:						
Contributions—cash	\$ 10,451,821	\$ 4,806,890	\$ 15,258,711	\$ 5,221,460	\$ 9,441,807	\$ 14,663,267
Gifts-in-kind	50,632,083	-	50,632,083	68,775,461	-	68,775,461
Special events revenue	472,733	-	472,733	827,833	-	827,833
Investment income	32,191	-	32,191	228,183	-	228,183
Program service revenue	135,172	-	135,172	33,595	-	33,595
Other income (loss)	3,179	-	3,179	(1,872)	-	(1,872)
Net assets released from restriction through satisfaction of purpose and time restrictions	7,553,932	(7,553,932)	-	8,944,465	(8,944,465)	-
Total revenue, support, and reclassifications	<u>69,281,111</u>	<u>(2,747,042)</u>	<u>66,534,069</u>	<u>84,029,125</u>	<u>497,342</u>	<u>84,526,467</u>
EXPENSES:						
Program services	67,227,790	-	67,227,790	75,318,537	-	75,318,537
Supporting activities:						
Management and general	2,316,254	-	2,316,254	1,688,825	-	1,688,825
Fundraising	1,074,908	-	1,074,908	1,012,647	-	1,012,647
	<u>3,391,162</u>	<u>-</u>	<u>3,391,162</u>	<u>2,701,472</u>	<u>-</u>	<u>2,701,472</u>
Total Expenses	<u>70,618,952</u>	<u>-</u>	<u>70,618,952</u>	<u>78,020,009</u>	<u>-</u>	<u>78,020,009</u>
Change in Net Assets	(1,337,841)	(2,747,042)	(4,084,883)	6,009,116	497,342	6,506,458
Net Assets, Beginning of Period	<u>18,977,801</u>	<u>4,226,356</u>	<u>23,204,157</u>	<u>12,968,685</u>	<u>3,729,014</u>	<u>16,697,699</u>
Net Assets, End of Period	<u>\$ 17,639,960</u>	<u>\$ 1,479,314</u>	<u>\$ 19,119,274</u>	<u>\$ 18,977,801</u>	<u>\$ 4,226,356</u>	<u>\$ 23,204,157</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidated Statement of Functional Expense

Fifteen Months Ended March 31, 2019

	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fundraising	
Donated goods and services	\$ 55,863,555	\$ 9,385	\$ 5,057	\$ 55,877,997
Personnel costs	5,017,592	1,756,261	510,256	7,284,109
Utilities	190,581	66,289	19,334	276,204
Information technology	160,275	56,573	16,260	233,108
Postage	28,531	8,630	18,037	55,198
Freight and shipping charges	630,911	-	-	630,911
Supplies	65,916	11,345	3,309	80,570
Dues and subscriptions	3,810	7,620	3,810	15,240
Printing	52,943	13,236	66,179	132,358
Bank charges and merchant fees	7,479	90,988	759	99,226
Bad debt	-	25,602	-	25,602
Rent	646,313	34,378	6,876	687,567
Facilities	92,075	4,898	979	97,952
Vehicle fuel and maintenance	108,255	-	-	108,255
Depreciation and amortization	608,839	32,385	6,477	647,701
Interest	267,026	13,695	2,739	283,460
Insurance	150,953	23,403	6,202	180,558
Taxes and licenses	49,548	11,473	4,301	65,322
Advertising	-	-	43,034	43,034
Special events	-	-	296,597	296,597
Outside services	281,857	111,177	28,594	421,628
Ministry travel	372,520	38,916	36,108	447,544
Volunteer expenses	22,795	-	-	22,795
Mercy network training	110,220	-	-	110,220
Ministry resources (food, school supplies, books)	782,511	-	-	782,511
Grants to ministry partners	1,618,872	-	-	1,618,872
Emergency relief	94,413	-	-	94,413
Totals	\$ 67,227,790	\$ 2,316,254	\$ 1,074,908	\$ 70,618,952

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidated Statement of Functional Expense

Twelve Months Ended December 31, 2017

	Program Services	Supporting Activities		Total Expenses
		General and Administrative	Fundraising	
Donated goods and services	\$ 66,787,713	\$ -	\$ -	\$ 66,787,713
Personnel costs	3,678,967	1,256,431	487,766	5,423,164
Utilities	128,451	43,447	17,001	188,899
Information technology	86,406	29,390	11,436	127,232
Postage	26,872	8,021	18,807	53,700
Freight and shipping charges	559,333	-	-	559,333
Supplies	39,292	7,262	2,218	48,772
Dues and subscriptions	3,971	7,941	3,970	15,882
Printing	40,377	10,094	50,471	100,942
Bank charges and merchant fees	-	65,153	-	65,153
Bad debt	-	58,883	-	58,883
Rent	481,471	26,441	5,289	513,201
Facilities	55,140	2,933	587	58,660
Vehicle fuel and maintenance	94,402	-	-	94,402
Depreciation and amortization	342,311	18,354	3,670	364,335
Interest	226,288	10,794	2,270	239,352
Insurance	113,711	19,425	6,529	139,665
Taxes and licenses	34,413	6,384	2,311	43,108
Advertising	-	-	27,267	27,267
Special events	-	-	314,863	314,863
Outside services	200,629	90,312	26,554	317,495
Ministry travel	321,805	27,560	26,274	375,639
Volunteer expenses	61,658	-	5,364	67,022
Mercy network training	48,987	-	-	48,987
Ministry resources (food, school supplies, books)	785,571	-	-	785,571
Grants to ministry partners	1,119,110	-	-	1,119,110
Emergency relief	81,659	-	-	81,659
Totals	\$ 75,318,537	\$ 1,688,825	\$ 1,012,647	\$ 78,020,009

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidated Statements of Cash Flows

	Fifteen Months Ended March 31, 2019	Twelve Months Ended December 31, 2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (4,084,883)	\$ 6,506,458
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated inventory	(50,109,335)	(68,647,210)
Distributed inventory	55,355,252	66,719,459
Depreciation and amortization	651,121	367,072
Realized and unrealized gain on investments	(32,191)	(176,462)
Non-cash fixed asset contribution	-	(60,000)
Loss on disposal of land, buildings and equipment	2,595	1,182
Contributions for long-term capital projects	-	(2,727,058)
Net change in:		
Pledges and accounts receivable	989,679	(844,698)
Purchased inventory	(177,144)	19,849
Prepaid expenses	(43,191)	(43,727)
Deposits	(11,000)	1,176
Beneficial interest in trusts	(61,217)	-
Accounts payable	(155,936)	(21,220)
Grants payable	-	(2,000)
Accrued expenses	76,237	(16,600)
Deferred rent and lease incentives	(55,917)	(37,477)
Deferred revenue	(65,958)	31,900
Net Cash Provided by Operating Activities	2,278,112	1,070,644
CASH FLOWS FROM INVESTING ACTIVITIES:		
Redemptions of investments	934,774	670,758
Purchases of investments	(872,880)	(97,506)
Proceeds from sale of fixed assets	292	7,088
Purchase of fixed assets	(4,243,155)	(3,175,448)
Net Cash Used in Investing Activities	(4,180,969)	(2,595,108)

(continued)

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidated Statements of Cash Flows (continued)

	Fifteen Months Ended March 31, <u>2019</u>	Twelve Months Ended December 31, <u>2017</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease repayments	(22,460)	(16,106)
Long-term debt repayments	(186,124)	(137,754)
Contributions for long-term capital projects	-	2,727,058
Net Cash (Used In) Provided by Financing Activities	<u>(208,584)</u>	<u>2,573,198</u>
 Change in Cash and Cash Equivalents	 (2,111,441)	 1,048,734
Cash and Cash Equivalents, Beginning of Period	<u>6,242,440</u>	<u>5,193,706</u>
Cash and Cash Equivalents, End of Period	<u>\$ 4,130,999</u>	<u>\$ 6,242,440</u>
 Reconciliation of cash balances:		
Cash and cash equivalents	\$ 4,128,752	\$ 4,737,419
Cash held for long-term purpose	<u>2,247</u>	<u>1,505,021</u>
Total cash	<u>\$ 4,130,999</u>	<u>\$ 6,242,440</u>
 SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	<u>\$ 284,166</u>	<u>\$ 238,547</u>
 Assets transferred from land, buildings and equipment to asset held for sale	 <u>\$ 213,300</u>	 <u>\$ -</u>
 Land, buildings and equipment acquired through accounts payable	 <u>\$ -</u>	 <u>\$ 287,735</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

1. NATURE OF ORGANIZATION:

Children's Hunger Fund (CHF) was incorporated in 1991 in California as a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law(s). However, the organization is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

CHF exists to assist in meeting the physical and spiritual needs of children and their families in the United States and developing countries by obtaining and distributing food and other items and by working in cooperation with other organizations toward that end.

CHF's primary support comes through cash contributions by individuals and organizations and contributions of food and other items.

CHF controls Children's Hunger Fund Legacy Foundation (CHFLF) by virtue of CHF's ability to appoint CHFLF's board of directors and because CHF has an economic interest in CHFLF. CHFLF functions in a manner similar to a supporting organization in that its primary purpose is to provide a means for donors to provide financial support to CHF. CHFLF was incorporated in 1997 in California as a nonprofit organization exempt from income taxes under Section 501(c)(3) of the IRC and comparable state law(s). However, the organization is subject to federal income tax on any unrelated business taxable income. In addition the organization is not classified as a private foundation within the meaning of Section 509(a) of the IRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of CHF have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of the significant accounting policies is described below to enhance the usefulness of the consolidated financial statements to the reader.

PRINCIPLES OF CONSOLIDATION

CHF assumed control of CHFLF during the year ended December 31, 2015. During the fifteen month period ended March 31, 2019, CHF and CHFLF both changed their fiscal years from December 31 to March 31. All intercompany transactions and balances have been eliminated. Collectively, CHF and CHFLF are referred to as CHF.

CHANGE IN YEAR-END

During 2018, the boards of both CHF and CHFLF authorized changing their fiscal year-ends to March 31. As a result, the consolidated statements of activities reflect the fifteen months ended March 31, 2019, and the twelve months ended December 31, 2017.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

CASH AND CASH EQUIVALENTS

For consolidated statement of financial position and cash flow purposes, cash and cash equivalents include cash on hand, cash on deposit, and money market accounts. These accounts may, at times, exceed federally insured limits. CHF has not experienced any losses on these accounts. At March 31, 2019 and December 31, 2017, CHF's cash balances exceeded federally insured limits by \$3,113,288 and \$5,933,094, respectively.

PLEDGES AND ACCOUNTS RECEIVABLE

Unconditional promises to give are recognized as revenue or gains in the period received as either assets, or decreases of liabilities or expenses, depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CHF uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance method is based on prior years' experience and management's analysis of specific promises made. All pledges and accounts receivable are expected to be collected within one year.

INVESTMENTS

Investments consist of shares of common and preferred stocks, exchange traded funds (ETFs), corporate bonds, and mutual funds. Investments are carried at fair value, which is based upon quoted market prices. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Realized and unrealized gains and losses are reported as unrestricted net investment income in the consolidated statements of activities unless restricted by the donor.

INVENTORY

Inventory consists primarily of donated goods and is recorded at estimated exit transaction fair market value at the date of receipt, or at cost if purchased.

PREPAID EXPENSES

Prepaid expenses consist primarily of prepaid events, and prepaid insurance for future periods and are carried at cost.

LAND, BUILDINGS, AND EQUIPMENT

Expenditures for land, buildings, and equipment over \$500 are capitalized at cost. Donated items are recorded at the fair market value on the date of the gift. Depreciation is computed on the straight line method over the estimated useful lives of the assets, ranging from 5 to 40 years. Expenditures that increase the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Expenditures for maintenance of property and equipment (including those for planned major maintenance projects), repairs, and minor renewals to maintain facilities in operating condition are generally expensed as incurred. Major replacements and renewals are capitalized.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

DEFERRED INCOME

Deferred income represents the unearned portion of cash received related to a grant. Cash received related to grant contracts prior to when services are rendered are recorded as deferred income. The revenue is recognized when it is earned.

NET ASSETS

The consolidated financial statements report amounts by class of net assets as follows:

Net assets without donor restrictions are those currently available at the discretion of the board of directors for use in CHF's operations and those resources invested in a board designated endowment fund.

Net assets with donor restrictions are those that are stipulated by donors for specific operating purposes, for capital projects, or are subject to time restrictions.

All contributions are considered available for unrestricted use unless specifically restricted by the donor.

PUBLIC SUPPORT, REVENUE, AND EXPENSES

Contributions and grants are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to CHF. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met.

Contributions and grants are recorded as net assets with donor restrictions if they are received with donor stipulations that limit their use through purpose and/or time restrictions. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, the net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

For contributions restricted by donors for the acquisition of property or other long-lived assets, the restriction is considered to be met when the property or other long-lived asset is placed in service.

Revenue is recorded when earned. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Program service revenue is shown net of cost of goods sold. Total cost of goods sold was \$20,181 and \$0 for the fifteen months and twelve months ended March 31, 2019 and December 31, 2017, respectively.

GIFTS-IN-KIND

Donated materials have been recorded as income at the estimated fair value of the material received. The fair value is determined by using exit transaction values in an actual or hypothetical market. Donated materials consist of food, personal hygiene products, toys, books, and other items.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program ministries and supporting services have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program ministries and supporting services benefited. Salaries and benefits and information technology costs have been allocated based on an estimate of time spent on each activity. Facility related costs are allocated based on the square footage dedicated to each activity. Other costs are allocated based on management estimates.

ESTIMATES

The preparation of consolidated financial statements in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America requires management to make estimates that affect the amount reported in the consolidated financial statements and disclosures. Accordingly, actual results could differ from estimates.

ADVERTISING

Advertising expense was \$43,034 and \$27,267 for the fifteen months and twelve months ended March 31, 2019 and December 31, 2017, respectively. CHF uses advertising to promote the programs and fundraising events of CHF and these costs are expensed as incurred.

RECENTLY ADOPTED ACCOUNTING PRINCIPLES

In 2016, the Financial Accounting Standards Board (FASB) released accounting standards update ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 enhances not-for-profit financial reporting by requiring entities to present two net asset classes (net assets with donor restrictions and net assets without donor restrictions) rather than three net asset classes (unrestricted, temporarily restricted, and permanently restricted), expands guidance on the reporting of all endowment funds, requires an analysis of expenses by function and nature to be presented in one location in the financial statements and requires entities to qualitatively describe information that is useful in assessing the liquidity of resources or the maturity of assets and liabilities among other requirements. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, with early application of the amendments permitted. CHF adopted the ASU during the period ended March 31, 2019, and the consolidated financial statements and disclosures reflect these updates.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

3. LIQUIDITY:

The following reflects CHF's financial assets as of March 31, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position.

Financial assets:

Cash and cash equivalents	\$ 4,128,752
Pledges and accounts receivable	47,473
Investments	18,933
Endowment investments	1,296,695
Financial Assets, at period end	<u>5,491,853</u>

Less those not available for general expenditure within one year:

Board designated investments for endowment funds	<u>(1,296,695)</u>
Financial assets not available for general expenditure within one year	<u>(1,296,695)</u>

Financial assets available for general expenditure within one year \$ 4,195,158

CHF has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. CHF is substantially supported by contributions without donor restrictions. CHF has no formal policy to maintain cash reserves, but prepares regular cash projections to monitor available funds to cover coming needs. Additionally, CHF has a \$900,000 line of credit with a bank which could be used to meet liquidity needs. Further, because the endowment funds are board designated, the board can remove the designation at any time and make the funds immediately available for use.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

4. INVESTMENTS AND ENDOWMENT INVESTMENTS:

Investments consist of the following:

	March 31, 2019	December 31, 2017
Cash and certificate of deposit	\$ 147,502	\$ 153,809
Equity securities, and ETFs	692,316	927,413
Closed-end mutual funds	297,221	50,945
Fixed income	178,589	213,164
	<u>\$ 1,315,628</u>	<u>\$ 1,345,331</u>

Investment income consists of the following:

Interest from cash, certificates of deposit, and money market accounts	\$ 15,627	\$ 19,270
Dividends from investments	34,346	32,451
Realized and unrealized gain (loss)	(17,782)	176,462
	<u>\$ 32,191</u>	<u>\$ 228,183</u>

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

5. FAIR VALUE MEASUREMENTS:

CHF uses appropriate valuation techniques to determine fair value based on inputs available. When available, CHF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs were not available.

Fair values of assets measured on a recurring basis at March 31, 2019 are as follows:

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities, and ETFs:				
Biotech	\$ 38,547	\$ 38,547	\$ -	\$ -
Common stocks - indexed	33,520	33,520	-	-
Consumer goods	45,636	45,636	-	-
Financial Services	62,830	62,830	-	-
Healthcare	130,411	130,411	-	-
Oil and gas	85,251	85,251	-	-
REIT	76,705	76,705	-	-
Technology	161,056	161,056	-	-
Telcom Services	31,360	31,360	-	-
Utilities	27,000	27,000	-	-
Total equity securities and ETFs	692,316	692,316	-	-
Corporate bonds	178,589	-	178,589	-
Closed-end mutual funds	297,221	297,221	-	-
Investments at fair value	1,168,126	\$ 989,537	\$ 178,589	\$ -
Cash and certificates of deposit	147,502			
Total investments	\$ 1,315,628			

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

5. FAIR VALUE MEASUREMENTS, continued:

Fair values of assets measured on a recurring basis at December 31, 2017 are as follows:

	Total	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities, and ETFs:				
Advertising	\$ 10,080	\$ 10,080	\$ -	\$ -
Biotech	2,500	2,500	-	-
Broadcasting TV	12,741	12,741	-	-
Chemicals-diversified	38,110	38,110	-	-
Consumer goods	67,059	67,059	-	-
Financial Services	202,702	202,702	-	-
Healthcare	100,272	100,272	-	-
Industrial goods	94,736	94,736	-	-
Industrial equipment	28,500	28,500	-	-
Insurance	27,513	27,513	-	-
Medical instruments	16,160	16,160	-	-
Oil and gas	98,173	98,173	-	-
Railroads	30,761	30,761	-	-
REIT	27,010	27,010	-	-
Retail	3,160	3,160	-	-
Shipping	8,661	8,661	-	-
Steel and iron	50,232	50,232	-	-
Steel (and other metals)	18,960	18,960	-	-
Tech	90,083	90,083	-	-
Total equity securities and ETFs	927,413	927,413	-	-
Corporate bonds	213,164	-	213,164	-
Closed-end mutual funds	50,945	50,945	-	-
Investments at fair value	1,191,522	\$ 978,358	\$ 213,164	\$ -
Cash and certificates of deposit	153,809			
Total investments	\$ 1,345,331			

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

6. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	March 31, 2019	December 31, 2017
Land	\$ 4,577,143	\$ 4,577,143
Buildings and improvements	9,645,505	5,319,043
Furniture and equipment	3,784,520	1,044,228
Vehicle acquired through capital lease	124,712	124,712
Vehicles	523,437	510,909
	<u>18,655,317</u>	<u>11,576,035</u>
Less accumulated depreciation and amortization	(2,581,068)	(2,273,802)
Construction in process	-	3,680,484
	<u>-</u>	<u>3,680,484</u>
Land, building, and equipment, net	<u>\$ 16,074,249</u>	<u>\$ 12,982,717</u>

Accumulated amortization related to the vehicle under capital lease was \$101,848 and \$70,670 at March 31, 2019 and December 31, 2017, respectively.

In 2018, the Board of Directors authorized the sale of the building in Illinois. The building is being actively marketed, and CHF expects the sale will be finalized before March 31, 2020. Accordingly, CHF reclassified the building to asset held for sale. There is no debt associated with the building.

Asset held for sale consists of the following:

	March 31, 2019	December 31, 2017
Building	\$ 405,000	\$ -
Less accumulated depreciation	(191,700)	-
Asset held for sale	<u>\$ 213,300</u>	<u>\$ -</u>

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

7. LONG-TERM DEBT:

Long-term debt consists of:

	March 31, 2019	December 31, 2017
Mortgage to a financial institution, collateralized by all of CHF's assets, including real property, monthly payments of \$30,669, including principal and interest at 4.44%, maturing October 31, 2023.	\$ 4,788,485	\$ 4,974,609
Revolving line of credit with a bank, bearing interest at the bank's prime rate plus .90% (6.40% at March 31, 2019), collateralized by a commercial security agreement covering substantially all of CHF's assets. Maximum amount available under the line is \$900,000. Interest only payments due monthly, with principal due on demand, maturing September 30, 2020. CHF did not draw on the line during the fifteen months ended March 31, 2019, nor during the twelve months ended December 31, 2017.	-	-
Less: prepaid loan costs	(12,545)	(15,965)
	4,775,940	4,958,644
Less: current portion	(154,741)	(146,855)
	\$ 4,621,199	\$ 4,811,789
Long-term debt	\$ 4,621,199	\$ 4,811,789

At March 31, 2019, annual maturities, are as follows:

Year Ending March 31,		
2020	\$	154,741
2021		162,427
2022		169,892
2023		177,700
2024		4,123,725
Thereafter		-
		-
	\$	4,788,485

CHF was in compliance with, or had received waivers for, all financial and reporting covenants at March 31, 2019 and December 31, 2017. No interest was capitalized during the fifteen months ended March 31, 2019 nor during the twelve months ended December 31, 2017.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

7. LONG-TERM DEBT, continued:

PREPAID LOAN COSTS

Prepaid loan costs are amortized on a straight-line basis over the term of the loan. Amortization expense was \$3,420 and \$2,737 for the fifteen months ended March 31, 2019 and the twelve months ended December 31, 2017, respectively.

8. DEFERRED RENT AND LEASE INCENTIVES:

In March 2016, CHF entered into a real property lease agreement and received certain incentives over the five year term of the rental agreement. The deferred rent and lease incentive represents the unamortized portion of the lease incentives and a portion of straight-line rent expense.

9. CAPITAL LEASE OBLIGATION:

In 2014, CHF entered into a capital lease arrangement for a vehicle valued at \$124,712. The seven year lease bears an implicit interest rate of 10.3%, is due in monthly installments of \$2,089, and is collateralized by the vehicle. Future payments are as follows:

<u>Year Ending March 31,</u>	
2020	\$ 25,068
2021	25,068
2022	<u>12,534</u>
	62,670
Less: amount representing interest	<u>(7,325)</u>
	55,345
Less: current portion	<u>(19,798)</u>
Long-term capital lease	<u><u>\$ 35,547</u></u>

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

10. COMMITMENTS AND OPERATING LEASES:

CHF holds operating leases for warehouses in San Antonio, Texas, and Dallas, Texas, and for office equipment, with monthly payments of \$59,776, which leases expire at various times through 2024. For the fifteen months ended March 31, 2019, and the twelve months ended December 31, 2017, the rent and lease expense was \$707,292 and \$547,286 respectively. Future payments under the leases are as follows:

<u>Year Ending March 31,</u>	
2020	\$ 611,566
2021	378,236
2022	264,108
2023	269,251
2024	45,019
	<hr/>
	\$ 1,568,180
	<hr/> <hr/>

11. NET ASSETS:

Net assets without donor restrictions consists of:

	<u>March 31,</u> <u>2019</u>	<u>December 31,</u> <u>2017</u>
Undesignated	\$ 16,343,265	\$ 17,653,175
Board designated investments for endowment fund	1,296,695	1,324,626
	<hr/>	<hr/>
	\$ 17,639,960	\$ 18,977,801
	<hr/> <hr/>	<hr/> <hr/>

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

11. NET ASSETS, continued:

Net assets with donor restrictions consists of:

	March 31, 2019	December 31, 2017
Capital programs—building	\$ -	\$ 1,505,021
Capital programs—equipment	2,247	-
Pledges receivable	-	957,978
African programs	-	173,064
Emergency relief	693,667	831,677
Food	-	90,845
Asian programs	222,676	147,275
Sustainability programs	114,108	91,661
Bibles	43,459	89,382
International mercy center	74,681	-
International mercy networks	-	83,955
Refugee care	84,898	79,448
Latin American programs	15,168	42,830
Orphan care	76,950	38,059
European programs	34,799	35,677
Pastors pak program	50,489	25,445
Seed programs	-	21,241
Beneficial interest in trusts	61,217	-
Other	4,955	12,798
	\$ 1,479,314	\$ 4,226,356

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

12. ENDOWMENT FUNDS:

CHFLF's board has established a quasi-endowment by designating the investment balance as an endowment under Uniform Prudent Management of Institutional Funds (UPMIFA). CHFLF's endowment consists of the investment assets as a general endowment to support the mission of CHF. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of CHFLF has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, CHFLF will classify as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Any remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, CHFLF considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment net asset composition by type of fund as of March 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 1,296,695	\$ -	\$ 1,296,695

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

12. ENDOWMENT FUNDS, continued:

Endowment net asset composition by type of fund as of December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 1,324,626	\$ -	\$ 1,324,626

Changes in endowment net assets for the fifteen months ended March 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2017	\$ 1,324,626	\$ -	\$ 1,324,626
Investment return:			
Interest and dividend income reinvested	44,632	-	44,632
Realized and unrealized gains and losses	(41,904)	-	(41,904)
Total investment return	2,728	-	2,728
Additions to endowment	-	-	-
Appropriation of endowment assets for expenditure	(30,659)	-	(30,659)
Endowment net assets, March 31, 2019	\$ 1,296,695	\$ -	\$ 1,296,695

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the twelve months ended December 31, 2017:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2016	\$ 1,136,574	\$ -	\$ 1,136,574
Investment return:			
Interest and dividend income reinvested	42,123	-	42,123
Realized and unrealized gains and losses	180,929	-	180,929
Total investment return	223,052	-	223,052
Additions to endowment	-	-	-
Appropriation of endowment assets for expenditure	(35,000)	-	(35,000)
Endowment net assets, December 31, 2017	\$ 1,324,626	\$ -	\$ 1,324,626

CHFLF is in the process of adopting a spending policy for endowment assets.

13. RELATED PARTY:

During the fifteen months ended March 31, 2019, a member of the board of directors provided executive consulting services to CHF and served as interim Executive Director of Ministry Development. The amount paid for these services totaled \$45,000 for the fifteen months ended March 31, 2019. During the twelve months ended December 31, 2017, the same member of the board of directors provided consulting services to CHF and was paid \$36,000 for those services.

A member of the board of directors provided donated construction and project management services related to the Poverty Encounter project. The estimated value of these services totaled \$0 and \$60,000 for the fifteen months ended March 31, 2019 and the twelve months ended December 31, 2017, respectively.

14. PENSION PLAN:

CHF has a defined contribution plan covering all employees with at least two years of service. For the fifteen months ended March 31, 2019 and the twelve months ended December 31, 2017, CHF contributed \$86,742 and \$70,171, respectively, to this plan.

CHILDREN'S HUNGER FUND

Notes to Consolidated Financial Statements

March 31, 2019 and December 31, 2017

15. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 31, 2019, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

The Board of Directors
Children's Hunger Fund
Sylmar, California

We have audited the consolidated financial statements of Children's Hunger Fund and its subsidiary as of and for the fifteen months ended March 31, 2019 and the twelve months ended December 31, 2017, and our report thereon dated July 31, 2019 which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position as of March 31, 2019 and December 31, 2017, and the consolidating statements of activities for the fifteen months ended March 31, 2019 and the twelve months ended December 31, 2017, are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual organizations, and they are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Capin Crouse LLP

Tarzana, California
July 31, 2019

CHILDREN'S HUNGER FUND

Consolidating Statement of Financial Position

As of March 31, 2019

	CHF	CHFLF	Totals
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 4,104,368	\$ 24,384	\$ 4,128,752
Pledges and accounts receivable (net of allowance for uncollectible pledges of \$0)	47,473	-	47,473
Investments	18,933	-	18,933
Inventory	2,417,405	-	2,417,405
Prepaid expenses	333,463	3,529	336,992
	6,921,642	27,913	6,949,555
Endowment investments	-	1,296,695	1,296,695
Deposits	71,953	-	71,953
Asset held for sale	213,300	-	213,300
Beneficial interest in trusts	61,217	-	61,217
Cash held for long-term purposes	2,247	-	2,247
Land, buildings and equipment - net	16,074,249	-	16,074,249
	6,921,642	27,913	6,949,555
Total Assets	\$23,344,608	\$ 1,324,608	\$24,669,216
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 327,781	\$ 3,525	\$ 331,306
Accrued expenses	46,910	-	46,910
Wages and related expense payable	171,399	-	171,399
Deferred income	40,942	-	40,942
Current portion of deferred rent and lease incentives	37,177	-	37,177
Current portion of capital lease obligation	19,798	-	19,798
Current portion of long-term debt	154,741	-	154,741
	798,748	3,525	802,273
Deferred rent and lease incentives— net of current portion	90,923	-	90,923
Capital lease obligation—net of current portion	35,547	-	35,547
Debt - net of current portion	4,621,199	-	4,621,199
Total liabilities	5,546,417	3,525	5,549,942

(continued)

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidating Statement of Financial Position

As of March 31, 2019

(continued)

	<u>CHF</u>	<u>CHFLF</u>	<u>Totals</u>
Net Assets:			
Without donor restrictions			
Undesignated	16,318,877	24,388	16,343,265
Designated by board of directors for endowment	-	1,296,695	1,296,695
	<u>16,318,877</u>	<u>1,321,083</u>	<u>17,639,960</u>
With donor restrictions	1,479,314	-	1,479,314
Total net assets	<u>17,798,191</u>	<u>1,321,083</u>	<u>19,119,274</u>
Total Liabilities and Net Assets	<u>\$23,344,608</u>	<u>\$ 1,324,608</u>	<u>\$24,669,216</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidating Statement of Financial Position

As of December 31, 2017

	CHF	CHFLF	Totals
ASSETS:			
Current assets:			
Cash and cash equivalents	\$ 4,725,762	\$ 11,657	\$ 4,737,419
Pledges and accounts receivable (net of allowance for uncollectible pledges of \$25,028)	1,032,978	4,174	1,037,152
Investments	20,705	-	20,705
Inventory	7,486,178	-	7,486,178
Prepaid expenses	291,225	2,576	293,801
	13,556,848	18,407	13,575,255
Endowment investments	-	1,324,626	1,324,626
Deposits	60,953	-	60,953
Cash held for long-term purposes	1,505,021	-	1,505,021
Land, buildings and equipment—net	12,982,717	-	12,982,717
	\$28,105,539	\$ 1,343,033	\$29,448,572
LIABILITIES AND NET ASSETS:			
Current liabilities:			
Accounts payable	\$ 770,967	\$ 4,010	\$ 774,977
Accrued expenses	20,036	-	20,036
Wages and related expense payable	122,036	-	122,036
Deferred income	106,900	-	106,900
Current portion of deferred rent and lease incentives	37,177	-	37,177
Current portion of capital lease obligation	16,144	-	16,144
Current portion of long-term debt	146,855	-	146,855
	1,220,115	4,010	1,224,125
Deferred rent and lease incentives— net of current portion	146,840	-	146,840
Capital lease obligation—net of current portion	61,661	-	61,661
Debt - net of current portion	4,811,789	-	4,811,789
Total liabilities	6,240,405	4,010	6,244,415

(continued)

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidating Statement of Financial Position

As of December 31, 2017

(continued)

	<u>CHF</u>	<u>CHFLF</u>	<u>Totals</u>
Net Assets:			
Without donor restrictions			
Undesignated	17,638,778	14,397	17,653,175
Designated by board of directors for endowment	-	1,324,626	1,324,626
	<u>17,638,778</u>	<u>1,339,023</u>	<u>18,977,801</u>
With donor restrictions	4,226,356	-	4,226,356
Total net assets	<u>21,865,134</u>	<u>1,339,023</u>	<u>23,204,157</u>
Total Liabilities and Net Assets	<u>\$28,105,539</u>	<u>\$ 1,343,033</u>	<u>\$29,448,572</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidating Statement of Activities

For the Fifteen Months Ended March 31, 2019

	CHF			CHFLF	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:					
Contributions—cash	\$ 10,405,442	\$ 4,806,890	\$ 15,212,332	\$ 46,379	\$ 15,258,711
Gifts-in-kind	50,153,081	-	50,153,081	479,002	50,632,083
Special events support	472,733	-	472,733	-	472,733
Investment income (loss)	35,123	-	35,123	(2,932)	32,191
Program service revenue	135,172	-	135,172	-	135,172
Other income (loss)	3,179	-	3,179	-	3,179
Net assets released from restriction through satisfaction of purpose and time restrictions	7,553,932	(7,553,932)	-	-	-
Total revenue, support, and reclassifications	<u>68,758,662</u>	<u>(2,747,042)</u>	<u>66,011,620</u>	<u>522,449</u>	<u>66,534,069</u>
EXPENSES:					
Program services	66,727,500	-	66,727,500	500,290	67,227,790
Supporting activities:					
Management and general	2,277,917	-	2,277,917	38,337	2,316,254
Fund-raising	1,073,146	-	1,073,146	1,762	1,074,908
	<u>3,351,063</u>	<u>-</u>	<u>3,351,063</u>	<u>40,099</u>	<u>3,391,162</u>
Total Expenses	<u>70,078,563</u>	<u>-</u>	<u>70,078,563</u>	<u>540,389</u>	<u>70,618,952</u>
Change in net assets	(1,319,901)	(2,747,042)	(4,066,943)	(17,940)	(4,084,883)
Net Assets, Beginning of Period	<u>17,638,778</u>	<u>4,226,356</u>	<u>21,865,134</u>	<u>1,339,023</u>	<u>23,204,157</u>
Net Assets, End of Period	<u>\$ 16,318,877</u>	<u>\$ 1,479,314</u>	<u>\$ 17,798,191</u>	<u>\$ 1,321,083</u>	<u>\$ 19,119,274</u>

See notes to consolidated financial statements

CHILDREN'S HUNGER FUND

Consolidating Statement of Activities

For the Twelve Months Ended December 31, 2017

	CHF			CHFLF	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Total
REVENUE, SUPPORT, AND RECLASSIFICATIONS:					
Contributions—cash	\$ 5,204,333	\$ 9,441,807	\$ 14,646,140	\$ 17,127	\$ 14,663,267
Gifts-in-kind	68,416,210	-	68,416,210	359,251	68,775,461
Special events support	827,833	-	827,833	-	827,833
Investment income	4,647	-	4,647	223,536	228,183
Program service revenue	33,595	-	33,595	-	33,595
Other revenue	(1,872)	-	(1,872)	-	(1,872)
Net assets released from restriction through satisfaction of purpose and time restrictions	8,944,465	(8,944,465)	-	-	-
Total revenue, support, and reclassifications	<u>83,429,211</u>	<u>497,342</u>	<u>83,926,553</u>	<u>599,914</u>	<u>84,526,467</u>
EXPENSES:					
Program services	74,929,877	-	74,929,877	388,660	75,318,537
Supporting activities:					
Management and general	1,632,903	-	1,632,903	55,922	1,688,825
Fund-raising	1,011,247	-	1,011,247	1,400	1,012,647
	<u>2,644,150</u>	<u>-</u>	<u>2,644,150</u>	<u>57,322</u>	<u>2,701,472</u>
Total Expenses	<u>77,574,027</u>	<u>-</u>	<u>77,574,027</u>	<u>445,982</u>	<u>78,020,009</u>
Change in net assets	5,855,184	497,342	6,352,526	153,932	6,506,458
Net Assets, Beginning of Year	<u>11,783,594</u>	<u>3,729,014</u>	<u>15,512,608</u>	<u>1,185,091</u>	<u>16,697,699</u>
Net Assets, End of Year	<u>\$ 17,638,778</u>	<u>\$ 4,226,356</u>	<u>\$ 21,865,134</u>	<u>\$ 1,339,023</u>	<u>\$ 23,204,157</u>

See notes to consolidated financial statements