

## INDEPENDENT AUDITORS' REPORT



Board of Directors  
**Food for the Hungry, Inc. and  
Food for the Hungry Foundation, Inc.**  
Phoenix, Arizona

CAPIN CROUSE LLP  
Certified Public Accountants

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We have audited the accompanying consolidated statements of financial position of **Food for the Hungry, Inc. and Food for the Hungry Foundation, Inc.** as of September 30, 2006, and 2005, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of **Food for the Hungry, Inc. and Food for the Hungry Foundation, Inc.** as of September 30, 2006, and 2005, and the results of its consolidated activities, functional expenses, and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

*Capin Crouse LLP*

Atlanta, Georgia  
January 10, 2007

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidated Statements of Financial Position**

	September 30,	
	2006	2005
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,647,836	\$ 3,168,733
Investments	2,320,146	2,951,695
Grants receivable	4,579,476	1,842,813
Loan receivable	500,000	-
Gifts-in-kind inventory	2,155,410	-
Inventory of commodities awaiting monetization	1,126,217	1,704,681
Prepaid expenses and other assets	658,175	496,434
	<u>12,987,260</u>	<u>10,164,356</u>
Investments held for charitable trusts	155,172	159,975
Gift annuity reinsurance asset	429,981	468,231
Land, buildings, and equipment, at cost-net	2,219,197	2,269,550
Child Vocational Scholarship Fund	<u>1,174,769</u>	<u>1,157,713</u>
<b>Total Assets</b>	<u><u>\$ 16,966,379</u></u>	<u><u>\$ 14,219,825</u></u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable	\$ 3,306,214	\$ 1,024,019
Accrued expenses	148,993	101,328
Grants payable	1,588,014	884,038
Gifts-in-kind payable	2,155,410	-
Amounts due other ministries from pending commodity sales	1,126,217	1,704,681
Long-term debt-current portion	251,651	558,542
	<u>8,576,499</u>	<u>4,272,608</u>
Trusts and annuities	514,306	557,934
Long-term debt-net of current portion	29,133	44,744
<b>Total liabilities</b>	<u><u>9,119,938</u></u>	<u><u>4,875,286</u></u>
<b>Net assets:</b>		
Unrestricted:		
Undesignated	(149,077)	1,118,971
Board designated-Child Vocational Scholarship Fund	160,000	160,000
Net investment in land, buildings, and equipment	2,158,166	2,111,152
	<u>2,169,089</u>	<u>3,390,123</u>
Temporarily restricted	5,337,352	5,614,416
Permanently restricted-Child Vocational Scholarship Fund	340,000	340,000
<b>Total net assets</b>	<u><u>7,846,441</u></u>	<u><u>9,344,539</u></u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 16,966,379</u></u>	<u><u>\$ 14,219,825</u></u>

See notes to consolidated financial statements

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidated Statements of Activities**

	For the Years Ended September 30,							
	2006			2005				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT, REVENUE, AND RECLASSIFICATIONS:								
Contributions	\$ 4,310,152	\$15,599,603	\$ -	\$19,909,755	\$ 4,218,699	\$16,418,190	\$ -	\$20,636,889
Government grants	21,825,870	-	-	21,825,870	12,873,413	-	-	12,873,413
Government donated commodities	12,070,823	-	-	12,070,823	9,017,483	-	-	9,017,483
Private gifts-in-kind	18,943,217	-	-	18,943,217	23,783,136	-	-	23,783,136
Investment income	218,086	77,631	-	295,717	114,366	189,968	-	304,334
Change in value of trusts and annuities	(11,772)	12,348	-	576	(16,889)	20,423	-	3,534
Other income	163,599	-	-	163,599	43,848	-	-	43,848
Net assets released from restrictions:								
Administrative allocations	5,363,234	(5,363,234)	-	-	5,511,204	(5,511,204)	-	-
Child sponsorship	3,403,265	(3,403,265)	-	-	2,966,573	(2,966,573)	-	-
International Hunger Corps staff support	2,713,326	(2,713,326)	-	-	1,934,267	(1,934,267)	-	-
Child Vocational Scholarships granted	74,720	(74,720)	-	-	50,624	(50,624)	-	-
Relief efforts and other projects	4,412,101	(4,412,101)	-	-	4,494,304	(4,494,304)	-	-
Total Support, Revenue, and Reclassifications	73,486,621	(277,064)	-	73,209,557	64,991,028	1,671,609	-	66,662,637
EXPENSES:								
Program ministries:								
Grants to Food for the Hungry International	39,042,258	-	-	39,042,258	28,519,890	-	-	28,519,890
Gifts-in-kind to other organizations	18,593,569	-	-	18,593,569	23,237,869	-	-	23,237,869
Other programs	8,598,291	-	-	8,598,291	4,853,145	-	-	4,853,145
Information and education	596,200	-	-	596,200	520,476	-	-	520,476
	66,830,318	-	-	66,830,318	57,131,380	-	-	57,131,380

(continued)

See notes to consolidated financial statements

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidated Statement of Activities**

(continued)

		For the Years Ended September 30,			
		2006		2005	
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES, continued: Supporting services:	Fundraising	4,719,322	-	-	4,480,061
	General and administrative	3,158,015	-	-	3,016,035
		7,877,337	-	-	7,496,096
	Total Expenses	74,707,655	-	-	64,627,476
Change in Net Assets		(1,221,034)	(277,064)	-	1,671,609
Net Assets, Beginning of Year		3,390,123	5,614,416	340,000	3,942,807
Net Assets, End of Year		\$ 2,169,089	\$ 5,337,352	\$ 340,000	\$ 7,846,441
					\$ 3,390,123
					\$ 5,614,416
					\$ 340,000
					\$ 9,344,539

See notes to consolidated financial statements

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidated Statement of Functional Expenses**

For the Year Ended September 30, 2006

	Program Ministries		Support Services		
	Direct Program Distributions	Information and Education	Fundraising	General and Administrative	Total
Grants to Food for the Hungry International	\$ 39,042,258	\$ -	\$ -	\$ -	\$ 39,042,258
In-Kind Grants to Other Organizations	18,593,569	-	-	-	18,593,569
Grants to Other Organizations	1,862,929	-	-	-	1,862,929
Salaries and Benefits	4,452,688	363,185	1,011,010	1,856,368	7,683,251
Professional Services	486,612	25,196	146,061	195,703	853,572
Travel	729,338	20,469	298,314	172,282	1,220,403
Office Expense	199,682	38,950	94,222	225,096	557,950
Occupancy	131,502	29,293	159,996	3,680	324,471
Postage	80,056	787	54,833	24,221	159,897
Interest	507	-	17	40,994	41,518
Depreciation	36,859	6,188	27,776	202,360	273,183
General Information, Education, and Promotion	75,649	88,695	2,852,901	7,277	3,024,522
Other Expenses	542,469	23,437	74,192	430,034	1,070,132
Total Expenses	<u>\$ 66,234,118</u>	<u>\$ 596,200</u>	<u>\$ 4,719,322</u>	<u>\$ 3,158,015</u>	<u>\$ 74,707,655</u>

See notes to consolidated financial statements

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidated Statement of Functional Expenses**

For the Year Ended September 30, 2005

	Program Ministries		Support Services		Total
	Direct Program Distributions	Information and Education	Fundraising	General and Administrative	
Grants to Food for the Hungry International	\$ 28,519,890	\$ -	\$ -	\$ -	\$ 28,519,890
In-Kind Grants to Other Organizations	23,237,869	-	-	-	23,237,869
Grants to Other Organizations	457,188	-	-	-	457,188
Salaries and Benefits	3,110,384	294,657	1,000,894	1,700,326	6,106,261
Professional Services	196,335	40,105	256,471	210,156	703,067
Travel	433,028	7,998	211,586	135,511	788,123
Office Expense	87,463	35,502	63,390	269,833	456,188
Occupancy	99,901	34,480	144,564	15,202	294,147
Postage	34,397	854	51,875	45,712	132,838
Interest	284	-	246	47,367	47,897
Depreciation	15,653	6,055	29,927	186,423	238,058
General Information, Education, and Promotion	82,873	80,043	2,664,372	23,067	2,850,355
Other Expenses	335,639	20,782	56,736	382,438	795,595
Total Expenses	<u>\$ 56,610,904</u>	<u>\$ 520,476</u>	<u>\$ 4,480,061</u>	<u>\$ 3,016,035</u>	<u>\$ 64,627,476</u>

See notes to consolidated financial statements

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidated Statements of Cash Flows**

	For the Years Ended September 30,	
	2006	2005
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ (1,498,098)	\$ 2,035,161
Depreciation	273,183	238,058
Noncash stock gifts	(238,027)	(144,566)
Net realized and unrealized gain on investments	(77,845)	(173,020)
Net loss on sale of fixed assets	3,774	27,478
Net change in grant receivable and payable	(2,032,687)	(837,641)
Net change in bequest and promises-to-give receivable	-	1,183,961
Net change in prepaids and other assets	(161,741)	(229,478)
Net change in accounts payable	2,282,195	369,176
Net change in accrued expenses	47,665	12,893
Net Cash Provided (Used) by Operating Activities	<u>(1,401,581)</u>	<u>2,482,022</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Fixed asset purchases	(196,482)	(250,317)
Proceeds from sale of fixed assets	993	900
Issuance of loan receivable	(500,000)	
Investment purchases	(123,371)	(1,116,948)
Proceeds from sale of investments	<u>1,041,616</u>	<u>676,931</u>
Net Cash Provided (Used) by Investing Activities	<u>222,756</u>	<u>(689,434)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on long-term debt	(341,497)	(131,499)
Change in trusts and annuities	<u>(575)</u>	<u>(3,564)</u>
Net Cash Used by Financing Activities	<u>(342,072)</u>	<u>(135,063)</u>
Increase (Decrease) in Cash and Cash Equivalents	(1,520,897)	1,657,525
Cash and Cash Equivalents, Beginning of Year	<u>3,168,733</u>	<u>1,511,208</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,647,836</u>	<u>\$ 3,168,733</u>
<b>SUPPLEMENTAL DISCLOSURES:</b>		
Cash paid for interest-net of capitalized interest	<u>\$ 40,891</u>	<u>\$ 43,655</u>
Noncash transactions:		
Gifts-in-kind and donated commodities received and distributed	<u>\$ 31,014,040</u>	<u>\$ 32,800,619</u>
Gifts-in-kind received and held for distribution	<u>\$ 2,155,410</u>	<u>\$ -</u>
Fixed assets acquired through accounts payable	<u>\$ -</u>	<u>\$ 17,212</u>

See notes to consolidated financial statements

# **FOOD FOR THE HUNGRY, INC. and FOOD FOR THE HUNGRY FOUNDATION, INC.**

## **Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

### **1. NATURE OF ORGANIZATION:**

Food for the Hungry, Inc. (FHUS) is a Christian international relief and development organization, incorporated in the United States in 1971, and dedicated to helping people in the poorest areas of the world by advocating for them and providing relief, rehabilitation, and development programs. The Operational Statement or Vision of Community philosophy is: FHUS seeks to walk with churches, leaders, and families in overcoming all forms of human poverty by living in healthy relationship with God and His Creation.

Food for the Hungry Foundation, Inc. (FHF) incorporated in the United States in 2003. FHF is organized and operated under the control and for the benefit of FHUS.

Food for the Hungry International (FHI), incorporated in Geneva, Switzerland, works in 43 countries through the help of donors who support its 11 national organizations (N.O.s),—one of those being Food for the Hungry, Inc.

These N.O.s, located around the world, raise funds, supply human resources, and help design and evaluate relief and development programs implemented in communities across South and Central America, Asia, Africa, Europe and the Middle East. *The 11 N.O.s are:* Costa Rica, Canada, Hong Kong, Japan, Korea, Sweden, Switzerland, Thailand, United Kingdom, United States, and United States–Korea.

*The 41 countries that Food for the Hungry, Inc. has an ongoing presence in as a relief and development or exploratory fields, or supported by FHI are:* Afghanistan, Bangladesh, Bolivia, Brazil, Cambodia, China, Costa Rica, DRC Congo, Cuba, Dominican Republic, Ethiopia, Guatemala, Haiti, Honduras, Indonesia, India, Iraq, Iran, Kazakhstan, Kenya, Krygystan, Laos, Malaysia, Mongolia, Mozambique, Nepal, Nicaragua, North Korea, Paraguay, Pakistan, Peru, Philippines, Romania, Rwanda, Sudan, Tajikistan, Tanzania, Thailand, Uganda, United States, and Uzbekistan.

Food for the Hungry's activities include:

#### *Child Sponsorship*

\$28 a month helps provide a child with access to nutritious food, clothing, medical care, and spiritual nourishment through community development programs. Because the programs are family and community based, gifts help the entire family and community.

#### *Hunger Corps*

Staff also work with indigenous organizations to help them better serve the needs of people in their own communities. Missions opportunities are offered through Food for the Hungry, Inc.'s short-term teams and longer-term assignments with our unique Hunger Corps program.

#### *General Relief and Development*

Food for the Hungry, Inc., using the Vision of Community philosophy, provides emergency relief and rehabilitation, community clean-water projects, health education and intervention, agriculture development, income generation, life-skills training, and education.



**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

1. NATURE OF ORGANIZATION, continued:

*Micah Initiatives*

College students can receive first-hand experience and training through several programs offered through Micah Initiatives. Go-ED is an accredited overseas learning experience where college students spend a semester abroad. Other programs for college students include the College Campus Ministry and the Internship Program.

*Gifts-in-Kind*

Food for the Hungry, Inc. procures donations for food, seeds, clothing, medical supplies, and other commodities for use in relief, rehabilitation, and development programs. These donations are then matched with the needs of Food for the Hungry International and other agencies.

*Information and Education*

By providing information and implementing educational programs, Food for the Hungry, Inc. serves as an advocate for some of the poorest people in the world.

*Summary*

Food for the Hungry, Inc. and Food for the Hungry Foundation, Inc. are not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and are also exempt from state income taxes. Food for the Hungry, Inc. and Food for the Hungry Foundation, Inc. have been classified as a publicly supported organizations, which are not private foundations, under section 509(a) of the Code. Contributions by the public are deductible for income tax purposes. During the years ending September 30, 2006, and 2005, contributions approximated 27% and 31% of total support and revenue, respectively. In the same years, gifts-in-kind and government donated commodities approximated 42% and 49% of total support and revenue, and cash government grants approximated 30% and 19% of total support and revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements of Food for the Hungry, Inc. have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

**PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the operations of Food For the Hungry, Inc. and Food for the Hungry Foundation, Inc., collectively referred to as the Food for the Hungry, Inc. All significant intercompany balances and transactions have been eliminated. For the years ended September 30, 2006, and 2005, Food for the Hungry Foundation, Inc. had total assets of \$1,856,572 and \$2,321,288 and total liabilities of \$1,726,269 and \$2,281,270, respectively.

# FOOD FOR THE HUNGRY, INC. and FOOD FOR THE HUNGRY FOUNDATION, INC.

## Notes to Consolidated Financial Statements

September 30, 2006 and 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### AFFILIATED ORGANIZATIONS

Food for the Hungry, Inc. and Food for the Hungry International have separate and distinct Boards of Directors. Therefore, the financial statements have not been consolidated with those of Food for the Hungry International.

The primary purpose of Food for the Hungry, Inc. is to provide support for the programs of Food for the Hungry International. Accordingly, grants to Food for the Hungry International for the years ended September 30, 2006, and 2005, totaled \$39,042,258 and \$28,519,890 as follows:

	September 30,	
	2006	2005
Cash grants	\$ 17,352,040	\$ 13,353,298
Government donated commodities monetized or awaiting monetization overseas	5,428,861	4,807,354
Government donated commodities distributed overseas	6,641,962	4,755,396
Private gifts-in-kind distributed overseas	349,649	-
Reimbursements for costs of shipping gifts-in-kind and donated government commodities	9,269,746	5,603,842
	<u>\$ 39,042,258</u>	<u>\$ 28,519,890</u>

Grants payable to Food for the Hungry International are related to government grants for which valid expenditures had been incurred at year end. Grants payable as of September 30, 2006, and 2005, were \$952,824 and \$884,038, respectively.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist primarily of cash on hand and cash on deposit. These accounts may, at times, exceed federally insured limits. Food for the Hungry, Inc. has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

#### INVESTMENTS

Money market mutual funds, certificates of deposit, and cash in investment brokerage accounts held in trust for the Child Vocational Scholarship Fund and to fund trusts and annuities are included in investments. Investments are carried at market value. Donated securities are recorded at market value on the date of the gift and thereafter carried in accordance with the above provisions.

Investments are held for the Child Vocational Scholarship Fund and to fund trusts and annuities for which Food for the Hungry, Inc. is trustee.

# **FOOD FOR THE HUNGRY, INC. and FOOD FOR THE HUNGRY FOUNDATION, INC.**

## **Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:**

#### **GIFTS-IN-KIND INVENTORY**

Gifts-in-kind inventory consists of private donated commodities that are held by a third-party in an off-site storage facility. Food for the Hungry, Inc. receives the donations of commodities at these off-site storage facilities, which are then shipped to another nonprofit organization.

#### **INVENTORY OF COMMODITIES**

Food for the Hungry, Inc. receives donations of commodities for monetization from the United States Agency for International Development (USAID). Proceeds from monetized commodities are used to fund program activities. These commodities are valued at the estimated future proceeds from monetization.

#### **LAND, BUILDINGS, AND EQUIPMENT**

Expenditures greater than \$1,000 for land, buildings, and equipment are capitalized at cost. During the year ended September 30, 2006, Food for the Hungry, Inc. adopted the provisions of Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections and increased their capitalization to include only expenditures greater than \$2,500. Accordingly, items which would have been previously capitalized approximating \$67,000 are now expensed. Donated items are recorded at 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 2 years for software to 30 years for buildings.

#### **TRUSTS AND ANNUITIES**

Food for the Hungry, Inc. has established a gift annuity plan that allows donors to contribute assets to the organization in exchange for the right to receive a fixed dollar annual return during their lifetimes. A portion of the transfer is considered a charitable contribution for income tax purposes.

As trustee, Food for the Hungry, Inc. administers irrevocable charitable remainder unitrusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to Food for the Hungry, Inc.

The difference between the amount contributed for gift annuities and irrevocable agreements and the liability for future payments, determined on an actuarial basis, is recognized as income at the date of the gift and is included on the consolidated statements of activities in contributions. The difference between assets in trust and liabilities is reported on the consolidated statements of financial position as net assets.

The present value of the expected payments to the trustors and annuitants over their life expectancy is included on the consolidated statements of financial position as a liability under the caption trusts and annuities. The liability is revalued annually based upon actuarially computed present values. The change in the present value, net of investment income, payments to annuitants, and terminations, is included on the consolidated statements of activities as change in value of trusts and annuities.

The present value of expected payments to annuitants over their life expectancy is \$429,981 and \$468,231, respectively as of September 30, 2006, and 2005. The present value of expected payments to trustors over their life expectancy is \$84,325 and \$89,703, respectively as of September 30, 2006, and 2005.

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

TRUSTS AND ANNUITIES, continued

In March 2002, Food for the Hungry, Inc. purchased a Nonparticipating Terminal Funding Group Annuity from an insurance company. The purpose of this policy is to reinsure the gift annuity obligations of Food for the Hungry, Inc. The insurance company has assumed all mortality and investment risk associated with the gift annuities. However, Food for the Hungry, Inc. remains liable for fulfilling the requirements of the gift annuity agreements. The value of this policy has been determined to equal the outstanding annuity obligations of Food for the Hungry, Inc. and is included on the consolidated statements of financial position as gift annuity reinsurance asset.

As a result of the reinsurance of the mortality and investment risk associated with gift annuities, changes in the present value of expected payments to annuitants over their life expectancies from the date of the policy forward represent changes in the associated gift annuity reinsurance asset and not income to Food for the Hungry, Inc.

NET ASSETS

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

*Unrestricted* amounts are those currently available at the discretion of the board for use in the organization's operations, those for specific purposes as designated by the board, and those resources invested in land, buildings, and equipment.

*Temporarily restricted* amounts are those which are stipulated by donors for specific operating purposes, for capital projects, and for time restrictions. See Note 7 for a summary of temporarily restricted net assets.

*Permanently restricted* amounts are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as specified in endowment agreements. Permanently restricted net assets consist of the Child Vocational Scholarship Fund. Each year, all or part of the investment income from the Child Vocational Scholarship Fund is available for award to graduates of the child sponsorship program for additional vocational training. The investment income can also be used by Food for the Hungry International staff toward funding of courses that would enable them to better serve the country in which they minister.

All contributions are considered available for unrestricted use unless specifically restricted by the donor or subject to legal restrictions.

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

NET ASSETS, continued

Contributions are recorded as temporarily restricted 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 temporarily restricted to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Food for the Hungry, Inc.'s policy is to record temporarily restricted contributions received and expended in the same accounting period as temporarily restricted contributions and net assets released from restrictions. Temporarily restricted contributions are subject to assessments ranging from 10% to 60%, which is used for general and administrative expenses. Assessments are classified as unrestricted contributions at the time the contributions are received.

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.

PUBLIC SUPPORT, REVENUE AND EXPENSES

Contributions are recorded when cash or unconditional promises-to-give have been received or ownership of donated assets is transferred to Food for the Hungry, Inc. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met. Food for the Hungry, Inc. receives noncash gifts which are recorded as support at the estimated fair market value on the date of the gift. Goods given to Food for the Hungry, Inc. that do not have an objective basis for valuation are not recorded.

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

CONTRIBUTED SERVICES

Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, requires recording the value of donated services that create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of Food for the Hungry, Inc. However, since the above requirements were not met, the value of the contributed services is not recorded in the consolidated financial statements.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional basis. Accordingly, certain costs, such as depreciation and payroll, have been allocated among the program and supporting activities benefited.

# FOOD FOR THE HUNGRY, INC. and FOOD FOR THE HUNGRY FOUNDATION, INC.

## Notes to Consolidated Financial Statements

September 30, 2006 and 2005

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ALLOCATION OF JOINT COSTS

Food for the Hungry, Inc. has implemented the American Institute of Certified Public Accountants' Statement of Position 98-2, *Accounting for Costs of Not-for-Profit Organizations and State and Local Governmental Entities that Include Fundraising*. Food for the Hungry, Inc.'s policy is to allocate all costs of activities which have a fundraising component as 100% fundraising.

#### USE OF ESTIMATES

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

#### RECLASSIFICATIONS

Certain information from the prior year consolidated financial statements has been reclassified to conform to the current year presentation format.

### 3. INVESTMENTS:

Investments consist of the following:

	September 30,	
	2006	2005
Money market funds	\$ 1,756,034	\$ 963,957
Treasury notes	575,117	1,401,544
Common stock	953,624	1,136,829
Corporate bonds	109,559	672,453
Mutual funds	255,753	94,600
	<u>3,650,087</u>	<u>4,269,383</u>
Less long-term investments:		
Investments held for charitable trusts and annuities	(155,172)	(159,975)
Investments held for Child Vocational Scholarship Fund	<u>(1,174,769)</u>	<u>(1,157,713)</u>
Current investments	<u>\$ 2,320,146</u>	<u>\$ 2,951,695</u>

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

3. INVESTMENTS, continued

Investment income consists of:

	September 30,	
	2006	2005
Interest and dividends	\$ 238,942	\$ 143,861
Realized and unrealized gain on investments	83,219	188,114
Investment fees	(14,096)	(7,218)
	<u>308,065</u>	<u>324,757</u>
Less investment income included in change in value of trusts and annuities	<u>(12,348)</u>	<u>(20,423)</u>
Net investment income	<u>\$ 295,717</u>	<u>\$ 304,334</u>

4. LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consist of the following:

	September 30,	
	2006	2005
Land	\$ 168,851	\$ 168,851
Buildings and improvements	1,777,468	1,691,189
Furniture and fixtures	283,359	283,359
Office equipment	274,103	211,968
Computer equipment	604,607	631,618
Vehicles	41,540	29,420
	<u>3,149,928</u>	<u>3,016,405</u>
Less accumulated depreciation	<u>(930,731)</u>	<u>(746,855)</u>
Land, buildings and equipment-net	2,219,197	2,269,550
Less debt secured by land, buildings, and equipment	<u>(61,031)</u>	<u>(158,398)</u>
Net investment in land, buildings, and equipment	<u>\$ 2,158,166</u>	<u>\$ 2,111,152</u>
Depreciation expense	<u>\$ 273,183</u>	<u>\$ 238,058</u>

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

5. GRANTS PAYABLE

Food for the Hungry, Inc. receives government grants for use in relief and development programs. Food for the Hungry, Inc. expends a portion of these funds and sub-receipts the remaining portions to Food for the Hungry International and similar not-for-profit organizations. The amounts payable to these sub-recipients are as follows:

	September 30,	
	2006	2005
Food for the Hungry International	\$ 952,824	\$ 884,038
Other agencies	635,190	-
	<u>\$ 1,588,014</u>	<u>\$ 884,038</u>

6. LONG-TERM DEBT:

Long-term debt consists of the following:

	September 30,	
	2006	2005
Food for the Hungry, Inc. leases various equipment from unaffiliated entities under capital lease agreements with total monthly payments of \$10,979 due from October 2006 to January 2011. At September 30, 2006, the gross amount of equipment and related accumulated amortization recorded under the capital leases was \$281,216 and \$280,359, respectively.	\$ 61,031	\$ 158,398

Food for the Hungry, Inc. has a secured line of credit from a bank with a limit of \$500,000, due on demand. The interest rate is LIBOR plus a sliding percentage depending on the loan balance. The rate on September 30, 2006 was 7.079%.

	219,753	444,888
	280,784	603,286
Less current portion	<u>(251,651)</u>	<u>(558,542)</u>
	<u>\$ 29,133</u>	<u>\$ 44,744</u>
Interest expense	<u>\$ 41,518</u>	<u>\$ 47,897</u>



**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

6. LONG-TERM DEBT, continued

The future minimum payments are as follows:

<u>Years Ending September 30,</u>	<u>Capital leases</u>	<u>Line of Credit</u>
2007	\$ 37,263	\$ 219,753
2008	22,110	-
2009	4,032	-
2010	4,032	-
2011	1,008	-
	<u>\$ 68,445</u>	<u>\$ 219,753</u>
Less amount representing interest	<u>(7,414)</u>	
Present value of net minimum capital lease payment	<u>\$ 61,031</u>	

7. TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets consist of the following:

	<u>September 30,</u>	
	<u>2006</u>	<u>2005</u>
Program restrictions:		
Relief efforts and international projects	\$ 3,252,031	\$ 3,632,637
International Hunger Corps staff support	1,207,017	917,859
Child sponsorship	85,837	243,382
Child Vocational Scholarship Fund	674,769	657,713
Future interest in irrevocable trusts	70,848	70,272
Other	46,850	92,553
	<u>\$ 5,337,352</u>	<u>\$ 5,614,416</u>

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

**8. GIFTS-IN-KIND:**

Food for the Hungry, Inc. receives donations of food, clothing, medical supplies, and other commodities for use in relief and development programs. Food for the Hungry, Inc. transfers all such gifts-in-kind to Food for the Hungry International and similar not-for-profit organizations for ultimate distribution to the poor and hungry throughout the world.

Gifts-in-kind for the years ended September 30, 2006, and 2005, include \$12,073,780 and \$9,017,483, respectively, of commodities received through the United States Agency for International Development (USAID), of which \$6,641,962 and \$4,210,129, respectively, were distributed to foreign programs. The remainder was monetized overseas and the proceeds used in foreign programs. Such goods were valued at wholesale value using guidelines published by the United States Department of Agriculture and USAID. The remaining \$18,943,217 and \$23,783,136 for the years ended September 30, 2006, and 2005, respectively, relates to gifts-in-kind received through private donations, which were recorded at estimated fair value on the date of the gift.

Gifts-in-kind and government donated commodities were distributed as follows:

	September 30,	
	2006	2005
Food for the Hungry International	\$ 12,420,471	\$ 9,562,750
Other agencies	18,593,569	23,237,869
	<u>\$ 31,014,040</u>	<u>\$ 32,800,619</u>

In accordance with Interagency Standards established by the Association of Evangelical Relief and Development Organizations (AERDO), Food for the Hungry, Inc. only records the value of gifts-in-kind for which they were either the original recipient of the gift, were involved in partnership with another organization for distribution internationally, or granted the gift for use in a Food for the Hungry International program.

During 2005, Food for the Hungry, Inc.'s management voluntarily applied more rigorous verification requirements to external partners that facilitated gifts-in-kind to nonprofit organization recipients supported by Food for the Hungry, Inc. other than those received directly by Food for the Hungry International. One external partner that facilitated both donations and shipments did not meet these more stringent requirements and hence the value of those shipments are not included in this report. Only gifts-in-kind donations and shipments that could be substantiated by supporting evidence obtained from and verified by independent third parties were deemed acceptable for reporting in the current year financial statements.

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Notes to Consolidated Financial Statements**

September 30, 2006 and 2005

9. LEASES:

Food for the Hungry, Inc. leases office space in Washington D.C. under a month to month operating lease agreement with monthly payments of \$6,048.

Food for the Hungry, Inc. also leases office equipment with total monthly payments of \$2,952, maturing from May 2007 to July 2011.

Total lease expense was \$109,350 and \$92,591 for the years ended September 30, 2006, and 2005, respectively.

The future minimum payments are as follows:

<u>Years Ending September 30,</u>	<u>Amount</u>
2007	\$ 30,036
2008	25,070
2009	13,558
2010	6,326
2011	<u>5,457</u>
	<u>\$ 80,447</u>

10. RETIREMENT PLAN:

Food for the Hungry, Inc. has a defined contribution pension plan covering substantially all employees over 18 years of age who have completed one year of service. Food for the Hungry, Inc. makes contributions based on a percentage of salary, and employees may make additional contributions. Vesting in Food for the Hungry, Inc. contributions is based on years of continuous service, which reaches 100% after the fifth year of service. Retirement expense was \$198,440 and \$172,194 for the years ended September 30, 2006, and 2005, respectively.

11. RELATED PARTY

During the year ended September 30, 2006, Food for the Hungry, Inc. loaned \$500,000 to Canadian Food for the Hungry, Inc. to be repaid in full within one year with no interest.

In addition, during the year ended September 30, 2006, the CFO for Food for the Hungry, Inc. took over the CFO responsibilities for Food for the Hungry International. All salaries and benefits have been paid by Food for the Hungry, Inc.

## **SUPPLEMENTAL INFORMATION**

**AUDITORS' REPORT ON  
SUPPLEMENTAL INFORMATION**



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Board of Directors  
**Food for the Hungry, Inc. and**  
**Food for the Hungry Foundation, Inc.**  
Phoenix, Arizona

Our report on our audits of the consolidated financial statements of **Food for the Hungry, Inc. and Food for the Hungry Foundation, Inc.** as of September 30, 2006, and 2005, appears on page 1. That audits was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Summary of Grants to Food for the Hungry International is presented for the purpose of additional information rather than to present the financial position, results of operations, and cash flows of the individual organizations. This supplementary information is the responsibility of Food for the Hungry, Inc.'s management. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

*Capin Crouse LLP*

Atlanta, Georgia  
January 10, 2007

# FOOD FOR THE HUNGRY, INC.

## Summary of Grants to Food for the Hungry International

For the Year Ended September 30, 2006

	Child Sponsorship	International Hunger Corps	General Relief and Development	Commodities and Freight Costs	Totals
COUNTRY:					
Asia	\$ -	\$ 6,000	\$ -	\$ -	\$ 6,000
Bangladesh	195,832	300	45,500	-	241,632
Bolivia	397,507	-	515,885	5,701,210	6,614,602
Cambodia	120,647	-	14,200	-	134,847
China	-	-	93,620	-	93,620
Costa Rica	-	-	29,500	-	29,500
Democratic Republic of Congo	-	-	3,791,313	4,877,217	8,668,530
Dominican Republic/Haiti	443,766	-	186,809	-	630,575
Ethiopia	189,348	-	3,104,143	5,346,664	8,640,155
Guatemala	434,673	369	128,966	139,332	703,340
India	14,331	12,840	43,722	-	70,893
Indonesia	-	-	486,441	-	486,441
Kenya	507,354	-	747,623	3,111,747	4,366,724
Laos	-	-	98,782	-	98,782
Mongolia	-	-	1,627	-	1,627
Mozambique	72,167	-	630,309	2,131,958	2,834,434
Nicaragua/Honduras	-	-	72,198	65,561	137,759
Peru	437,398	-	145,218	-	582,616
Philippines	177,381	-	34,015	-	211,396
Romania	-	-	18,000	-	18,000
Rwanda	271,611	-	399,850	169,418	840,879
Sudan	-	-	1,408,732	-	1,408,732
Thailand	-	20,626	1,958	-	22,584
Uganda	140,942	-	583,078	147,112	871,132
General and other countries	248	33,651	1,293,559	-	1,327,458
	<u>\$ 3,403,205</u>	<u>\$ 73,786</u>	<u>\$ 13,875,048</u>	<u>\$ 21,690,219</u>	<u>\$ 39,042,258</u>

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidating Schedule of Financial Position**

September 30, 2006

	Food for the Hungry, Inc.	Food for the Hungry Foundation, Inc.	Eliminations	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 1,647,836	\$ -	\$ -	\$ 1,647,836
Investments	463,574	1,856,572	-	2,320,146
Intercompany receivable	1,726,269	-	(1,726,269)	-
Grants receivable	4,579,476	-	-	4,579,476
Loan receivable	500,000	-	-	500,000
Gifts-in-kind inventory	2,155,410	-	-	2,155,410
Inventory of commodities awaiting monetization	1,126,217	-	-	1,126,217
Prepaid expenses and other assets	658,175	-	-	658,175
	<u>12,856,957</u>	<u>1,856,572</u>	<u>(1,726,269)</u>	<u>12,987,260</u>
Investments held for charitable trusts	155,172	-	-	155,172
Gift annuity reinsurance asset	429,981	-	-	429,981
Land, buildings, and equipment, at cost-net	2,219,197	-	-	2,219,197
Child Vocational Scholarship Fund	1,174,769	-	-	1,174,769
	<u>12,856,957</u>	<u>1,856,572</u>	<u>(1,726,269)</u>	<u>12,987,260</u>
Total Assets	<u>\$ 16,836,076</u>	<u>\$ 1,856,572</u>	<u>\$ (1,726,269)</u>	<u>\$ 16,966,379</u>
<b>LIABILITIES AND NET ASSETS:</b>				
Current liabilities:				
Accounts payable	\$ 3,306,214	\$ -	\$ -	\$ 3,306,214
Accrued expenses	148,993	-	-	148,993
Intercompany payable	-	1,726,269	(1,726,269)	-
Grants payable	1,588,014	-	-	1,588,014
Gifts-in-kind payable	2,155,410	-	-	2,155,410
Amounts due other ministries from pending commodity sales	1,126,217	-	-	1,126,217
Long-term debt-current portion	251,651	-	-	251,651
	<u>8,576,499</u>	<u>1,726,269</u>	<u>(1,726,269)</u>	<u>8,576,499</u>
Trusts and annuities	514,306	-	-	514,306
Long-term debt-net of current portion	29,133	-	-	29,133
Total liabilities	<u>9,119,938</u>	<u>1,726,269</u>	<u>(1,726,269)</u>	<u>9,119,938</u>
Net assets:				
Unrestricted:				
Undesignated	(149,077)	-	-	(149,077)
Board designated	160,000	-	-	160,000
Net investment in property and equipment	2,158,166	-	-	2,158,166
	<u>2,169,089</u>	<u>-</u>	<u>-</u>	<u>2,169,089</u>
Temporarily restricted	5,207,049	130,303	-	5,337,352
Permanently restricted-Child Vocational Scholarship Fund	340,000	-	-	340,000
Total net assets	<u>7,716,138</u>	<u>130,303</u>	<u>-</u>	<u>7,846,441</u>
Total Liabilities and Net Assets	<u>\$ 16,836,076</u>	<u>\$ 1,856,572</u>	<u>\$ (1,726,269)</u>	<u>\$ 16,966,379</u>

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidating Schedule of Financial Position**

September 30, 2005

	Food for the Hungry, Inc.	Food for the Hungry Foundation, Inc.	Eliminations	Total
<b>ASSETS:</b>				
Current assets:				
Cash and cash equivalents	\$ 3,168,733	\$ -	\$ -	\$ 3,168,733
Investments	630,407	2,321,288	-	2,951,695
Intercompany receivable	2,281,270	-	(2,281,270)	-
Grants receivable	1,842,813	-	-	1,842,813
Loan receivable	-	-	-	-
Gifts-in-kind inventory	-	-	-	-
Inventory of commodities awaiting monetization	1,704,681	-	-	1,704,681
Prepaid expenses and other assets	496,434	-	-	496,434
	<u>10,124,338</u>	<u>2,321,288</u>	<u>(2,281,270)</u>	<u>10,164,356</u>
Investments held for charitable trusts	159,975	-	-	159,975
Gift annuity reinsurance asset	468,231	-	-	468,231
Land, buildings, and equipment, at cost-net	2,269,550	-	-	2,269,550
Child Vocational Scholarship Fund	1,157,713	-	-	1,157,713
	<u>\$ 14,179,807</u>	<u>\$ 2,321,288</u>	<u>\$ (2,281,270)</u>	<u>\$ 14,219,825</u>
Total Assets				
<b>LIABILITIES AND NET ASSETS:</b>				
Current liabilities:				
Accounts payable	\$ 1,024,019	\$ -	\$ -	\$ 1,024,019
Accrued expenses	101,328	-	-	101,328
Intercompany payable	-	2,281,270	(2,281,270)	-
Grants payable	884,038	-	-	884,038
Gifts-in-kind payable	-	-	-	-
Amounts due other ministries from pending commodity sales	1,704,681	-	-	1,704,681
Long-term debt-current portion	558,542	-	-	558,542
	<u>4,272,608</u>	<u>2,281,270</u>	<u>(2,281,270)</u>	<u>4,272,608</u>
Trusts and annuities	557,934	-	-	557,934
Long-term debt-net of current portion	44,744	-	-	44,744
Total liabilities	<u>4,875,286</u>	<u>2,281,270</u>	<u>(2,281,270)</u>	<u>4,875,286</u>
Net assets:				
Unrestricted:				
Undesignated	1,118,971	-	-	1,118,971
Board designated	160,000	-	-	160,000
Net investment in property and equipment	2,111,152	-	-	2,111,152
	<u>3,390,123</u>	<u>-</u>	<u>-</u>	<u>3,390,123</u>
Temporarily restricted	5,574,398	40,018	-	5,614,416
Permanently restricted-Child Vocational Scholarship Fund	340,000	-	-	340,000
Total net assets	<u>9,304,521</u>	<u>40,018</u>	<u>-</u>	<u>9,344,539</u>
Total Liabilities and Net Assets	<u>\$ 14,179,807</u>	<u>\$ 2,321,288</u>	<u>\$ (2,281,270)</u>	<u>\$ 14,219,825</u>



**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidating Schedule of Activities**

For the Year Ended September 30, 2006

	Food for the Hungry, Inc.	Food for the Hungry Foundation, Inc.	Eliminations	Total
<b>UNRESTRICTED NET ASSETS:</b>				
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 4,310,152	\$ -	\$ -	\$ 4,310,152
Government grants	21,825,870	-	-	21,825,870
Government donated commodities	12,070,823	-	-	12,070,823
Gifts-in-kind	18,943,217	-	-	18,943,217
Investment income	218,086	-	-	218,086
Change in value of trusts and annuities	(11,772)	-	-	(11,772)
Other income	163,599	-	-	163,599
<b>Total Support and Revenue</b>	<b>57,519,975</b>	<b>-</b>	<b>-</b>	<b>57,519,975</b>
<b>RECLASSIFICATIONS:</b>				
Net assets released from restrictions:				
Administrative allocations	5,363,234	-	-	5,363,234
Child sponsorship	3,403,265	-	-	3,403,265
International Hunger Corps staff support	2,713,326	-	-	2,713,326
Child Vocational Scholarships granted	74,720	-	-	74,720
Relief efforts and other projects	4,404,846	7,255	-	4,412,101
<b>Total Reclassifications</b>	<b>15,959,391</b>	<b>7,255</b>	<b>-</b>	<b>15,966,646</b>
<b>EXPENSES:</b>				
Program ministries:				
Grants to Food for the Hungry				
International	39,042,258	-	-	39,042,258
Gifts-in-kind to other organizations	18,593,569	-	-	18,593,569
Other programs	8,598,291	-	-	8,598,291
Information and education	596,200	-	-	596,200
	66,830,318	-	-	66,830,318
Supporting services:				
Fundraising	4,719,322	-	-	4,719,322
General and administrative	3,150,760	7,255	-	3,158,015
	7,870,082	7,255	-	7,877,337
<b>Total Expenses</b>	<b>74,700,400</b>	<b>7,255</b>	<b>-</b>	<b>74,707,655</b>
Change in Net Assets	(1,221,034)	-	-	(1,221,034)
Net Assets, Beginning of Year	3,390,123	-	-	3,390,123
Net Assets, End of Year	<u>\$ 2,169,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,169,089</u>

(continued)

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidating Schedule of Activities**

For the Year Ended September 30, 2006  
(continued)

	Food for the Hungry, Inc.	Food for the Hungry Foundation, Inc.	Eliminations	Total
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 15,599,603	\$ -	\$ -	\$ 15,599,603
Government grants	-	-	-	-
Government donated commodities	-	-	-	-
Gifts-in-kind	-	-	-	-
Investment income	(19,909)	97,540	-	77,631
Change in value of trusts and annuities	12,348	-	-	12,348
Other income	-	-	-	-
Total Support and Revenue	<u>15,592,042</u>	<u>97,540</u>	<u>-</u>	<u>15,689,582</u>
<b>RECLASSIFICATIONS:</b>				
Net assets released from restrictions:				
Administrative allocations	5,363,234	-	-	5,363,234
Child sponsorship	3,403,265	-	-	3,403,265
International Hunger Corps staff support	2,713,326	-	-	2,713,326
Child Vocational Scholarships granted	74,720	-	-	74,720
Relief efforts and other projects	4,404,846	7,255	-	4,412,101
Total Reclassifications	<u>15,959,391</u>	<u>7,255</u>	<u>-</u>	<u>15,966,646</u>
Change in Net Assets	(367,349)	90,285	-	(277,064)
Net Assets, Beginning of Year	<u>5,574,398</u>	<u>40,018</u>	<u>-</u>	<u>5,614,416</u>
Net Assets, End of Year	<u>\$ 5,207,049</u>	<u>\$ 130,303</u>	<u>\$ -</u>	<u>\$ 5,337,352</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ -	\$ -	\$ -	\$ -
Net assets released from restrictions:				
Child Vocational Scholarships granted	-	-	-	-
Relief efforts and other projects	-	-	-	-
Total Reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	-	-	-	-
Net Assets, Beginning of Year	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>340,000</u>
Net Assets, End of Year	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,000</u>

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidating Schedule of Activities**

For the Year Ended September 30, 2005

	Food for the Hungry, Inc.	Food for the Hungry Foundation, Inc.	Eliminations	Total
<b>UNRESTRICTED NET ASSETS:</b>				
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 4,218,699	\$ -	\$ -	\$ 4,218,699
Government grants	12,873,413	-	-	12,873,413
Government donated commodities	9,017,483	-	-	9,017,483
Gifts-in-kind	23,783,136	-	-	23,783,136
Investment income	114,366	-	-	114,366
Change in value of trusts and annuities	(16,889)	-	-	(16,889)
Other income	43,848	-	-	43,848
<b>Total Support and Revenue</b>	<b>50,034,056</b>	<b>-</b>	<b>-</b>	<b>50,034,056</b>
<b>RECLASSIFICATIONS:</b>				
Net assets released from restrictions:				
Administrative allocations	5,511,204	-	-	5,511,204
Child sponsorship	2,966,573	-	-	2,966,573
International Hunger Corps staff support	1,934,267	-	-	1,934,267
Child Vocational Scholarships granted	50,624	-	-	50,624
Relief efforts and other projects	4,488,183	6,121	-	4,494,304
<b>Total Reclassifications</b>	<b>14,950,851</b>	<b>6,121</b>	<b>-</b>	<b>14,956,972</b>
<b>EXPENSES:</b>				
Program ministries:				
Grants to Food for the Hungry				
International	28,519,890	-	-	28,519,890
Gifts-in-kind to other organizations	23,237,869	-	-	23,237,869
Other programs	4,853,145	-	-	4,853,145
Information and education	520,476	-	-	520,476
	57,131,380	-	-	57,131,380
Supporting services:				
Fundraising	4,480,061	-	-	4,480,061
General and administrative	3,009,914	6,121	-	3,016,035
	7,489,975	6,121	-	7,496,096
<b>Total Expenses</b>	<b>64,621,355</b>	<b>6,121</b>	<b>-</b>	<b>64,627,476</b>
<b>Change in Net Assets</b>	<b>363,552</b>	<b>-</b>	<b>-</b>	<b>363,552</b>
<b>Net Assets, Beginning of Year</b>	<b>3,026,571</b>	<b>-</b>	<b>-</b>	<b>3,026,571</b>
<b>Net Assets, End of Year</b>	<b>\$ 3,390,123</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,390,123</b>

(continued)

**FOOD FOR THE HUNGRY, INC. and  
FOOD FOR THE HUNGRY FOUNDATION, INC.**

**Consolidating Schedule of Activities**

For the Year Ended September 30, 2005  
(continued)

	Food for the Hungry, Inc.	Food for the Hungry Foundation, Inc.	Eliminations	Total
<b>TEMPORARILY RESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ 16,410,390	\$ 7,800	\$ -	\$ 16,418,190
Government grants	-	-	-	-
Government donated commodities	-	-	-	-
Gifts-in-kind	-	-	-	-
Investment income	151,629	38,339	-	189,968
Change in value of trusts and annuities	20,423	-	-	20,423
Other income	-	-	-	-
Total Support and Revenue	<u>16,582,442</u>	<u>46,139</u>	<u>-</u>	<u>16,628,581</u>
<b>RECLASSIFICATIONS:</b>				
Net assets released from restrictions:				
Administrative allocations	5,511,204	-	-	5,511,204
Child sponsorship	2,966,573	-	-	2,966,573
International Hunger Corps staff support	1,934,267	-	-	1,934,267
Child Vocational Scholarships granted	50,624	-	-	50,624
Relief efforts and other projects	4,488,183	6,121	-	4,494,304
Total Reclassifications	<u>14,950,851</u>	<u>6,121</u>	<u>-</u>	<u>14,956,972</u>
Change in Net Assets	1,631,591	40,018	-	1,671,609
Net Assets, Beginning of Year	<u>3,942,807</u>	<u>-</u>	<u>-</u>	<u>3,942,807</u>
Net Assets, End of Year	<u>\$ 5,574,398</u>	<u>\$ 40,018</u>	<u>\$ -</u>	<u>\$ 5,614,416</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>				
<b>SUPPORT AND REVENUE:</b>				
Contributions	\$ -	\$ -	\$ -	\$ -
Net assets released from restrictions:				
Child Vocational Scholarships granted	-	-	-	-
Relief efforts and other projects	-	-	-	-
Total Reclassifications	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	-	-	-	-
Net Assets, Beginning of Year	<u>340,000</u>	<u>-</u>	<u>-</u>	<u>340,000</u>
Net Assets, End of Year	<u>\$ 340,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 340,000</u>