



FREEDOM FROM HUNGER

**Consolidated Financial Statements and
Independent Auditors' Report**

June 30, 2007 and 2006

FREEDOM FROM HUNGER

TABLE OF CONTENTS

	Page
CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2007 AND 2006:	
Independent Auditors' Report	1
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities and Changes in Net Assets	3
Consolidated Statements of Functional Expenses	4
Consolidated Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-12
SUPPLEMENTAL SCHEDULES FOR THE YEAR ENDED JUNE 30, 2007:	
Unrestricted Operating Activities and Changes in Unrestricted Operating Net Assets	14
Program Services Expenses	15
Consolidated Direct and Indirect Costs and Computation of Consolidated Indirect Cost Rate	16
Notes to Schedule of Direct and Indirect Costs and Computation of Indirect Cost Rate	17



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Freedom from Hunger:

We have audited the accompanying consolidated statements of financial position of Freedom from Hunger as of June 30, 2007 and 2006 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of Freedom from Hunger'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 auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over the financial reporting process 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 Freedom from Hunger'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 financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 financial position of Freedom from Hunger as of June 30, 2007 and 2006 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedules for the year ended June 30, 2007 listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of Freedom from Hunger's management. Such information has been subjected to the auditing procedures applied in the audit of the basic 2007 consolidated financial statements and, in our opinion, is fairly presented in all material respects when considered in relation to the basic 2007 consolidated financial statements taken as a whole.

Rancho Cordova, California
October 30, 2007

FREEDOM FROM HUNGER

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS:		
Cash and cash equivalents:	\$ 681,287	\$ 1,021,649
Investments	2,558,249	2,313,356
Accounts and pledges receivable, net of discount	569,787	497,661
Prepaid expenses and other	<u>141,485</u>	<u>144,720</u>
Total current assets	3,950,808	3,977,386
PLEDGES RECEIVABLE - Noncurrent portion	37,770	
CASH SURRENDER VALUE OF LIFE INSURANCE	251,514	200,499
SPLIT INTEREST AGREEMENTS	147,339	130,393
PROPERTY AND EQUIPMENT, NET	752,338	753,528
FUNDS HELD IN HITZLER TRUST	<u>77,778</u>	<u>77,778</u>
TOTAL ASSETS	<u>\$ 5,217,547</u>	<u>\$ 5,139,584</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 532,901	\$ 453,263
Deferred revenue	1,048,298	1,039,115
Current portion of notes and line of credit payable	<u>207,611</u>	<u>150,000</u>
Total current liabilities	1,788,810	1,642,378
NOTES PAYABLE - Noncurrent portion		<u>200,000</u>
TOTAL LIABILITIES	<u>1,788,810</u>	<u>1,842,378</u>
UNRESTRICTED NET ASSETS:	3,098,015	2,513,343
TEMPORARILY RESTRICTED NET ASSETS	252,944	706,085
PERMANENTLY RESTRICTED NET ASSETS	<u>77,778</u>	<u>77,778</u>
TOTAL NET ASSETS	<u>3,428,737</u>	<u>3,297,206</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,217,547</u>	<u>\$ 5,139,584</u>

See notes to financial statements.

FREEDOM FROM HUNGER

**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2007 AND 2006**

	2007			2006		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
REVENUE AND SUPPORT:			Totals			Totals
Philanthropic and planned giving	\$ 3,115,362	\$ 6,873	\$ 3,122,235	\$ 1,943,900	\$ 67,679	\$ 2,011,579
Corporate and foundation giving	2,919,816	98,733	3,018,549	1,328,863	508,012	1,836,875
Public sector/NGOs/other sources	791,655		791,655	963,886		963,886
Contributed in-kind materials and services	178,506		178,506	463,326		463,326
Investment income	125,663		125,663	151,114		151,114
Net realized/unrealized gain on investments	326,789		326,789	41,960		41,960
Change in value of split-interest agreements		16,945	16,945		5,344	5,344
Net assets released from restrictions	575,692	(575,692)		449,591	(449,591)	
Other	3,420		3,420	678		678
Total revenue and support	8,036,903	(453,141)	7,583,762	5,343,318	131,444	5,474,762
EXPENSES:						
Program services	\$ 5,019,044		\$ 5,019,044	\$ 3,749,113		\$ 3,749,113
Program information/hunger awareness	1,128,448		1,128,448	920,984		920,984
Fund raising	534,770		534,770	519,201		519,201
General and administrative	769,969		769,969	510,921		510,921
Total expenses	7,452,231		7,452,231	5,700,219		5,700,219
CHANGE IN NET ASSETS	584,672	(453,141)	131,531	(356,901)	131,444	(225,457)
NET ASSETS, BEGINNING OF YEAR	2,513,343	706,085	3,297,206	2,870,244	574,641	3,522,663
NET ASSETS, END OF YEAR	\$ 3,098,015	\$ 252,944	\$ 3,428,737	\$ 2,513,343	\$ 706,085	\$ 3,297,206

See notes to financial statements.

FREEDOM FROM HUNGER

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES YEARS ENDED JUNE 30, 2007 AND 2006

	<u>Program Services</u>	<u>Program Information/ Hunger Awareness</u>	<u>Fund Raising</u>	<u>General and Administrative</u>	<u>Totals</u>
2007					
Field expenses and technical assistance contracts	\$ 1,725,984				\$ 1,725,984
Personnel	1,637,819	\$ 666,086	\$ 48,280	\$ 560,597	2,912,782
Communications	43,613	34,193	152,782	4,741	235,329
Conferences/seminars/meetings	13,102	11,956		17,417	42,475
Consultants/professional fees	839,711	210,890	150,078	53,920	1,254,599
Depreciation	25,498	18,653	7,860	10,592	62,603
Insurance	18,199	2,532		28,659	49,390
Interest/taxes/fees	6,216	9,853	4,784	47,482	68,335
Occupancy	65,019	23,216	4,549	22,055	114,839
Office costs	25,418	22,911	13,534	8,553	70,416
Planned giving (net of recoveries)			(30,330)		(30,330)
Printing and publications	11,107	59,748	179,976	790	251,621
Travel	607,358	68,410	3,257	15,163	694,188
Totals	<u>\$ 5,019,044</u>	<u>\$ 1,128,448</u>	<u>\$ 534,770</u>	<u>\$ 769,969</u>	<u>\$ 7,452,231</u>
2006					
Field expenses and technical assistance contracts	\$ 1,665,143				\$ 1,665,143
Personnel	1,256,412	\$ 525,162	\$ 39,023	\$ 379,542	2,200,139
Communications	23,823	31,156	144,516	4,491	203,986
Conferences/seminars/meetings	17,891	10,677		12,558	41,126
Consultants/professional fees	152,694	165,260	134,612	26,524	479,090
Depreciation	21,899	16,107	3,180	10,686	51,872
Insurance	14,662	2,351		29,479	46,492
Interest/taxes/fees	23,305	12,202	6,729	7,395	49,631
Occupancy	46,881	25,326	25,920	21,106	119,233
Office costs	16,796	9,548	13,405	6,887	46,636
Planned giving (net of recoveries)			(10,157)		(10,157)
Printing and publications	7,419	85,857	161,950	1,144	256,370
Travel	492,723	37,338	23	11,109	541,193
Uncollectible accounts	9,465				9,465
Totals	<u>\$ 3,749,113</u>	<u>\$ 920,984</u>	<u>\$ 519,201</u>	<u>\$ 510,921</u>	<u>\$ 5,700,219</u>

FREEDOM FROM HUNGER

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 131,531	\$ (225,457)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	62,603	51,872
Net realized/unrealized gains	(347,709)	(47,300)
Contribution of stock	(89,700)	
Loss on disposal of equipment	991	
Accrued interest	7,611	
Net effect of changes in:		
Accounts and pledges receivable	(109,896)	151,166
Prepaid expenses and other	3,235	6,723
Other assets	(51,015)	(30,843)
Accounts payable, accrued liabilities and deferred revenue	88,821	1,170,004
Net cash provided by (used for) operating activities	<u>(303,528)</u>	<u>1,076,165</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(1,257,806)	(1,118,860)
Proceeds from sale of investments	1,433,376	746,327
Purchases of property and equipment	(63,254)	(124,237)
Proceeds from sale of property and equipment	850	
Net cash (used for) investing activities	<u>113,166</u>	<u>(496,770)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuances of line of credit/note	800,000	50,000
Repayments of line of credit/note payable	(950,000)	(50,000)
Net cash used for financing activities	<u>(150,000)</u>	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(340,362)	579,395
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>1,021,649</u>	<u>442,254</u>
End of year	<u>\$ 681,287</u>	<u>\$ 1,021,649</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Interest paid	\$ 39,547	\$ 13,031

See notes to financial statements

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Founded in 1946, Freedom from Hunger is an international development organization whose self-help programs build the capacity of individuals and communities overseas to alleviate root causes of chronic hunger and malnutrition. In early 2004 Freedom from Hunger committed to substantially grow the organization's capacity to reach large numbers of chronically hungry families. Over the next four years Freedom from Hunger plans to expand its resource base to a level which will support more partnerships and thus increase the number of individuals receiving services.

In Benin, Bolivia, Burkina Faso, Ecuador, Ghana, Guatemala, Haiti, Honduras, India, Madagascar, Mali, Mexico, Peru, the Philippines, Senegal and Togo foreign organizations who utilize Freedom from Hunger's *Credit with Education* and other programs provide women with loans and family survival and business skills to improve the health and nutrition of their families (see Note 10)

Basis of Presentation – The financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets

Cash and cash equivalents consist of cash and highly liquid investments with original maturities of three months or less at date of purchase.

Investments are reported at estimated fair value.

Property and equipment are stated at cost. Donated assets are recorded at fair value at the date of donation. Depreciation is recorded using the straight-line method over estimated useful lives ranging from five to forty years.

Income Taxes – Freedom from Hunger has claimed exempt status from federal and state income taxes.

Unrestricted net assets – operating represent revenues and expenditures generated through the provision of support and technical assistance to financial entities and other nonprofit organizations in developing countries implementing the *Credit with Education* program and other methodologies. Fundraising and administrative support are included as a component of the operations. Unrestricted contributions and grant income support unrestricted operations.

Unrestricted net assets – board reserved represent unrestricted income received from bequests, endowments, and investment income. Expenditures from the reserve are directed to funding board approved projects, capital and leasehold improvements, and transfers to operations to relieve deficits and to support program expansion.

Temporarily restricted net assets represent contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Freedom from Hunger pursuant to those stipulations.

Permanently restricted net assets are restricted by the donor for investment in perpetuity, the income from which is available to support the activities of Freedom from Hunger.

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition – Contributions received are recognized as revenue when received or unconditionally promised.

Freedom from Hunger reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the contributions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions. Temporarily restricted contributions are reported as unrestricted support if the restriction is met in the same period in which the contribution is received.

Revenues from grants are recognized primarily when the qualifying expenditures are made.

Contributed Materials and Services – Contributed materials and services are recorded at their estimated fair value on the date of contribution. Contributions of services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed materials and services for the years ended June 30 consisted of the following:

	<u>2007</u>	<u>2006</u>
Consultants and professional fees	\$ 148,440	\$ 428,930
Communications, meeting, supplies and other	20,444	22,797
Board meetings and travel	9,622	11,599
	<u>\$ 178,506</u>	<u>\$ 463,326</u>

Expenses identified with specific programs are charged directly to the related program. Other program services costs are allocated to programs based on an estimate of the benefits received by the programs.

Functional Expense Allocations – Expenses are allocated among program services, program information/hunger awareness, fund raising, and general and administrative classifications based primarily on direct payroll charges. Occupancy expenses are allocated to functional classifications based on the number of employees assigned to each function.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications – Certain prior year amounts have been reclassified for comparative purposes.

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidated Financial Statements - During the year ended June 30, 2007, the Board of Trustees authorized the dissolution of a supporting foundation named the Freedom from Hunger Foundation. Created during the year ended June 30, 2005 the Foundation was declared exempt from state franchise and income tax by the State of California. Funded initially by a transfer of assets from Freedom from Hunger in July 2005 the Foundation received planned giving donations through March 2007. All assets of the Foundation were transferred to Freedom from Hunger by June 2007.

Freedom from Hunger had both an economic interest in and control of Freedom from Hunger Foundation through a majority voting interest in its board. Therefore both organizations' financial statements have been consolidated for the years ended June 30, 2007 and 2006 and all material interorganization transactions have been eliminated.

2. INVESTMENTS

The cost, unrealized gains and losses and estimated fair value of investments as of June 30, 2007 are as follows:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Estimated Fair Value</u>
Certificates of deposit	\$ 50,000		\$ (303)	\$ 49,697
Equity securities mutual funds	1,564,226	\$ 239,461		1,803,687
Corporate bond mutual funds	482,770		(18,232)	464,538
Other	86,563	153,764		240,327
Total	<u>\$ 2,183,559</u>	<u>\$ 393,225</u>	<u>\$ (18,535)</u>	<u>\$ 2,558,249</u>

The cost, unrealized gains and losses and estimated fair value of investments as of June 30, 2006 are as follows:

	<u>Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
Certificates of deposit	\$ 50,000		\$ (1,462)	\$ 48,538
Equity securities mutual funds	1,653,213	\$ 149,058		1,802,271
Corporate bond mutual funds	479,646		(18,220)	461,426
Other	600	521		1,121
Total	<u>\$ 2,183,459</u>	<u>\$ 149,579</u>	<u>\$ (19,682)</u>	<u>\$ 2,313,356</u>

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005 (Continued)

2. INVESTMENTS (CONTINUED)

In the year ended June 30, 1995, Freedom from Hunger received a \$77,778 bequest to “establish or add to the Charles J. and Rae B. Hitzler endowment fund for the general purposes of Freedom from Hunger.” These funds are permanently restricted, and the income earned on the investment is used to support International Center operations. In the years ended June 30, 2007 and 2006, the Hitzler funds were held within an equity mutual fund.

3. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable at June 30 consist of:

	<u>2007</u>	<u>2006</u>
Less than one year	\$ 569,787	\$ 497,661
After one year	<u>37,770</u>	<u>2,839</u>
Accounts and pledges receivable - net of discount	<u>\$ 607,557</u>	<u>\$ 500,500</u>

Long-term pledges have been discounted to their estimated net present value. As of June 30, 2007 and 2006, the discount on long-term pledges was \$9,485 and \$1,988 respectively.

4. SPLIT-INTEREST AGREEMENTS

Pooled Income Fund – Freedom from Hunger has received contributions from donors which are invested in a pooled income fund. This fund is divided into units, and contributions of many donors’ life income gifts are pooled and invested as a group. Donors are assigned a specific number of units based on the proportion of the fair value of their contributions to the total fair value of the pooled income fund on the date of the donor’s entry to the pooled fund. Until a donor’s death, the donor (or the donor’s designated beneficiary or beneficiaries) is paid the actual income (as defined under the arrangement) earned on the donor’s assigned units. Upon the death of the donor (and/or any designated beneficiary), the value of these assigned units reverts to Freedom from Hunger.

On the above split-interest agreement, Freedom from Hunger recognized its undiscounted remainder interest in the assets received as temporarily restricted contribution revenue in the period in which the assets were received from the donor. Freedom from Hunger did not discount the contributions as the effect of discounting would not be material to its financial statements.

Matthewman Trust – In 1996, Freedom from Hunger received a contribution from the Matthewman Trust, pursuant to an arrangement whereby Freedom from Hunger periodically receives a portion of the income earned by the Trust plus a portion of the assets remaining when the Trust expires in January 2017. Freedom from Hunger originally recognized the fair market value of its remainder interest in the Trust as a receivable and as temporarily restricted contribution revenue in 1996 and recognizes its portion of income distributed by the Trust as unrestricted revenue when received. The receivable is recorded at its net present value, discounted at 5.25%.

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005 (Continued)

5. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consist of:

	<u>2007</u>	<u>2006</u>
Land	\$ 145,437	\$ 145,437
Building and improvements	997,802	987,638
Furniture and equipment	<u>420,222</u>	<u>378,926</u>
Total	1,563,461	1,512,001
Less accumulated depreciation	<u>(811,123)</u>	<u>(758,473)</u>
Property and equipment - net	<u>\$ 752,338</u>	<u>\$ 753,528</u>

6. DEFERRED REVENUE

Deferred revenue represents advances received from exchange transactions for activities that have not taken place by year end. Revenue is recognized as the activities required by the contracts are performed. Deferred revenue at June 30 consists of:

	<u>2007</u>	<u>2006</u>
Microfinance and Health Protection Initiative funded by Bill & Melinda Gates Foundation	\$ 975,448	\$ 937,965
Financial Education for the Poor funded by Citigroup	19,154	77,516
Other exchange transactions	<u>53,696</u>	<u>23,634</u>
	<u>\$ 1,048,298</u>	<u>\$ 1,039,115</u>

7. NOTES AND LINE OF CREDIT PAYABLE

Notes payable at June 30 consist of:

	<u>2007</u>	<u>2006</u>
Line of credit payable to UBS Bank USA, interest at LIBOR plus 1.5%	\$ 7,611	
Note payable to Calvert Social Investment Foundation, interest at 4.5%, due June 2008	200,000	\$ 200,000
Note payable to 786 Foundation, interest at 2%, due April 2006		<u>150,000</u>
Total	<u>207,611</u>	<u>350,000</u>
Less: current portion of notes payable	<u>(207,611)</u>	<u>(150,000)</u>
Notes payable - noncurrent portion	<u>\$</u>	<u>\$ 200,000</u>

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005 (Continued)

8. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor use or time restrictions by satisfying the restricted purposes specified by the donor. Temporarily restricted net assets released from time restrictions were \$575,692 in 2007 and \$449,591 in 2006.

9. RETIREMENT PLAN

Freedom from Hunger has a retirement plan available to substantially all International Center employees. The terms of the plan call for annual contributions by Freedom from Hunger at the discretion of the Board of Trustees. During 2007 and 2006, Freedom from Hunger made accruals for contributions to the plan of \$132,254 and \$121,867, respectively.

10. CREDIT WITH EDUCATION PROGRAM

In 1989, Freedom from Hunger began the *Credit with Education Program*, for which Freedom from Hunger provides technical assistance and operational support to certain foreign organizations, which provide loan financing to women with small retail or agricultural businesses. The loans are financed by the foreign organizations through local credit associations and financial institutions. Partner organizations in Africa, Southeast Asia and Central and South America reported to Freedom from Hunger that the outstanding loans due to the foreign organizations from such businesses at March 31, 2007 and June 30, 2006 totaled approximately \$71.0 million and \$57.6 million, respectively (unaudited).

11. CONTINGENT LIABILITIES

Freedom from Hunger is a guarantor in second position for two notes payable by CRECER to Oikocredit, Ecumenical Development Society U.A. The guarantee for \$600,000 secures the capital and interest due under these loan agreements and is in effect until the first loan has been repaid in full. The first note has a balance of \$100,000, interest at 10%, \$100,000 payable annually through January 2008. The second note has a balance of \$1,125,000, interest at 10%, \$125,000 payable semi-annually beginning June 2006 through December 2011. The collateral for these loans is CRECER's loan portfolio.

In the event that CRECER defaults on these loans payable, Freedom from Hunger would be liable for the repayment of such obligations up to the \$600,000 guarantee. It is the opinion of Freedom from Hunger's management that the risk of CRECER defaulting on its borrowings is low.

During the year ending June 30, 2005, Freedom from Hunger assisted in the launch of MicroCredit Enterprises, LLC ("MCE"). MCE is committed to reducing poverty by mobilizing private investment capital to provide lines of credit to microfinance institutions in developing countries. Freedom from Hunger has pledged \$1,300,000 as collateral for the lines of credit issued by MCE. At June 30, 2007 the balance loaned to organizations sponsored by Freedom from Hunger totaled \$2,100,000.

The Freedom from Hunger president sits on the Board of Directors of MCE and thus participates in the due diligence review given to every potential borrower. Freedom from Hunger estimates that the risk to its pledged capital and loan performance contingency account is minimal.

FREEDOM FROM HUNGER

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2006 AND 2005 (Continued)

12. LEASE COMMITMENTS

Freedom from Hunger leases office equipment under several noncancelable operating leases with various expiration dates through December 2009. The lease expense for the years ended June 30, 2007 and 2006 totaled \$21,152 and \$19,234, respectively. Following is a schedule of future minimum lease payments required under the above operating leases:

Year Ending June 30,	
2008	\$ 17,182
2009	16,986
2010	<u>9,204</u>
	<u>\$ 43,372</u>

SUPPLEMENTAL INFORMATION

FREEDOM FROM HUNGER

SUPPLEMENTAL SCHEDULES OF UNRESTRICTED OPERATING ACTIVITIES AND CHANGES IN UNRESTRICTED OPERATING NET ASSETS YEARS ENDED JUNE 30, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
UNRESTRICTED OPERATING REVENUE AND SUPPORT:		
Philanthropic and planned giving	\$ 2,705,205	\$ 1,788,270
Corporate and foundation giving	2,919,816	1,328,863
Public sector/NGOs/other sources	791,655	963,886
Contributed in-kind materials and services	178,506	463,327
Investment income	23,865	18,629
Net realized/unrealized loss on investments	156,993	(655)
Net assets released from restrictions	575,692	449,591
Other income	4,371	678
	<u>7,356,103</u>	<u>5,012,589</u>
UNRESTRICTED OPERATING EXPENSES:		
Program services	4,993,546	3,725,435
Program information/hunger awareness	1,102,527	895,311
Fund raising	506,909	495,296
General and administrative	754,531	495,421
	<u>7,357,513</u>	<u>5,611,463</u>
CHANGE IN UNRESTRICTED OPERATING NET ASSETS	(1,410)	(598,874)
UNRESTRICTED OPERATING NET ASSETS, BEGINNING OF YEAR	(197,057)	134,650
Transfer of net assets from board reserved	<u>200,000</u>	<u>267,167</u>
UNRESTRICTED OPERATING NET ASSETS, END OF YEAR	<u>\$ 1,533</u>	<u>\$ (197,057)</u>

See notes to financial statements

FREEDOM FROM HUNGER

SUPPLEMENTAL SCHEDULE OF PROGRAM SERVICES EXPENSES YEAR ENDED JUNE 30, 2007

AFRICA PROGRAMS (Including Benin, Burkina Faso, Ghana, Madagascar, Mali, Senegal and Togo)	\$ 1,728,391
CENTRAL & SOUTH AMERICA PROGRAMS (Including Bolivia, Ecuador, Guatemala, Haiti, Honduras, Mexico and Peru)	1,011,607
SOUTHEAST ASIA PROGRAMS (Including India and the Philippines)	746,279
GLOBAL PROGRAMS (Including better business, family financial and health education dissemination and development, social performance management, self-help group services, innovations in health protection, and technical services administration)	1,532,767
TOTAL	<u>\$ 5,019,044</u>

FREEDOM FROM HUNGER

SUPPLEMENTAL SCHEDULE OF CONSOLIDATED DIRECT AND INDIRECT COSTS AND COMPUTATION OF CONSOLIDATED INDIRECT COST RATE YEAR ENDED JUNE 30, 2007

	<u>Total Costs</u>		<u>Eliminations</u>	<u>Allowable Indirect Costs</u>	<u>Total Allowable Direct Costs</u>
CONSOLIDATED DIRECT COSTS:					
Africa programs (Including Benin, Burkina Faso, Ghana, Madagascar, Mali, Senegal and Togo)	\$1,728,391	(1) (3)	\$ (166,387) (17)		\$1,561,987
Central & South America programs (Including Bolivia, Ecuador, Guatemala, Haiti, Honduras, Mexico and Peru)	1,011,607	(1) (2) (3)	(218,742) (29,606) (554)		762,705
Southeast Asia programs (Including India and the Philippines)	746,279	(1) (3)	(74,824) (214)		671,241
Global programs (Including better business, family financial and health education dissemination and development, social performance management, self-help group services, innovations in health protection, and technical services administration)	1,532,767	(3)	(52,337)		1,480,430
Total program services	5,019,044		(542,681)		4,476,363
Program information/hunger awareness	1,128,448	(3)	(110,816)		1,017,632
Fund raising	534,770	(3)	(2,500)		532,270
General and administrative	769,969	(3) (4)	(12,068) (39,547)	\$(718,354)	
TOTALS	<u>\$7,452,231</u>		<u>\$ (707,612)</u>	<u>\$(718,354)</u>	<u>\$6,026,265</u>
COMPUTATION OF CONSOLIDATED INDIRECT COST RATE:					
Indirect costs				\$ 718,354	
Adjusted direct costs				6,026,265	
Indirect cost rate					11.9%

See notes to schedule

FREEDOM FROM HUNGER

NOTES TO SCHEDULE OF CONSOLIDATED DIRECT AND INDIRECT COSTS AND COMPUTATION OF CONSOLIDATED INDIRECT COST RATE YEAR ENDED JUNE 30, 2007

General – The accompanying schedule of consolidated direct and indirect costs and computation of consolidated indirect cost rate (page 16) is prepared by Freedom from Hunger using guidelines presented in the Office of Management and Budget's (OMB) Circular No. A-122, *Cost Principles for Non-Profit Organizations – Attachments C and D, Indirect Costs and Determination of Indirect Cost Rates*.

Costs exclude certain property and equipment purchases capitalized totaling \$63,254 for the year ended June 30, 2007.

Eliminations represent the following:

- (1) Major subcontracts \$459,953.
- (2) Project related equipment \$29,606.
- (3) Contributed materials and services \$178,506.
- (4) Interest on borrowings \$39,547.

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