

CHILDREN ARE PEOPLE, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010

CHILDREN ARE PEOPLE, INC.

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Independent Auditor's Report

To the Board of Directors of
Children Are People, Inc.
Gallatin, Tennessee

I have audited the accompanying statement of financial position of Children Are People, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children Are People, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity accounting principles generally accepted in the United States of America.

John R Poole, CPA

February 28, 2011

CHILDREN ARE PEOPLE, INC.

Statement of Financial Position

June 30, 2010

Assets

Current assets:

Cash	\$	41,920
Prepaid assets		5,914
Total current assets		<u>47,834</u>

Property and equipment at cost:

Vehicles	81,155
Library books	8,193
Furniture and equipment	15,309
Less: accumulated depreciation	<u>(63,926)</u>
Net property and equipment	<u>40,731</u>

Total assets	\$	<u>88,565</u>
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$	<u>491</u>
Total current liabilities		<u>491</u>
Total liabilities		<u>491</u>

Net assets:

Board designated	24,000
Restricted - scholarship	7,607
Unrestricted	<u>56,467</u>
Total net assets	<u>88,074</u>

Total liabilities and net assets	\$	<u>88,565</u>
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CHILDREN ARE PEOPLE, INC.

Statement of Activities

For the year ended June 30, 2010

	<u>Unrestricted</u>
Revenues	
Contributions	\$ 104,255
Special events	24,131
Donated goods and services	27,646
Miscellaneous	15
Total public support and revenues	<u>156,047</u>
Expenses:	
Program services	112,206
Management and General	27,567
Fundraising	16,142
Total expenses	<u>155,915</u>
Increase (decrease) in net assets	<u>132</u>
Beginning of year net assets	87,942
End of year net assets	<u>\$ 88,074</u>

CHILDREN ARE PEOPLE, INC.

Statement of Functional Expenses

For the year ended June 30, 2010

	Programs Services	Management and General	Fund- Raising	Total
Accounting and audit	\$ -	3,647	-	3,647
Advertising and promotions	-	99	-	99
Background checks	211	-	-	211
Bank charges	-	1,032	-	1,032
Depreciation	17,178	-	-	17,178
Donated services	5,796	1,050	-	6,846
Educational	40	-	-	40
Field trips and camps	300	-	-	300
Food and kitchen supplies	7,361	-	-	7,361
Fundraising	-	-	2,320	2,320
Insurance	12,510	-	-	12,510
Miscellaneous	87	278	-	365
Payroll taxes	2,136	982	982	4,100
Postage	360	-	-	360
Printing	801	-	-	801
Professional services	-	6,195	-	6,195
Occupancy	12,175	-	-	12,175
Salaries	30,159	12,840	12,840	55,839
Student gifts	798	-	-	798
Supplies	16,596	-	-	16,596
Telephone	1,445	1,444	-	2,889
Transportation	4,253	-	-	4,253
Total expenses	\$ 112,206	27,567	16,142	155,915

CHILDREN ARE PEOPLE, INC.

Statement of Cash Flows

For the year ended June 30, 2010

Cash flows from operating activities:	
Support and revenue received	\$ 156,047
Cash paid for:	
Salaries and related expenses	(59,939)
Program and support services	(77,486)
Net cash provided by operating activities	<u>18,622</u>
Cash flows used by investing activities:	
Acquisition of fixed assets	<u>(8,520)</u>
Net cash used by investing activities	(8,520)
Net increase in cash	10,102
Cash and cash equivalents at beginning of year	31,818
Cash and cash equivalents at end of year	\$ <u><u>41,920</u></u>
Reconciliation of Increase in Net Assets to Net Cash Provided by Operating Activities	
Increase (decrease) in net assets	\$ 132
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	17,178
Changes in assets (increase) decrease:	
Prepaid assets	821
Changes in liabilities increase (decrease)	
Accounts payable	491
Net cash provided by operating activities	\$ <u><u>18,622</u></u>

CHILDREN ARE PEOPLE, INC.

Notes to the Financial Statements June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children Are People, Inc. is a non-profit organization in Sumner County, Tennessee. The Organization's mission is to assist at-risk children and their families with developing academic and life skills in order to produce responsible, self-sufficient adults who contribute to the community.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and recommendations of the American Institute of Certified Public Accountants in its industry audit and accounting guide, "Not-for-Profit Organizations."

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Standards (SAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SAS No. 117, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

Contributions

In accordance with SAS 116, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

CHILDREN ARE PEOPLE, INC.
Notes to the Financial Statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated Materials, Services and Facilities

Donated materials, services, facilities and assets are used in the ongoing operations of Children Are People, Inc. Contributed services are reflected in the financial statements at the fair value of the services received in accordance with SFAS No. 116 Accounting for Contributions Received and Contributions Made. This standard requires that contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Donor -Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or donor-restricted for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor- stipulated time restriction is accomplished, then the restricted net assets are reclassified to unrestricted net assets. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Fixed Assets and Depreciation

Fixed Assets with a useful life greater than one year and a purchase price of more than \$1,000 are carried at cost if purchased or approximate fair value at the date of donation. If a donor stipulates how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for over the estimated useful lives of the assets. Assets are depreciated using the straight-line method of depreciation.

Functional Allocation of Expenses

The costs of providing the organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs may have been allocated among the programs and supporting services benefited.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

CHILDREN ARE PEOPLE, INC.
Notes to the Financial Statements
June 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. DONATED MATERIALS, SERVICES, FACILITIES AND ASSETS

The value of donated materials, services, facilities and assets included in the financial statements and the corresponding expense or asset capitalization for the year ended June 30, 2010 are as follows:

Revenues:

Donated Office Space	\$ 12,000
Donated Services	6,846
Donated Goods	<u>8,800</u>
	27,646

In addition, many individuals volunteer their time and perform a variety of tasks that assist Children Are People, Inc. with specific programs and fundraising. No amounts have been reflected in the financial statements for these donated services since volunteers' time does not meet the criteria for recognition under SFAS No. 116.

3. FIXED ASSETS

A summary of fixed asset activity is noted below:

	Balance <u>6/30/09</u>	<u>Addition</u>	<u>Retirement</u>	Balance <u>6/30/10</u>
Vehicles	81,155	-	-	81,155
Library books	8,193	-	-	8,193
Furniture and equipment	<u>6,789</u>	<u>8,520</u>	-	<u>15,309</u>
Total	96,137	8,520	-	104,657
Less: Accumulated depreciation	<u>(46,581)</u>			<u>(63,926)</u>
Net assets	<u>49,556</u>			<u>40,731</u>

Depreciation expense for the year ended June 30, 2010 was \$17,178.

CHILDREN ARE PEOPLE, INC.
Notes to the Financial Statements
June 30, 2010

4. DESIGNATED NET ASSETS:

Board designated net assets consists of \$12,000 for a Building fund and \$12,000 for Scholarship purposes.

5. RELATED PARTY TRANSACTIONS

A board member owns an accounting firm that donates accounting services to CAP. The total amount of donated accounting services recognized in the financial statements for the year ended was \$2,784.

A board member is an employee of an Organization that donates rent and utilities to CAP. The total amount of donated rent and utilities recognized for the financial statements for the year ended was \$12,000.