

CHILDREN ARE PEOPLE, INC.

Audited Financial Statements

Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of Children Are People, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

No accounting controls are exercised over contribution collections prior to the initial entry of such contributions in the accounting records. Accordingly, it was not practicable for me to extend my audit of such receipts beyond the amounts recorded.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Children Are People, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



White House, Tennessee

January 10, 2014

CHILDREN ARE PEOPLE, INC.
Statement of Financial Position
June 30, 2013

ASSETS

Current assets	
Cash	\$ 39,140
Prepaid expenses	6,378
Total current assets	<u>45,518</u>
 Property and equipment	
Leasehold improvements	1,850
Vehicles	126,669
Furniture and equipment	22,571
Library books	8,193
	<u>159,283</u>
Less: accumulated depreciation	(107,425)
Total property and equipment, net	<u>51,858</u>
 Total assets	 <u><u>\$ 97,376</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 1,203
Accrued payroll and payroll taxes	3,530
Total current liabilities	<u>4,733</u>
 Net assets	
Unrestricted net assets	76,840
Temporarily restricted net assets	15,803
Total net assets	<u>92,643</u>
 Total liabilities and net assets	 <u><u>\$ 97,376</u></u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statement of Activities
Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Contributions	\$ 115,750	\$ 3,800	\$ 119,550
Grants	25,000	3,000	28,000
Special event contributions	46,111	-	46,111
Interest income	32	2	34
Donated professional services	5,230	-	5,230
Donated food and supplies	4,116	-	4,116
Donated property and equipment	7,339	-	7,339
Donated rent	12,000	-	12,000
Donated facilities for special event	10,000	-	10,000
Miscellaneous income	60	-	60
Net assets released from restrictions	1,000	(1,000)	-
Total revenue and support	<u>226,638</u>	<u>5,802</u>	<u>232,440</u>
Expenses			
Program services	160,824	-	160,824
Management and general	31,194	-	31,194
Fundraising	37,103	-	37,103
Total expenses	<u>229,121</u>	<u>-</u>	<u>229,121</u>
Total (decrease) increase in net assets	(2,483)	5,802	3,319
Net assets at beginning of year	<u>79,323</u>	<u>10,001</u>	<u>89,324</u>
Net assets at end of year	<u><u>\$ 76,840</u></u>	<u><u>\$ 15,803</u></u>	<u><u>\$ 92,643</u></u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statement of Functional Expenses
Year Ended June 30, 2013

	Program Services	Supporting Services		Total
		Management & General	Fundraising	
Salaries and wages	\$68,093	\$14,593	\$11,399	\$ 94,085
Payroll taxes	5,209	1,116	872	7,197
Advertising expenses	-	-	86	86
Background checks	132	44	-	176
Bank and credit card fees	-	404	-	404
Depreciation	15,074	211	-	15,285
Dues and subscriptions	-	125	-	125
Facilities and equipment	1,686	562	-	2,248
Field trips	239	-	-	239
Food	13,981	-	-	13,981
Fundraising expenses	-	-	702	702
Insurance	11,964	1,887	-	13,851
Job readiness training	15,000	-	-	15,000
Loss on disposal of equipment	-	115	-	115
Meeting expense	167	-	-	167
Miscellaneous expense	528	528	-	1,056
Office expenses	-	1,091	-	1,091
Payroll processing fees	-	1,423	-	1,423
Postage	137	137	137	411
Printing	1,261	630	630	2,521
Professional development	-	106	-	106
Professional fees	-	4,875	1,625	6,500
Rent expense - real property	9,000	1,500	1,500	12,000
Rent expense - personal property	323	321	321	965
Repairs and maintenance	2,262	754	-	3,016
Special event expenses	-	-	19,059	19,059
Student assistance	3,166	-	-	3,166
Student rewards	585	-	-	585
Supplies	2,927	-	-	2,927
Telephone and internet	1,329	664	664	2,657
Transportation	6,762	-	-	6,762
Volunteer training	891	-	-	891
Website expense	108	108	108	324
Total expenses	<u>\$ 160,824</u>	<u>\$ 31,194</u>	<u>\$ 37,103</u>	<u>\$ 229,121</u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.

Statement of Cash Flows

Year ended June 30, 2013

Cash flows from operating activities

Increase in net assets	\$ 3,319
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	15,285
Loss on disposal of equipment	115
Donated property and equipment	(7,339)
(Increase) decrease in:	
Prepaid expenses	(239)
Increase (decrease) in:	
Accounts payable	(4,891)
Accrued payroll and payroll taxes	200
Net cash provided by operating activities	<u>6,450</u>

Cash flows from investing activities

Cash payments for the purchase of property and equipment	<u>(1,850)</u>
Net cash used by investing activities	<u>(1,850)</u>

Net increase in cash 4,600

Cash at beginning of year 34,540

Cash at end of year \$ 39,140

Supplemental cash flow information

Noncash investing transactions - donated property and equipment \$ 7,339

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements
Year Ended June 30, 2013

Note 1. Nature of Activities and Significant Accounting Policies

A. Organization and Nature of Activities

Children Are People, Inc. ("CAP") is a nonprofit organization chartered in Tennessee. CAP's mission is to assist at-risk children in Sumner County, Tennessee, by developing in them academic and life skills to produce responsible, self-sufficient adults who contribute to their community. Contributions and grants are received primarily from donors located in the Middle Tennessee region.

B. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Financial Statement Presentation

The net assets of CAP and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed restrictions that may or will be met, either by actions of CAP and/or the passage of time.

D. Cash and Cash Equivalents

For purposes of the statements of cash flows, cash includes all monies in banks. CAP had no cash equivalents for the year ended June 30, 2013.

E. Property and Equipment

CAP capitalizes property and equipment acquisitions in excess of \$1,000 with an estimated useful life in excess of one year. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which range from five to ten years. Depreciation expense for the year ended June 30, 2013 was \$15,285.

F. Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

G. Functional Expenses

Expenses are charged directly to program, management and general and fundraising based on an allocation by management.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
Year Ended June 30, 2013

Note 1. Nature of Activities and Significant Accounting Policies - Continued

H. Advertising Costs

CAP uses advertising to promote its programs among the audience it services. Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2013 was \$86.

I. Public Support and Revenues

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

J. Donated Materials, Services, Facilities and Assets

Donated materials, services, facilities and assets are used in the operations of CAP. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires CAP's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Income Taxes

CAP is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. CAP's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ended 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed

Note 2. Concentrations

CAP relies on contributions, grants, special events, and in-kind support to fund operations. For the year ended June 30, 2013, CAP received 28% of its total revenue from three donors.

Note 3. Donated Property, Equipment and Services

The value of donated property, equipment and services used in the ongoing operations of CAP included in the financial statements and the corresponding expenditure or asset capitalization for the year ended June 30, 2013 are as follows:

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
Year Ended June 30, 2013

Note 3. Donated Property, Equipment and Services - Continued

Revenue and Support	
Donated professional services	\$ 5,230
Donated food and supplies	4,116
Donated property and equipment	7,339
Donated rent and facilities	12,000
Donated facilities for special event	10,000
Total	<u>\$ 38,685</u>

Expenses	
Facilities and equipment	\$ 450
Food	2,616
Office expenses	300
Printing	1,860
Professional fees	1,200
Rent	12,000
Repairs and maintenance	150
Special event expenses	11,327
Supplies	943
Transportation	500
Total expenses	<u>\$ 31,346</u>

Assets	
Furniture and equipment	<u>\$ 7,339</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist CAP with specific programs and fundraising. There were 2,029 hours donated by these volunteers. However, no amounts have been reflected in the financial statements for these donated services since volunteers' time does not meet the criteria for recognition.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of contributions from donors for the following at June 30, 2013:

Scholarships	\$ 12,803
Summer reading program	3,000
Total	<u>\$ 15,803</u>

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
Year Ended June 30, 2013

Note 5. Net Assets Released From Restrictions

Net assets are released from donor restrictions when time or purpose restrictions specified by the donors have been satisfied. Restricted contributions which have been released to operations as of June 30, 2013 are as follows:

Scholarships \$ 1,000

Note 6. Operating Lease

CAP entered into a new lease for a copier in March, 2013. The term of the lease is for 60 months with minimum payments of \$175 per month beginning in April, 2013. Rent expense under this lease for the year ended June 30, 2013 was \$700.

Future minimum payments under the lease agreement as of June 30, 2013 are as follows:

Years Ended	Amount
2014	\$ 2,100
2015	2,100
2016	2,100
2017	2,100
2018	<u>1,400</u>
Total	<u>\$ 9,800</u>

Note 7. Subsequent Events

CAP has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2013 through January 10, 2014, the date the financial statements were available to be issued.