

**CHILDREN ARE PEOPLE, INC.
REVIEWED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2021 AND 2020**

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MCMURRAY, FOX & ASSOCIATES, PLLC CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Children Are People, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

McMurray, Fox & Associates

McMurray, Fox & Associates, PLLC
Hendersonville, Tennessee
November 19, 2021

CHILDREN ARE PEOPLE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 and 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
ASSETS		
Current assets		
Cash, \$10,344 and \$10,192 restricted, respectively	\$ 267,507	\$ 155,543
Prepaid expenses	<u>10,011</u>	<u>9,829</u>
Total current assets	277,518	165,372
Fixed assets		
Property and equipment	176,402	185,787
Less: accumulated depreciation	<u>(119,219)</u>	<u>(113,276)</u>
Net property and equipment	57,183	72,511
Total assets	<u><u>\$ 334,701</u></u>	<u><u>\$ 237,883</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 5,752	\$ 2,629
Accrued payroll liabilities	4,259	3,169
Current portion of long-term debt	<u>-</u>	<u>15,727</u>
Total current liabilities	10,011	21,525
Note payable - PPP funds	<u>-</u>	<u>17,770</u>
Total liabilities	10,011	39,295
Net assets		
Net assets without donor restrictions	314,346	188,396
Net assets with donor restrictions	<u>10,344</u>	<u>10,192</u>
Total net assets	<u>324,690</u>	<u>198,588</u>
Total liabilities and net assets	<u><u>\$ 334,701</u></u>	<u><u>\$ 237,883</u></u>

See independent accountant's review report and notes to the financial statements

CHILDREN ARE PEOPLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Net Assets Without Donor Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 197,671	\$ 125	\$ 197,796
Fundraisers	110,953	-	110,953
Donated food and supplies	13,950	-	13,950
Donated rent	12,000	-	12,000
Donated facility, services & supplies	4,840	-	4,840
Miscellaneous income	33,653	-	33,653
Interest	29	27	56
Total support and revenue	<u>373,096</u>	<u>152</u>	<u>373,248</u>
Expenses			
Program services	<u>86,041</u>	<u>-</u>	<u>86,041</u>
Total program services	86,041	-	86,041
Supporting services			
Management and general	118,074	-	118,074
Fundraising activities	<u>43,031</u>	<u>-</u>	<u>43,031</u>
Total supporting services	161,105	-	161,105
Total expenses	<u>247,146</u>	<u>-</u>	<u>247,146</u>
Increase (decrease) in net assets	125,950	152	126,102
Net assets at beginning of year	<u>188,396</u>	<u>10,192</u>	<u>198,588</u>
Net assets at end of year	<u>\$ 314,346</u>	<u>\$ 10,344</u>	<u>\$ 324,690</u>

See independent accountant's review report and notes to the financial statements

CHILDREN ARE PEOPLE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
Support and revenue:			
Contributions	\$ 260,016	\$ -	\$ 260,016
Grants	17,500	-	17,500
Fundraisers	7,500	-	7,500
Donated services	86,391	-	86,391
Donated food and supplies	8,050	-	8,050
Donated rent	12,000	-	12,000
Donated facility, services & supplies	3,745	-	3,745
Miscellaneous income	234	-	234
Interest	68	-	68
Net assets moved from donor restriction	9,998	(9,998)	-
Total support and revenue	<u>405,502</u>	<u>(9,998)</u>	<u>395,504</u>
Expenses			
Program services	<u>146,582</u>	<u>-</u>	<u>146,582</u>
Total program services	146,582	-	146,582
Supporting services			
Management and general	113,544	-	113,544
Fundraising activities	<u>34,538</u>	<u>-</u>	<u>34,538</u>
Total supporting services	148,082	-	148,082
Total expenses	<u>294,664</u>	<u>-</u>	<u>294,664</u>
Increase (decrease) in net assets	110,838	(9,998)	100,840
Net assets at beginning of year	<u>77,558</u>	<u>20,190</u>	<u>97,748</u>
Net assets at end of year	<u>\$ 188,396</u>	<u>\$ 10,192</u>	<u>\$ 198,588</u>

See independent accountant's review report and notes to the financial statements

CHILDREN ARE PEOPLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Services	Management and General	Fundraising	Total
Salaries & wages	\$ 53,901	\$ 32,151	\$ 8,511	\$ 94,563
Payroll taxes	3,973	2,370	627	6,970
Bank and credit card fees	889	704	-	1,593
Contract services	-	2,531	-	2,531
Dues and subscriptions	-	540	-	540
Facilities and equipment	-	3,798	-	3,798
Fundraising expenses	-	-	33,893	33,893
Insurance	-	12,694	-	12,694
Meals for students	7,752	-	-	7,752
Miscellaneous expense	2,254	1,773	-	4,027
Office expense	-	4,086	-	4,086
Payroll processing fees	160	120	-	280
Postage	-	421	-	421
Professional fees	-	23,635	-	23,635
Rent expense - real property	10,000	2,000	-	12,000
Repairs & maintenance	4,231	600	-	4,831
Student rewards	140	-	-	140
Supplies	807	13,628	-	14,435
Telephone & internet	45	542	-	587
Transportation	1,889	-	-	1,889
Website	-	1,154	-	1,154
Total expenses before depreciation	86,041	102,747	43,031	231,819
Depreciation	-	15,327	-	15,327
Total expenses	\$ 86,041	\$ 118,074	\$ 43,031	\$ 247,146

See independent accountant's review report and notes to the financial statements

CHILDREN ARE PEOPLE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Management and General	Fundraising	Total
Salaries & wages	\$ 99,649	\$ 59,439	\$ 15,734	\$ 174,821
Payroll taxes	7,969	4,754	1,258	13,980
Advertising expense	-	30	-	30
Bank and credit card fees	1,490	402	-	1,892
Contract services	-	2,495	-	2,495
Dues and subscriptions	-	500	-	500
Facilities and equipment	-	3,861	-	3,861
Field trips	282	-	-	282
Fundraising expenses	-	-	17,546	17,546
Insurance	-	13,616	-	13,616
Job readiness training	3,299	-	-	3,299
Meals for students	13,971	-	-	13,971
Miscellaneous expense	278	1,822	-	2,100
Office expense	-	3,080	-	3,080
Payroll processing fees	950	716	-	1,666
Postage	-	385	-	385
Professional fees	-	6,310	-	6,310
Rent expense - real property	10,000	2,000	-	12,000
Repairs & maintenance	2,090	475	-	2,565
Student assistance	155	-	-	155
Student rewards	200	-	-	200
Supplies	1,245	5,078	-	6,323
Telephone & internet	45	2,455	-	2,500
Transportation	4,959	-	-	4,959
Website	-	1,518	-	1,518
Total expenses before depreciation	146,582	108,935	34,537	290,054
Depreciation	-	4,608	-	4,608
Total expenses	\$ 146,582	\$ 113,543	\$ 34,537	\$ 294,662

See independent accountant's review report and notes to the financial statements

CHILDREN ARE PEOPLE, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 126,103	\$ 100,840
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	15,327	4,608
Gain on disposal of asset	-	(7,500)
Forgiveness of PPP loan	(33,497)	
(Increase)/decrease in prepaid expenses	(182)	(2,978)
(Increase)/decrease in grant receivables	-	11,402
Increase/(decrease) in accounts payable	3,124	2,628
Increase/(decrease) in accrued liabilities	1,090	(171)
Total adjustments	<u>(14,138)</u>	<u>7,989</u>
Net cash provided by (used in) operating activities	<u>111,965</u>	<u>108,829</u>
Cash flows from investing activities:		
Proceeds on sale of fixed assets	-	7,500
Purchase of fixed assets	<u>-</u>	<u>(60,000)</u>
Net cash used in investing activities	<u>-</u>	<u>(52,500)</u>
Cash flow from financing activities:		
Proceeds from notes payable	<u>-</u>	<u>33,497</u>
Net cash provided by financing activities	<u>-</u>	<u>33,497</u>
Net increase (decrease) in cash	111,965	89,826
Cash at beginning of year	<u>155,543</u>	<u>65,717</u>
Cash at end of year	<u>\$ 267,508</u>	<u>\$ 155,543</u>

See independent accountant's review report and notes to the financial statements.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Activities

Children Are People, Inc. ("CAP") is a nonprofit corporation governed by a local board of directors. The mission of CAP is to assist at-risk children in Sumner County by developing in them academic and life skills to produce responsible, self-sufficient adults who contribute to their community. CAP is supported through grants and contributions primarily from donors in the Middle Tennessee area.

B. Basis of Accounting

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

C. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of CAP and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CAP and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the funds are received are reported in the statement of activities as net assets without donor restrictions. As of June 30, 2021, and 2020 CAP has \$10,344 and \$10,192 of net assets with donor restrictions for scholarships.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of cash or other assets that must be used to acquire property and equipment are reported as increases in net assets with donor restrictions until the assets are acquired and placed in service as instructed by the donor. Amounts received that are designated for future periods or restricted by the donor for a specific purpose are reported as net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Use of Estimates

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

E. Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. CAP had no cash equivalents as of June 30, 2021 and 2020.

F. Property and Equipment

Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is computed using the straight-line method over the useful lives of the assets which range from five to ten years.

CAP's capitalization policy requires individual assets to be capitalized if the cost or fair market value exceeds \$1,000. Repair and maintenance costs are expensed as incurred.

G. Revenue Recognition

Contributions are recognized when received. In-kind contributions are recorded based on their estimated value on the date of the receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-related restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified as net assets without donor restrictions. Any donor restricted contributions that are expended in the same fiscal year, are noted as unrestricted in the financial statements.

H. Functional Expenses

The cost of providing program, administration and fund-raising activities has been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated amount the programs and supporting services benefited. The allocation is based on actual costs and time expended.

I. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2021 and 2020 were \$0 and \$30, respectively.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Income Taxes

CAP is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

K. Reclassifications

Certain reclassifications have been made to prior year information to conform to current year presentation.

L. Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, Leases, the provides new guidance related to the accounting for leases, which requires lessees to record assets and liabilities reflecting the leased assets and lease obligations, respectively, while following the dual model for recognition in the statement of income requiring leases to be classified as either operating or finance. Operating leases will result in straight-line expense (similar to current operating leases) while finance leases will result in a frontloaded expense (similar to current capital leases). The new standard is effective for the fiscal year beginning July 1, 2022 and requires retrospective application to previously issued annual financial statements. CAP is reviewing the new standard to determine the impact to the financial statements, if any.

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that CAP adopts as of the specified effective date. Unless otherwise discussed, management believes the impact of any other recently issued standards that are not yet effective are either not applicable at this time or will not have a material impact on the balance sheet upon adoption.

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Furniture & equipment	\$ 30,731	\$ 30,731
Leasehold improvements	18,952	18,952
Vehicles	<u>126,719</u>	<u>136,104</u>
 Total property & equipment	 176,402	 185,787
Less: Accumulated depreciation	<u>(119,219)</u>	<u>(113,276)</u>
Property & equipment, net	<u>\$ 57,183</u>	<u>\$ 72,511</u>

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 – PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation expense of \$15,327 and \$4,608 was incurred for the years ended June 30, 2021 and 2020, respectively.

NOTE 3 – NOTE PAYABLE – PPP FUNDS

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak”) and risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally. This prompted President Trump to sign the “Coronavirus Aid, Relief, and Economic Security (CARES) Act” on March 27, 2020. The CARES Act, among other things, includes provisions relating to refundable payroll, tax credits, deferment of employer’s portion of social security payments, net operating loss carry back periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. The CARES Act also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. On April 14, 2020 CAP’s board approved a \$33,497 request of funds that was approved and deposited into CAP’s account on April 20, 2020. Management has elected to account for this inflow of cash as a loan accruing interest at 1% per annum. The loan has a maturity date of April 20, 2022. This SBA loan is eligible for forgiveness once certain conditions have been met and the forgiveness application is submitted. During fiscal year ended June 30, 2021, the forgiveness was approved and the loan was reclassified to miscellaneous income.

NOTE 4 – LEASE

On February 15, 2017, CAP entered into a 60-month lease on a copier with Novacopy with minimum payments of \$277 per month beginning in February, 2017. Rent expense under this lease was \$3,324 and \$3,816 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are \$416 under the lease agreement as of June 30, 2021.

See independent accountant’s review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 – CONCENTRATIONS

CAP relies on contributions, grants, special events and in-kind support to fund operations. For the year ended June 30, 2021, there were no concentrations and for the year ended June 30, 2020, CAP received 39% of its total revenue from six donors.

NOTE 6 – LIQUIDITY

Financial assets available for general expenditure, that is without donor restrictions a, within one year of the date of the statement of financial position, comprise the following is \$267,174 comprised of \$257,163 in unrestricted cash and \$10,011 of prepaid expenses at June 30, 2021. As of June 30, 2020, financial assets available for general expenditure within one year of the date of the statement of financial position was \$155,180 consisting of \$145,351 in unrestricted cash and \$9,829 in prepaid expenses. CAP is substantially supported by grants and individual contributions which are primarily without donor restrictions and are available for general expenditure.

NOTE 7 – CONTRIBUTED SERVICES, FACILITIES AND SUPPLIES

CAP recognizes contribution revenue for certain services, facilities and supplies received at the fair value at the time of donation. Those in-kind contributions and related expenses include the following:

In-kind contributions:	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Sponsors	\$ 4,840	\$ 3,745
Facility rent	12,000	12,000
Food	3,150	6,200
Supplies	<u>10,800</u>	<u>1,850</u>
Total in-kind contributions	<u>\$ 30,790</u>	<u>\$ 23,795</u>
Expenses:		
Rent expense	\$ 12,000	\$ 12,000
Food	3,150	6,200
Supplies	10,800	1,850
Contract services	<u>4,840</u>	<u>3,745</u>
Total expenses	<u>\$ 30,790</u>	<u>\$ 23,795</u>

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 7 – CONTRIBUTED SERVICES, FACILITIES AND SUPPLIES (CONTINUED)

In addition, many individuals volunteer their time and perform a variety of tasks that assist CAP with specific programs and fundraising. For the years ended June 30, 2021 and 2020, there were 589 and 896 hours donated by these volunteers, respectively. However, no amount is reflected in the financial statements for these donated services since volunteers' time does not meet the criteria for recognition.

NOTE 8 – SUBSEQUENT EVENTS

CAP has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2021 through November 19, 2021, the date the financial statements were available to be issued. There were no subsequent events that require recognition in the financial statements.

See independent accountant's review report.