

**CHILDREN ARE PEOPLE, INC.**

**Audited Financial Statements**

**Year Ended June 30, 2014**

## CONTENTS

---

Independent Auditor's Report	1
------------------------------	---

---

Financial Statements	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9

---

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, 2014, and the related statements of activities, functional expenses and cash flows for the year 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.

**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, 2014, 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 9, 2015

**CHILDREN ARE PEOPLE, INC.**  
**Statement of Financial Position**  
**June 30, 2014**

**ASSETS**

**Current assets**

Cash	\$ 78,615
Prepaid expenses	7,881
Total current assets	<u>86,496</u>

**Property and equipment**

Leasehold improvements	6,650
Vehicles	126,669
Furniture and equipment	14,052
Library books	8,193
	<u>155,564</u>
Less: accumulated depreciation	(115,447)
Total property and equipment, net	<u>40,117</u>

Total assets	<u><u>\$ 126,613</u></u>
--------------	--------------------------

**LIABILITIES AND NET ASSETS**

**Current liabilities**

Accounts payable	\$ 2,961
Accrued payroll and payroll taxes	9,780
Total current liabilities	<u>12,741</u>

**Net assets**

Unrestricted net assets	98,866
Temporarily restricted net assets	15,006
Total net assets	<u>113,872</u>

Total liabilities and net assets	<u><u>\$ 126,613</u></u>
----------------------------------	--------------------------

See notes to financial statements.

**CHILDREN ARE PEOPLE, INC.**  
**Statement of Activities**  
**Year Ended June 30, 2014**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenue and Support</b>			
Contributions	\$ 188,290	\$ 2,200	\$ 190,490
Grants	25,000	-	25,000
Annual Friend and Fundraiser contributions	38,258	-	38,258
Walk-A-Thon contributions	11,773	-	11,773
Interest income	28	3	31
Donated professional services	2,890	-	2,890
Donated food and supplies	3,841	-	3,841
Donated leasehold improvements	4,800	-	4,800
Donated rent	12,000	-	12,000
Donated facilities, services & supplies for Annual Friend and Fundraiser	17,475	-	17,475
Net assets released from restrictions	3,000	(3,000)	-
Total revenue and support	<u>307,355</u>	<u>(797)</u>	<u>306,558</u>
<b>Expenses</b>			
Program services	181,518	-	181,518
Management and general	59,755	-	59,755
Fundraising	44,056	-	44,056
Total expenses	<u>285,329</u>	<u>-</u>	<u>285,329</u>
Total increase (decrease) in net assets	22,026	(797)	21,229
Net assets at beginning of year	<u>76,840</u>	<u>15,803</u>	<u>92,643</u>
Net assets at end of year	<u>\$ 98,866</u>	<u>\$ 15,006</u>	<u>\$ 113,872</u>

See notes to financial statements.

**CHILDREN ARE PEOPLE, INC.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2014**

		<u>Supporting Services</u>		
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Services</u>	<u>&amp; General</u>		
Salaries and wages	\$92,538	\$16,422	\$11,196	\$ 120,156
Payroll taxes	7,048	6,034	876	13,958
Advertising expenses	25	-	335	360
Background checks	11	124	-	135
Bank and credit card fees	60	120	-	180
Depreciation	12,267	2,571	-	14,838
Dues and subscriptions	-	322	-	322
Facilities and equipment	1,790	250	-	2,040
Field trips	191	-	-	191
Food	16,772	-	-	16,772
Fundraising expenses	-	-	1,875	1,875
Insurance	7,050	9,081	-	16,131
Interest expense	-	1,297	-	1,297
Job readiness training	15,500	-	-	15,500
Loss on disposal of equipment	-	1,703	-	1,703
Miscellaneous expense	1,760	599	-	2,359
Office expenses	586	986	-	1,572
Payroll processing fees	-	1,816	-	1,816
Postage	75	228	-	303
Printing	-	567	-	567
Professional fees	-	7,525	-	7,525
Rent expense - real property	9,000	1,500	1,500	12,000
Rent expense - personal property	-	2,172	-	2,172
Repairs and maintenance	1,362	2,544	-	3,906
Special event expenses - Annual Friend and Fundraiser	-	-	28,274	28,274
Student assistance	3,138	-	-	3,138
Student education	2,750	-	-	2,750
Student rewards	779	-	-	779
Supplies	2,243	380	-	2,623
Telephone and internet	181	2,521	-	2,702
Transportation	6,269	-	-	6,269
Volunteer training	123	693	-	816
Website expense	-	300	-	300
Total expenses	<u>\$ 181,518</u>	<u>\$ 59,755</u>	<u>\$ 44,056</u>	<u>\$ 285,329</u>

See notes to financial statements.

**CHILDREN ARE PEOPLE, INC.**  
**Statement of Cash Flows**  
**Year ended June 30, 2014**

**Cash flows from operating activities**

Increase in net assets	\$ 21,229
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	14,838
Loss on disposal of equipment	1,703
Donated leasehold improvements	(4,800)
(Increase) decrease in:	
Prepaid expenses	(1,503)
Increase (decrease) in:	
Accounts payable	1,758
Accrued payroll and payroll taxes	6,250
Net cash provided by operating activities	<u>39,475</u>

**Cash flows from investing activities**

Cash payments for the purchase of property and equipment	<u>-</u>
Net cash used by investing activities	<u>-</u>

**Net increase in cash** 39,475

**Cash at beginning of year** 39,140

**Cash at end of year** \$ 78,615

**Supplemental cash flow information**

Noncash investing transactions - donated leasehold improvements	<u><u>\$ 4,800</u></u>
-----------------------------------------------------------------	------------------------

See notes to financial statements.

**CHILDREN ARE PEOPLE, INC.**  
**Notes to Financial Statements**  
**Year Ended June 30, 2014**

**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, 2014.

**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, 2014 was \$14,838.

**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, 2014**

**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 year ended June 30, 2014 was \$360.

**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 2012, 2013 and 2014 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, 2014, CAP received 45% 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, 2014 are as follows:

**CHILDREN ARE PEOPLE, INC.**  
**Notes to Financial Statements - Continued**  
**Year Ended June 30, 2014**

**Note 3. Donated Property, Equipment and Services – Continued**

<u>Revenue and Support</u>	
Donated professional services	\$ 2,890
Donated food and supplies	3,841
Donated leasehold improvements	4,800
Donated rent	12,000
Donated facilities, services & supplies for Annual Friend and Fundraiser	17,475
Total	<u>\$ 41,006</u>

<u>Expenses</u>	
Facilities and equipment	\$ 250
Food	2,641
Professional fees	2,525
Rent	12,000
Repairs and maintenance	115
Special event expenses - Annual Friend and Fundraiser	17,475
Supplies	1,200
Total expenses	<u>\$ 36,206</u>

<u>Assets</u>	
Leasehold improvements	<u>\$ 4,800</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist CAP with specific programs and fundraising. There were 2,278 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, 2014:

Scholarships	<u>\$ 15,006</u>
--------------	------------------

**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, 2014 were for the expenditures for the summer reading program in the amount of \$3,000.

**CHILDREN ARE PEOPLE, INC.**  
**Notes to Financial Statements - Continued**  
**Year Ended June 30, 2014**

**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, 2014 was \$2,172.

Future minimum payments under the lease agreement as of June 30, 2014 are as follows:

<b>Years Ended</b>	<b>Amount</b>
2015	\$ 2,100
2016	2,100
2017	2,100
2018	1,400
Total	<u>\$ 7,700</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, 2014 through January 9, 2015, the date the financial statements were available to be issued.