

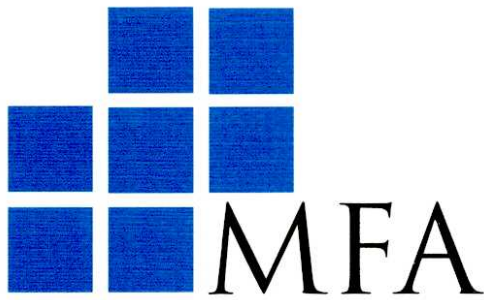
**CHILDREN ARE PEOPLE, INC.  
REVIEWED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
JUNE 30, 2019 AND 2018**



January 21, 2020  
Full Board Approval

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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, 2019 and 2018, 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  
December 3, 2019

**CHILDREN ARE PEOPLE, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2019 and 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>ASSETS</b>		
Current assets		
Cash, \$20,190 restricted	\$ 65,717	\$ 86,759
Prepaid expenses	6,851	5,741
Grants receivable	<u>11,402</u>	<u>-</u>
Total current assets	83,970	92,500
Fixed assets		
Property and equipment	176,352	176,352
Less: accumulated depreciation	<u>(159,234)</u>	<u>(154,544)</u>
Net property and equipment	17,118	21,808
Total assets	<u>\$ 101,088</u>	<u>\$ 114,308</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities		
Accounts payable	\$ -	\$ 1,511
Accrued payroll liabilities	<u>3,340</u>	<u>2,592</u>
Total current liabilities	3,340	4,103
Net assets		
Net assets without donor restrictions	77,558	100,042
Net assets with donor restrictions	<u>20,190</u>	<u>10,163</u>
Total net assets	<u>97,748</u>	<u>110,205</u>
Total liabilities and net assets	<u>\$ 101,088</u>	<u>\$ 114,308</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, 2019**

	<u>Net Assets Without Donor Restriction</u>	<u>Net Assets With Donor Restriction</u>	<u>Total</u>
Support and revenue:			
Contributions	\$ 157,595	\$ 10,025	\$ 167,620
Grants	21,402	-	21,402
Fundraisers	48,745	-	48,745
Donated services	10,500	-	10,500
Donated food and supplies	18,180	-	18,180
Donated rent	12,000	-	12,000
Donated facility, services & supplies	12,025	-	12,025
Miscellaneous income	186	-	186
Interest	21	2	23
Total support and revenue	<u>280,654</u>	<u>10,027</u>	<u>290,681</u>
Expenses			
Program services	<u>165,191</u>	<u>-</u>	<u>165,191</u>
Total program services	165,191	-	165,191
Supporting services			
Management and general	108,169	-	108,169
Fundraising activities	<u>29,778</u>	<u>-</u>	<u>29,778</u>
Total supporting services	137,947	-	137,947
Total expenses	<u>303,138</u>	<u>-</u>	<u>303,138</u>
Increase (decrease) in net assets	(22,484)	10,027	(12,457)
Net assets at beginning of year	<u>100,042</u>	<u>10,163</u>	<u>110,205</u>
Net assets at end of year	<u>\$ 77,558</u>	<u>\$ 20,190</u>	<u>\$ 97,748</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, 2018**

	<b>Net Assets Without Donor Restriction</b>	<b>Net Assets With Donor Restriction</b>	<b>Total</b>
Support and revenue:			
Contributions	\$ 202,607	\$ 500	\$ 203,107
Grants	18,750	-	18,750
Fundraisers	46,608	-	46,608
Donated services	12,100	-	12,100
Donated food and supplies	17,328	-	17,328
Donated rent	12,000	-	12,000
Donated facility, services & supplies	26,925	-	26,925
Miscellaneous income	853	-	853
Interest	26	2	28
Net assets moved from donor restriction	2,097	(2,097)	-
Total support and revenue	<u>339,294</u>	<u>(1,595)</u>	<u>337,699</u>
Expenses			
Program services	<u>169,143</u>	<u>-</u>	<u>169,143</u>
Total program services	169,143	-	169,143
Supporting services			
Management and general	106,506	-	106,506
Fundraising activities	<u>26,212</u>	<u>-</u>	<u>26,212</u>
Total supporting services	132,718	-	132,718
Total expenses	<u>301,861</u>	<u>-</u>	<u>301,861</u>
Increase (decrease) in net assets	37,433	(1,595)	35,838
Net assets at beginning of year	<u>62,608</u>	<u>11,758</u>	<u>74,366</u>
Net assets at end of year	<u>\$ 100,042</u>	<u>\$ 10,163</u>	<u>\$ 110,205</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, 2019**

	Program Services	Management and General	Fundraising	Total
Salaries & wages	\$ 91,964	\$ 54,856	\$ 14,521	\$ 161,340
Payroll taxes	9,430	5,625	1,489	16,543
Advertising expense	-	262	-	262
Background check	163	-	-	163
Bank and credit card fees	235	487	-	722
Camp expense	9,750	-	-	9,750
Contract services	-	1,217	-	1,217
Dues and subscriptions	-	818	-	818
Facilities and equipment	-	5,126	-	5,126
Food	15,962	-	-	15,962
Fundraising expenses	-	-	13,769	13,769
Insurance	-	12,303	-	12,303
Job readiness training	10,635	-	-	10,635
Miscellaneous expense	1,451	2,837	-	4,288
Office expense	-	1,254	-	1,254
Payroll processing fees	893	674	-	1,567
Postage	-	288	-	288
Printing & reproduction	29	-	-	29
Professional fees	-	3,630	-	3,630
Rent expense - real property	10,000	2,000	-	12,000
Repairs & maintenance	2,022	488	-	2,510
Student rewards	45	-	-	45
Supplies	307	7,990	-	8,297
Telephone & internet	45	2,535	-	2,580
Transportation	4,671	-	-	4,671
Volunteer training	7,589	-	-	7,589
Website	-	1,090	-	1,090
Total expenses before depreciation	165,191	103,479	29,778	298,448
Depreciation	-	4,690	-	4,690
Total expenses	\$ 165,191	\$ 108,169	\$ 29,778	\$ 303,138

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, 2018**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
Salaries & wages	\$ 76,074	\$ 45,378	\$ 12,012	133,464
Payroll taxes	5,852	3,491	924	10,267
Advertising expense	-	111	-	111
Background check	65	-	-	65
Bank and credit card fees	160	231	-	391
Camp expense	10,500	-	-	10,500
Contract services	-	645	-	645
Dues and subscriptions	-	532	-	532
Facilities and equipment	-	17,783	-	17,783
Field trips	249	-	-	249
Food	21,212	-	-	21,212
Fundraising expenses	-	-	13,276	13,276
Insurance	-	11,812	-	11,812
Job readiness training	15,527	-	-	15,527
Miscellaneous expense	791	2,109	-	2,900
Office expense	-	933	-	933
Payroll processing fees	980	740	-	1,720
Postage	-	436	-	436
Printing & reproduction	155	-	-	155
Professional fees	-	3,646	-	3,646
Rent expense - real property	10,000	2,000	-	12,000
Repairs & maintenance	2,185	530	-	2,715
Student assistance	2,103	-	-	2,103
Student rewards	840	-	-	840
Supplies	1,039	7,071	-	8,110
Telephone & internet	45	3,906	-	3,951
Transportation	9,781	-	-	9,781
Volunteer training	11,584	-	-	11,584
Website	-	440	-	440
Total expenses before depreciation	169,143	101,793	26,212	297,148
Depreciation	-	4,713	-	4,713
Total expenses	<u>\$ 169,143</u>	<u>\$ 106,506</u>	<u>\$ 26,212</u>	<u>\$ 301,861</u>

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, 2019 AND 2018**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (12,457)	\$ 35,838
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	4,690	4,713
(Increase)/decrease in prepaid expenses	(1,110)	63
(Increase)/decrease in grant receivables	(11,402)	-
Increase/(decrease) in accounts payable	(1,511)	(1,925)
Increase/(decrease) in accrued liabilities	748	467
Total adjustments	<u>(8,585)</u>	<u>3,318</u>
Net cash provided by (used in) operating activities	<u>(21,042)</u>	<u>39,156</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>-</u>	<u>(2,168)</u>
Net cash used in investing activities	<u>-</u>	<u>(2,168)</u>
Net increase (decrease) in cash	(21,042)	36,988
Cash at beginning of year	<u>86,759</u>	<u>49,771</u>
Cash at end of year	<u>\$ 65,717</u>	<u>\$ 86,759</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, 2019 AND 2018

**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, 2019, and 2018 CAP has \$20,190 and \$10,163 of net assets with donor restrictions.

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, 2019 AND 2018

**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, 2019 and 2018.

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.

H. Functional Expenses

The cost of providing program, administration and fund-raising activities have 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, 2019 and 2018 were \$262 and \$111, respectively.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

**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. Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financials Statements of Not-for-Profit Entities effective for fiscal years beginning after December 15, 2017. The new pronouncement primarily changes net asset presentation from three net asset classifications to net assets with and without donor restrictions. We adopted new guidance July 1, 2018. We applied ASU No. 2016-14 retrospectively for the presentation of prior year financial statements. Permanently restricted and temporarily restricted assets were combined into net assets with donor restrictions. From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the Board adopts as of the specified effective dates. 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 financial statements upon adoption.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Furniture & equipment	\$ 30,731	\$ 30,731
Leasehold improvements	18,952	18,952
Vehicles	<u>126,669</u>	<u>126,669</u>
Total property & equipment	176,352	176,352
Less: Accumulated depreciation	<u>(159,234)</u>	<u>(154,544)</u>
Property & equipment, net	<u>\$ 17,118</u>	<u>\$ 21,808</u>

Depreciation expense of \$4,690 and \$4,713 was incurred for the years ended June 30, 2019 and 2018, respectively.

See independent accountant's review report.

**CHILDREN ARE PEOPLE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**NOTE 3 – 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. This lease replaces the former lease with Novacopy. On October 31, 2017, CAP entered into a 36-month lease for phone equipment with BE Connected with minimum payments of \$75 per month. Rent expense under this lease was \$4,155 and \$3,339 for the years ended June 30, 2019 and 2018, respectively.

Future minimum lease payments under the lease agreement as of June 30, 2019 are as follows:

<u>Year Ended</u>	<u>Amount</u>
2020	3,624
2021	3,324
2022	416
2023	-
2024	-
	<hr/>
Total	<u>\$ 7,364</u>

**NOTE 4 – CONCENTRATIONS**

CAP relies on contributions, grants, special events and in-kind support to fund operations. For the year ended June 30, 2019, CAP received 22% of its total revenue from six donors and for the year ended June 30, 2018, CAP received 40% of its total revenue from five donors.

**NOTE 5 – LIQUIDITY**

CAP's financial assets available at June 30, 2019 and 2018 equates to \$65,717 and \$86,759, respectively. CAP offers programs based on support provided by grants and contributions which are primarily without donor restrictions and are available for general expenditure. CAP has the funds to cover other expenditures for the following year.

**NOTE 6 – BOARD DESIGNATED NET ASSETS**

CAP's Board designated \$10,000 for the purpose of paying grant writers. This money is classified as Net assets without donor restriction because it was voluntarily designated by The Board.

See independent accountant's review report.

**CHILDREN ARE PEOPLE, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2019 AND 2018**

**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, 2019</u>	<u>June 30, 2018</u>
Sponsors	\$ 12,025	\$ 26,925
Facility rent	12,000	12,000
Service	10,500	12,100
Food	11,000	11,238
Supplies	<u>7,180</u>	<u>6,090</u>
Total in-kind contributions	<u>\$ 52,705</u>	<u>\$ 68,353</u>
Expenses:		
Camp expense	\$ 12,150	\$ 15,150
Rent expense	12,000	12,000
Fundraising expense	2,500	1,800
Food	11,000	11,150
Supplies	4,300	6,278
Office expense	1,755	975
Contract services	<u>9,000</u>	<u>21,000</u>
Total expenses	<u>\$ 52,705</u>	<u>\$ 68,353</u>

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, 2019 and 2018, there were 735 and 938 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, 2019 through December 3, 2019, the date the financial statements were available to be issued. There were no other subsequent events that require recognition in the financial statements.

See independent accountant's review report.