

**CHILDREN ARE PEOPLE, INC.
REVIEWED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

Approved
7/12/18
Sam Friedman (48)

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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, 2017 and 2016, 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 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 14, 2107

CHILDREN ARE PEOPLE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017 and 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Current assets		
Cash, \$11,758 restricted	\$ 49,771	\$ 73,269
Prepaid expenses	<u>5,804</u>	<u>8,441</u>
Total current assets	55,575	81,710
Fixed assets		
Property and equipment	174,183	159,406
Less: accumulated depreciation	<u>(149,831)</u>	<u>(145,294)</u>
Net property and equipment	24,352	14,112
Total assets	<u><u>\$ 79,927</u></u>	<u><u>\$ 95,822</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,436	\$ 1,675
Accrued payroll liabilities	<u>2,125</u>	<u>1,984</u>
Total current liabilities	5,561	3,659
Net assets		
Unrestricted	62,608	78,127
Temporarily restricted	<u>11,758</u>	<u>14,036</u>
Total net assets	<u>74,366</u>	<u>92,163</u>
Total liabilities and net assets	<u><u>\$ 79,927</u></u>	<u><u>\$ 95,822</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, 2017

	Unrestricted total	Temporarily restricted	Total
Support and revenue:			
Contributions	\$ 90,180	\$ -	\$ 90,180
Grants	32,000	-	32,000
Fundraisers	84,835	-	84,835
Donated services	2,950	-	2,950
Donated food and supplies	14,901	-	14,901
Donated rent	12,000	-	12,000
Donated facility, services & supplies	25,211	-	25,211
Miscellaneous Income	1,249	-	1,249
Interest	9	22	31
Net assets moved from temporarily restricted	2,300	(2,300)	-
Total support and revenue	<u>265,635</u>	<u>(2,278)</u>	<u>263,357</u>
Expenses			
Program services	<u>166,348</u>	<u>-</u>	<u>166,348</u>
Total program services	166,348	-	166,348
Supporting services			
Management and general	86,902	-	86,902
Fundraising activities	<u>27,905</u>	<u>-</u>	<u>27,905</u>
Total supporting services	114,807	-	114,807
Total expenses	<u>281,155</u>	<u>-</u>	<u>281,155</u>
Increase (decrease) in net assets	(15,520)	(2,278)	(17,798)
Net assets at beginning of year	<u>78,127</u>	<u>14,036</u>	<u>92,163</u>
Net assets at end of year	<u>\$ 62,608</u>	<u>\$ 11,758</u>	<u>\$ 74,366</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, 2016

	Unrestricted total	Temporarily restricted	Total
Support and revenue:			
Contributions	\$ 139,115	\$ 1,000	\$ 140,115
Grants	25,000	-	25,000
Annual friend and fundraiser contributions	57,124	-	57,124
Fundraisers	28,595	-	28,595
Donated services	5,395	-	5,395
Donated food and supplies	4,378	-	4,378
Donated rent	14,250	-	14,250
Donated facility, services & supplies	33,350	-	33,350
Miscellaneous income	3,067	-	3,067
Interest	12	2	14
Net assets moved from temporarily restricted	2,000	(2,000)	-
Total support and revenue	<u>312,286</u>	<u>(998)</u>	<u>311,288</u>
Expenses			
Program services	<u>166,820</u>	<u>-</u>	<u>166,820</u>
Total program services	166,820	-	166,820
Supporting services			
Management and general	88,662	-	88,662
Fundraising activities	<u>30,534</u>	<u>-</u>	<u>30,534</u>
Total supporting services	119,196	-	119,196
Total expenses	<u>286,016</u>	<u>-</u>	<u>286,016</u>
Increase (decrease) in net assets	26,270	(998)	25,272
Net assets at beginning of year	<u>51,857</u>	<u>15,034</u>	<u>66,891</u>
Net assets at end of year	<u>\$ 78,127</u>	<u>\$ 14,036</u>	<u>\$ 92,163</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, 2017

	Program Services	Management and General	Fundraising	Total
Salaries & wages	\$ 70,173	\$ 41,857	\$ 11,080	\$ 123,110
Payroll taxes	5,395	3,218	852	9,465
Advertising expense	-	306	-	306
Background check	73	-	-	73
Bank and credit card fees	255	109	-	364
Camp expense	22,261	-	-	22,261
Dues and subscriptions	-	229	-	229
Facilities and equipment	-	6,873	-	6,873
Field trips	50	-	-	50
Food	22,745	-	-	22,745
Fundraising expenses	-	-	15,973	15,973
Insurance	-	14,756	-	14,756
Job readiness training	18,516	-	-	18,516
Miscellaneous expense	702	3,265	-	3,967
Office expense	-	403	-	403
Payroll processing fees	864	652	-	1,516
Postage	-	333	-	333
Printing & reproduction	445	-	-	445
Professional fees	-	3,717	-	3,717
Rent expense - real property	10,000	2,000	-	12,000
Repairs & maintenance	2,944	375	-	3,319
Student assistance	1,525	-	-	1,525
Student rewards	1,123	-	-	1,123
Supplies	2,801	1,221	-	4,022
Telephone & internet	45	2,626	-	2,671
Transportation	6,431	61	-	6,492
Website	-	364	-	364
Total expenses before depreciation	166,348	82,365	27,905	276,618
Depreciation	-	4,537	-	4,537
Total expenses	\$ 166,348	\$ 86,902	\$ 27,905	\$ 281,155

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, 2016

	Program Services	Management and General	Fundraising	Total
Salaries & wages	\$ 67,378	\$ 40,190	\$ -	\$ 118,207
Payroll taxes	5,269	3,143	10,639	9,243
Advertising expense	-	5	832	5
Background check	182	-	-	182
Bank and credit card fees	122	-	-	122
Camp expense	28,700	248	-	370
Contract services	2,827	-	-	28,700
Dues and subscriptions	-	628	-	3,455
Facilities and equipment	-	344	-	344
Field trips	-	122	-	122
Food	2,550	-	-	2,550
Fundraising expenses	14,833	-	-	14,833
Insurance	-	-	-	19,063
Job readiness training	18,981	16,066	-	16,066
Miscellaneous expense	833	-	-	18,981
Office expense	38	2,253	-	3,086
Payroll processing fees	90	2,469	-	2,507
Postage	-	1,411	-	1,501
Printing & reproduction	56	591	-	591
Professional fees	-	-	-	56
Rent expense - real property	-	1,000	-	1,000
Repairs & maintenance	10,000	2,000	-	12,000
Student assistance	2,780	740	-	3,520
Student rewards	2,428	228	-	2,656
Supplies	1,520	-	-	1,520
Telephone & internet	2,322	1,294	-	3,616
Transportation	45	2,809	-	2,854
Website	5,867	61	-	5,928
Total expenses before depreciation	166,820	155	-	155
Depreciation	-	75,757	30,534	273,111
Total expenses	\$ 166,820	\$ 12,905	\$ -	\$ 12,905
				\$ 286,016

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

CHILDREN ARE PEOPLE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (17,798)	\$ 25,272
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	4,537	12,905
(Increase)/decrease in prepaid expenses	2,637	(626)
Increase/(decrease) in accounts payable	1,761	(1,473)
Increase/(decrease) in accrued liabilities	141	(3,755)
Total adjustments	<u>9,076</u>	<u>7,051</u>
Net cash provided by (used in) operating activities	<u>(8,722)</u>	<u>32,323</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(14,776)</u>	<u>(7,000)</u>
Net cash used in investing activities	<u>(14,776)</u>	<u>(7,000)</u>
Net increase (decrease) in cash	(23,498)	25,323
Cash at beginning of year	<u>73,269</u>	<u>47,946</u>
Cash at end of year	<u>\$ 49,771</u>	<u>\$ 73,269</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, 2017 AND 2016

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:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization 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 unrestricted.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by CAP. Currently, there are no permanently restricted assets.

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, 2017 and 2016.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 are reported in the statement of activities as net assets released from restrictions.

H. Functional Expenses

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

I. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 were \$306 and \$5, respectively.

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.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 2 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of:

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Furniture & equipment	\$ 28,562	\$ 26,087
Leasehold improvements	18,952	6,650
Vehicles	<u>126,669</u>	<u>126,669</u>
Total property & equipment	174,183	159,406
Less: Accumulated depreciation	<u>(149,831)</u>	<u>(145,294)</u>
Property & equipment, net	<u>\$ 24,352</u>	<u>\$ 14,112</u>

Depreciation expense of \$4,537 and \$12,905 was incurred for the years ended June 30, 2017 and 2016, respectively.

NOTE 3 – LEASE

In 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. Rent expense under this lease was \$3,739 and \$2,100 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments under the lease agreement as of June 30, 2017 are as follows:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 3,324
2019	3,324
2020	3,324
2021	3,324
2022	<u>2,078</u>
Total	<u>\$ 15,374</u>

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 4 – 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, 2017</u>	<u>June 30, 2016</u>
Sponsors	\$ 25,211	\$ 33,350
Facility rent	12,000	14,250
Service	2,950	5,395
Food	12,050	3,150
Supplies	<u>2,851</u>	<u>1,228</u>
Total in-kind contributions	<u>\$ 55,062</u>	<u>\$ 57,373</u>
Expenses:		
Camp expense	\$ 22,000	\$ 28,700
Rent expense	12,000	12,000
Fundraising expense	3,487	6,290
Food	12,050	3,150
Field trips	-	2,500
Repairs & maintenance	2,950	1,400
Supplies	1,825	1,115
Office expense	750	750
Student rewards	-	750
Professional fees	-	500
Postage	-	173
Contract services	<u>-</u>	<u>45</u>
Total expenses	<u>\$ 55,062</u>	<u>\$ 57,373</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, 2017 and 2016, there were 1,063 and 2,494 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.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

NOTE 5 – CONCENTRATIONS

CAP relies on contributions, grants, special events and in-kind support to fund operations. For the year ended June 30, 2017, CAP received 18% of its total revenue from three donors and for the year ended June 30, 2016, CAP received 35% of its total revenue from five donors.

NOTE 6 – SUBSEQUENT EVENTS

CAP has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2017 through December 14, 2017, 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.