

CHILDREN ARE PEOPLE, INC.

Financial Statements

June 30, 2007 and 2006

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June 30, 2007 and 2006

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Independent Auditors' Report

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

We have audited the accompanying balance sheets of Children Are People, Inc. (a nonprofit Corporation) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our 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, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Parker, Parker & Associates

January 7, 2008

CHILDREN ARE PEOPLE, INC.
Statements of Financial Position
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets		
Cash	\$ 143,561	\$ 43,658
Accounts Receivable	-	736
Prepaid Insurance	4,816	5,585
Total Current Assets	<u>148,377</u>	<u>49,979</u>
Property and Equipment		
Vehicles	15,590	18,090
Library Books	8,193	6,993
Equipment	1,132	-
Less: Accumulated Depreciation	<u>(11,804)</u>	<u>(8,347)</u>
Net Property and Equipment	<u>13,111</u>	<u>16,736</u>
Total Assets	<u><u>\$ 161,488</u></u>	<u><u>\$ 66,715</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 555	\$ 63
Related Party Payable	-	160
Payroll Deductions Payable	1,383	736
Total Current Liabilities	<u>1,938</u>	<u>959</u>
Net Assets		
Unrestricted	79,675	65,756
Temporarily Restricted	<u>79,875</u>	<u>-</u>
Total Net Assets	<u>159,550</u>	<u>65,756</u>
	<u><u>\$ 161,488</u></u>	<u><u>\$ 66,715</u></u>

See independent auditors' report and notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statements of Activities
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Unrestricted Net Assets		
Public Support		
Contributions	\$ 57,869	\$ 54,945
Fundraising Events	26,360	23,910
Donated Assets and Services	79,634	74,419
Total Public Support	<u>163,863</u>	<u>153,274</u>
Net Assets Released from Restrictions	<u>10,432</u>	<u>16,535</u>
Total Public Support and Reclassifications	<u>174,295</u>	<u>169,809</u>
Expenses		
Program Services	126,728	125,641
Management and General	25,354	23,795
Fundraising	7,980	5,225
Total Expenses	<u>160,062</u>	<u>154,661</u>
Other Income (Expense)		
Interest Income	907	-
Gain/Loss on Disposal	(1,221)	-
Total Other Income (Expense)	<u>(314)</u>	<u>-</u>
Increase in Unrestricted Net Assets	<u>13,919</u>	<u>15,148</u>
Temporarily Restricted Net Assets		
Public Support		
Contributions	81,007	-
Camp Donations	9,300	10,350
Net Assets Released from Restrictions	<u>(10,432)</u>	<u>(16,535)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>79,875</u>	<u>(6,185)</u>
Increase in Net Assets	<u>93,794</u>	<u>8,963</u>
Net Assets - Beginning of Year	<u>65,756</u>	<u>56,793</u>
Net Assets - End of Year	<u><u>\$ 159,550</u></u>	<u><u>\$ 65,756</u></u>

See independent auditors' report and notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2007 and 2006

	2007				2006			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Accounting/Audit	\$ -	\$ 14,620	\$ -	\$ 14,620	\$ -	\$ 14,000	\$ -	\$ 14,000
Advertising & Promotions	-	1,949	-	1,949	-	2,587	-	2,587
Bank Charges	-	90	-	90	-	30	-	30
Board of Directors	-	158	-	158	-	813	-	813
Depreciation Expense	4,736	-	-	4,736	4,617	-	-	4,617
Dues & Subscriptions	370	-	-	370	539	-	-	539
Field Trips & Camps	15,610	-	-	15,610	12,200	-	-	12,200
Food and Kitchen Supplies	5,551	-	-	5,551	5,604	-	-	5,604
Fundraising	-	-	3,737	3,737	-	-	1,996	1,996
Housekeeping Service	2,362	-	-	2,362	2,505	-	-	2,505
Insurance	10,019	-	-	10,019	10,712	-	-	10,712
Internet	-	-	-	-	149	-	-	149
Licenses and Permits	-	180	-	180	-	792	-	792
Minor Equipment	105	-	-	105	2,477	-	-	2,477
Payroll Taxes	945	472	472	1,889	460	229	229	918
Postage	551	-	-	551	233	-	-	233
Printing	1,275	-	-	1,275	2,728	-	-	2,728
Rent	12,000	-	-	12,000	12,000	-	-	12,000
Repairs and Maintenance	1,200	-	-	1,200	1,846	-	-	1,846
Salaries	7,540	3,771	3,771	15,082	6,000	3,000	3,000	12,000
Student Gifts	1,204	-	-	1,204	8,045	-	-	8,045
Supplies	206	3,330	-	3,536	2,971	1,650	-	4,621
Telephone	785	784	-	1,569	694	694	-	1,388
Transportation	9,341	-	-	9,341	7,040	-	-	7,040
Tutors	47,354	-	-	47,354	40,108	-	-	40,108
Utilities	3,000	-	-	3,000	3,000	-	-	3,000
Van Gas and Maintenance	2,036	-	-	2,036	1,579	-	-	1,579
Volunteer Recognition Dinner	538	-	-	538	134	-	-	134
Total Expenses	<u>\$ 126,728</u>	<u>\$ 25,354</u>	<u>\$ 7,980</u>	<u>\$ 160,062</u>	<u>\$ 125,641</u>	<u>\$ 23,795</u>	<u>\$ 5,225</u>	<u>\$ 154,661</u>

See independent auditors' report and notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statements of Cash Flows
For the Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash Flows from Operating Activities		
Increase in Net Assets	\$ 93,794	\$ 8,963
Adjustments to Reconcile Increase in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	4,736	4,617
Loss on Disposal of Property	1,221	-
Donated Library Books	(1,200)	-
Decrease in Accounts Receivable	736	157
(Increase) Decrease in Prepaid Insurance	769	(162)
Increase (Decrease) in Accounts Payable	492	(1,458)
Decrease in Related Party Payable	(160)	(2,202)
Increase (Decrease) in Payroll Deductions Payable	647	(94)
	<u>7,241</u>	<u>858</u>
Total Adjustments		
Net Cash Provided by Operating Activities	<u>101,035</u>	<u>9,821</u>
Cash Flows from Investing Activities		
Cash Payments for the Purchase of Property	<u>(1,132)</u>	<u>-</u>
Net Cash Provided Used in Investing Activities	<u>(1,132)</u>	<u>-</u>
Net Increase in Cash	99,903	9,821
Cash - Beginning of Year	<u>43,658</u>	<u>33,837</u>
Cash - End of Year	<u>\$ 143,561</u>	<u>\$ 43,658</u>

See independent auditors' report and notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements
June 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Children Are People, Inc. ("CAP") is a nonprofit 501(c)(3) corporation registered in Tennessee. CAP's purpose is to assist at-risk children and their families with developing academic and life skills in order to produce responsible, self-sufficient adults who contribute to the community.

B. Basis of Accounting

The financial statements have been prepared using 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 in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations* 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. Estimates

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

E. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits and investments with initial maturities of three months or less. CAP currently has no cash equivalents.

F. Fixed Assets

Fixed Assets with a useful life greater than one year and a purchase price of more than \$1,000 are carried at cost if purchased or approximate fair market value if donated. Contributed property and equipment is recorded at fair value at the date of donation. If a donor stipulates how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets, which range from 5-7 years.

G. Income Taxes

CAP is a nonprofit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

H. Functional Expenses

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

I. Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All donor-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 reported in the statement of activities as net assets released from restrictions.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note 1. Summary of Significant Accounting Policies - Continued

J. Donated Materials, Services, Facilities and Assets

Donated materials, services, facilities and assets are used in the ongoing operations of CAP. Contributed services are reflected in the financial statements at the fair value of the services received in accordance with SFAS No. 116 *Accounting for Contributions Received and Contributions Made*. This standard requires that contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) requires specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

K. Advertising Costs

Advertising costs are expensed when incurred. Advertising cost for the printing of brochures of \$1,949 and \$2,587 was expensed during the years ended June 30, 2007 and 2006, respectively.

Note 2. Donated Materials, Services, Facilities and Assets

The value of donated materials, services, facilities and assets included in the financial statements and the corresponding expense or asset capitalization for the years ended June 30, 2007 and 2006 are as follows:

Revenues

	<u>2007</u>	<u>2006</u>
Donated Library Books	\$ 1,200	\$ -
Donated Goods	-	2,281
Donated Services	63,434	57,138
Donated Office Space	15,000	15,000
	<u>\$ 79,634</u>	<u>\$ 74,419</u>

Expenses and Assets

	<u>2007</u>	<u>2006</u>
Library Books	\$ 1,200	\$ -
Accounting	10,200	10,000
Food	-	1,098
Minor Equipment	-	-
Rent	12,000	12,000
Special Events	-	-
Student Gifts	-	-
Supplies	-	1,183
Transportation	5,880	7,030
T-Shirts	-	-
Tutors	47,354	40,108
Utilities	3,000	3,000
	<u>\$ 79,634</u>	<u>\$ 74,419</u>

In addition, many individuals volunteer their time and perform a variety of tasks that assist CAP with specific programs and fundraising. No amounts have been reflected in the financial statements for these donated services since volunteers' time does not meet the criteria for recognition under SFAS No. 116.

Note 3. Concentrations

For the years ended June 30, 2007 and 2006, CAP received 54% of its funding from a single source and 41% from two sources, respectively.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
June 30, 2007 and 2006

Note 3. Concentrations - Continued

CAP maintains its cash balances at one financial institution located in Hendersonville, Tennessee. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007 and 2006, CAP's uninsured cash balances total \$43,823 and \$0, respectively.

Note 4. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purpose as of June 30, 2007 and 2006:

<u>Donor</u>	<u>Purpose</u>	<u>2007</u>	<u>2006</u>
Dollar General Corporation	Purchase computers	\$ 4,875	\$ -
Memorial Foundation	Purchase two buses	75,000	-
Total		<u>\$ 79,875</u>	<u>\$ -</u>

Note 5. Related Party Transactions

During 2007 and 2006, various board members were reimbursed \$5,487 and \$4,300 for expenses incurred for CAP. At June 30, 2007 and 2006, \$0 and \$160 was payable to board members for reimbursements.