

**CHILDREN ARE PEOPLE, INC.
REVIEWED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

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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, 2018 and 2017, 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

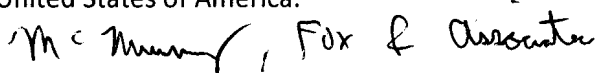
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and 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, PLLC
Hendersonville, Tennessee
December 19, 2018

CHILDREN ARE PEOPLE, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 and 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
ASSETS		
Current assets		
Cash, \$10,163 restricted	\$ 86,759	\$ 49,771
Prepaid expenses	<u>5,741</u>	<u>5,804</u>
Total current assets	92,500	55,575
Fixed assets		
Property and equipment	176,352	174,183
Less: accumulated depreciation	<u>(154,544)</u>	<u>(149,831)</u>
Net property and equipment	21,808	24,352
Total assets	<u>\$ 114,308</u>	<u>\$ 79,927</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 1,511	\$ 3,436
Accrued payroll liabilities	<u>2,592</u>	<u>2,125</u>
Total current liabilities	4,103	5,561
Net assets		
Unrestricted	100,042	62,608
Temporarily restricted	<u>10,163</u>	<u>11,758</u>
Total net assets	<u>110,205</u>	<u>74,366</u>
Total liabilities and net assets	<u>\$ 114,308</u>	<u>\$ 79,927</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

	<u>Unrestricted total</u>	<u>Temporarily restricted</u>	<u>Total</u>
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 temporarily restricted	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 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>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>27,905</u>
Total supporting services	114,807	-	114,807
Total expenses	<u>281,155</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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services	Management and General	Fundraising	Total
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	\$ 169,143	\$ 106,506	\$ 26,212	\$ 301,861

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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 35,838	\$ (17,798)
Adjustments to reconcile increase in net assets to cash provided by (used in) operating activities:		
Depreciation	4,713	4,537
(Increase)/decrease in prepaid expenses	63	2,637
Increase/(decrease) in accounts payable	(1,925)	1,761
Increase/(decrease) in accrued liabilities	467	141
Total adjustments	<u>3,318</u>	<u>9,076</u>
Net cash provided by (used in) operating activities	<u>39,156</u>	<u>(8,722)</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(2,168)</u>	<u>(14,776)</u>
Net cash used in investing activities	<u>(2,168)</u>	<u>(14,776)</u>
Net increase (decrease) in cash	36,988	(23,498)
Cash at beginning of year	<u>49,771</u>	<u>73,269</u>
Cash at end of year	<u>\$ 86,759</u>	<u>\$ 49,771</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, 2018 AND 2017

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, 2018 and 2017.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018 and 2017 were \$111 and \$306, 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.

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 Financial 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 will adopt the new guidance July 1, 2018. We do not expect the adoption to have a material impact on our financial statements.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Accounting Pronouncements (Continued)

From time to time, new accounting pronouncements are issued by the FASB or other standards setting bodies that the organization 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, 2018</u>	<u>June 30, 2017</u>
Furniture & equipment	\$ 30,731	\$ 28,562
Leasehold improvements	18,952	18,952
Vehicles	<u>126,669</u>	<u>126,669</u>
 Total property & equipment	 176,352	 174,183
Less: Accumulated depreciation	<u>(154,544)</u>	<u>(149,831)</u>
Property & equipment, net	<u>\$ 21,808</u>	<u>\$ 24,352</u>

Depreciation expense of \$4,713 and \$4,537 was incurred for the years ended June 30, 2018 and 2017, 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 \$3,339 and \$3,739 for the years ended June 30, 2018 and 2017, respectively.

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

NOTE 3 – LEASE (Continued)

Future minimum lease payments under the lease agreement as of June 30, 2018 are as follows:

<u>Year Ended</u>	<u>Amount</u>
2019	3,324
2020	3,324
2021	3,324
2022	2,078
2023	<u>-</u>
Total	<u>\$ 12,050</u>

See independent accountant's review report.

CHILDREN ARE PEOPLE, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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, 2018</u>	<u>June 30, 2017</u>
Sponsors	\$ 26,925	\$ 25,211
Facility rent	12,000	12,000
Service	12,100	2,950
Food	11,238	12,050
Supplies	<u>6,090</u>	<u>2,851</u>
Total in-kind contributions	<u>\$ 68,353</u>	<u>\$ 55,062</u>
Expenses:		
Camp expense	\$ 15,150	\$ 22,000
Rent expense	12,000	12,000
Fundraising expense	1,800	3,487
Food	11,150	12,050
Repairs & maintenance	-	2,950
Supplies	6,278	1,825
Office expense	975	750
Contract services	<u>21,000</u>	<u>-</u>
Total expenses	<u>\$ 68,353</u>	<u>\$ 55,062</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, 2018 and 2017, there were 938 and 1,063 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, 2018 AND 2017

NOTE 5 – CONCENTRATIONS

CAP relies on contributions, grants, special events and in-kind support to fund operations. For the year ended June 30, 2018, CAP received 40% of its total revenue from five donors and for the year ended June 30, 2017, CAP received 18% of its total revenue from three 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, 2018 through December 19, 2018, 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.