

CHILDREN ARE PEOPLE, INC.

Audited Financial Statements

Year Ended June 30, 2011

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
Children Are People, Inc.

I have audited the accompanying statement of financial position of Children Are People, Inc. (a nonprofit corporation) as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as discussed in the following paragraphs, 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 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. I believe that my audit provides a reasonable basis for my opinion.

No accounting controls are exercised over contribution collections prior to the initial entry of such contributions in the accounting records. Accordingly, it was not practicable for me to extend my audit of such receipts beyond the amounts recorded.

Cancelled checks are not returned to the Organization with the monthly bank statements. Accordingly, audit procedures were limited to tracing selected expenses to invoices or receipts.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the collections of contributions referred to in the third paragraph and access to copies of the cancelled checks referred to in the fourth paragraph been susceptible to satisfactory audit tests, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Children Are People, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



January 13, 2012
White House, Tennessee

CHILDREN ARE PEOPLE, INC.
Statement of Financial Position
June 30, 2011

ASSETS

Current assets	
Cash	\$ 26,723
Prepaid insurance	6,009
Total current assets	<u>32,732</u>
Property and equipment	
Vehicles	126,669
Furniture and equipment	16,364
Library books	8,193
	<u>151,226</u>
Less: accumulated depreciation	(72,745)
Total property and equipment, net	<u>78,481</u>
Total assets	<u><u>\$ 111,213</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 984
Accrued payroll and payroll taxes	2,688
Total current liabilities	<u>3,672</u>
Net assets	
Unrestricted net assets	99,930
Temporarily restricted net assets	7,611
Total net assets	<u>107,541</u>
Total liabilities and net assets	<u><u>\$ 111,213</u></u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statement of Activities
Year Ended June 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Support			
Contributions	\$ 65,086	\$ -	\$ 65,086
Grants	85,000	-	85,000
Special event contributions	27,673	-	27,673
Interest income	48	4	52
Donated professional services	10,277	-	10,277
Donated supplies	2,678	-	2,678
Donated rent	12,000	-	12,000
Total revenue and support	<u>202,762</u>	<u>4</u>	<u>202,766</u>
Expenses			
Program services	143,103	-	143,103
Management and general	24,242	-	24,242
Fundraising	15,954	-	15,954
Total expenses	<u>183,299</u>	<u>-</u>	<u>183,299</u>
Total increase in net assets	19,463	4	19,467
Net assets at beginning of year	<u>80,467</u>	<u>7,607</u>	<u>88,074</u>
Net assets at end of year	<u>\$ 99,930</u>	<u>\$ 7,611</u>	<u>\$ 107,541</u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statement of Functional Expenses
Year Ended June 30, 2011

	Program Services	Supporting Services		Total
		Management & General	Fundraising	
Salaries and wages	\$47,565	\$9,613	\$9,613	\$ 66,791
Payroll taxes	2,736	539	578	3,853
Background checks	836	278	-	1,114
Bank charges	-	479	-	479
Contract labor	4,195	-	-	4,195
Depreciation	17,249	70	-	17,319
Dues and subscriptions		125		125
Field trips and camps	4,194	-	-	4,194
Food	8,696	-	-	8,696
Fundraising expenses	-	-	2,657	2,657
Insurance	12,215	1,888	-	14,103
Job readiness training	19,703	-		19,703
Loss (gain) on disposal of equipment	1,500	-	-	1,500
Meeting expense	-	93		93
Miscellaneous expense	-	1,096	-	1,096
Office expense	-	3,443	-	3,443
Payroll processing fees		2,048	-	2,048
Postage	59	59	59	177
Professional fees	-	1,353	750	2,103
PSO Expense	179	-	-	179
Rent	9,000	1,500	1,500	12,000
Repairs and maintenance	860	860	-	1,720
Student assistance	1,443	-	-	1,443
Student rewards	2,916			2,916
Supplies	2,379			2,379
Telephone and internet	1,595	798	797	3,190
Transportation	5,184	-	-	5,184
Volunteer training	599			599
Total expenses	<u>\$ 143,103</u>	<u>\$ 24,242</u>	<u>\$ 15,954</u>	<u>\$ 183,299</u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statement of Cash Flows
Year ended June 30, 2011

Cash flows from operating activities

Increase in net assets	\$ 19,467
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	17,319
Loss on disposal of equipment	1,500
(Increase) decrease in:	
Prepaid insurance	(95)
Increase (decrease) in:	
Accounts payable	493
Accrued payroll and payroll taxes	2,688
Net cash provided by operating activities	<u>41,372</u>

Cash flows from investing activities

Cash proceeds from sale of property and equipment	5,000
Cash payments for the purchase of property	<u>(61,569)</u>
Net cash used by investing activities	<u>(56,569)</u>

Net decrease in cash (15,197)

Cash at beginning of year 41,920

Cash at end of year \$ 26,723

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements
Year Ended June 30, 2011

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. 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.

E. 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, 2011.

F. 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 seven years. Depreciation expense for the year ended June 30, 2011 was \$17,319.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
Year Ended June 30, 2011

Note 1. Nature of Activities and Significant Accounting Policies - Continued

G. 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.

H. 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.

I. 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.

J. Fair Value Measurements

Assets and liabilities measured at fair value are recorded in accordance with FASB ASC 820-10, which clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 Inputs – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 Inputs – Inputs other than quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Unobservable inputs in which there is little or no market data, which requires management to develop their assumptions.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
Year Ended June 30, 2011

Note 1. Nature of Activities and Significant Accounting Policies - Continued

J. Fair Value Measurements - Continued

CAP's financial instruments consist of cash and accounts payable. The recorded value of cash and accounts payable approximates fair value based on their short-term nature using Level 1 inputs.

K. Functional Expenses

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

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 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed

Note 2. Donated Materials, Services, and Facilities

The value of donated supplies, services and facilities are included in the financial statements and the corresponding expense for the year ended June 30, 2011 are as follows:

Revenues	
Donated professional services	\$ 10,277
Donated supplies	2,678
Donated rent	12,000
Total	<u>\$ 24,955</u>
Expenses	
Salaries and wages	\$ 10,000
Professional fees	277
Rent	12,000
Office expense	2,103
Supplies	575
Total expenses	<u>\$ 24,955</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.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
Year Ended June 30, 2011

Note 3. Concentrations

CAP relies on contributions, grants, special events, and in-kind support to fund operations. For the year ended June 30, 2011, CAP received 42% of its total revenue from two donors.

Note 4. Management's Review

CAP has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2011 through January 13, 2012, the date the financial statements were available to be issued.