

CHILDREN ARE PEOPLE, INC.
Financial Statements
June 30, 2008 and 2007

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Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Children Are People, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, 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, 2008 and 2007, and the changes in its net assets 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

October 7, 2008

CHILDREN ARE PEOPLE, INC.
Statements of Financial Position
June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets		
Cash	\$ 68,624	\$ 143,561
Prepaid Insurance	6,750	4,816
Total Current Assets	<u>75,374</u>	<u>148,377</u>
Property and Equipment		
Vehicles	81,155	15,590
Library Books	8,193	8,193
Equipment	5,789	1,132
Less: Accumulated Depreciation	<u>(28,023)</u>	<u>(11,804)</u>
Net Property and Equipment	<u>67,114</u>	<u>13,111</u>
Total Assets	<u><u>\$ 142,488</u></u>	<u><u>\$ 161,488</u></u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable	\$ 711	\$ 555
Accrued Payroll and Related Taxes	<u>4,005</u>	<u>1,383</u>
Total Current Liabilities	<u>4,716</u>	<u>1,938</u>
Net Assets		
Unrestricted		
Board Restricted	24,000	-
Undesignated	<u>104,257</u>	<u>79,675</u>
Total Unrestricted Net Assets	<u>128,257</u>	<u>79,675</u>
Temporarily Restricted	<u>9,515</u>	<u>79,875</u>
Total Net Assets	<u>137,772</u>	<u>159,550</u>
	<u><u>\$ 142,488</u></u>	<u><u>\$ 161,488</u></u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statements of Activities
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Unrestricted Net Assets		
Public Support		
Contributions	\$ 79,726	\$ 57,869
Friendraiser Event	37,440	26,360
Donated Assets and Services	77,662	79,634
Total Public Support	<u>194,828</u>	<u>163,863</u>
 Net Assets Released from Restrictions	 <u>77,297</u>	 <u>10,432</u>
Total Public Support and Reclassifications	<u>272,125</u>	<u>174,295</u>
 Expenses		
Program Services	176,064	126,728
Management and General	34,771	25,354
Fundraising	13,807	7,980
Total Expenses	<u>224,642</u>	<u>160,062</u>
 Other Income (Expense)		
Interest Income	1,099	907
Gain/Loss on Disposal	-	(1,221)
Total Other Income (Expense)	<u>1,099</u>	<u>(314)</u>
 Increase in Unrestricted Net Assets	 <u>48,582</u>	 <u>13,919</u>
 Temporarily Restricted Net Assets		
Public Support		
Contributions	300	81,007
Camp Donations	5,475	9,300
Special Event - Cookbook	1,162	-
Net Assets Released from Restrictions	<u>(77,297)</u>	<u>(10,432)</u>
Increase (Decrease) in Temporarily Restricted Net Assets	<u>(70,360)</u>	<u>79,875</u>
 Increase (Decrease) in Net Assets	 <u>(21,778)</u>	 <u>93,794</u>
 Net Assets - Beginning of Year	 <u>159,550</u>	 <u>65,756</u>
 Net Assets - End of Year	 <u><u>\$ 137,772</u></u>	 <u><u>\$ 159,550</u></u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statements of Functional Expenses
For the Years Ended June 30, 2008 and 2007

	2008				2007			
	Supporting Services				Supporting Services			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Accounting/Audit	\$ -	\$ 14,899	\$ -	\$ 14,899	\$ -	\$ 14,620	\$ -	\$ 14,620
Advertising & Promotions	-	5,152	-	5,152	-	1,949	-	1,949
Background Checks	793	-	-	793	-	-	-	-
Bank Charges	-	40	-	40	-	90	-	90
Board of Directors	-	624	-	624	-	158	-	158
Depreciation Expense	16,218	-	-	16,218	4,736	-	-	4,736
Dues & Subscriptions	544	-	-	544	370	-	-	370
Field Trips & Camps	12,792	-	-	12,792	15,610	-	-	15,610
Food and Kitchen Supplies	11,161	-	-	11,161	5,551	-	-	5,551
Fundraising	-	-	3,974	3,974	-	-	3,737	3,737
Gifts	61	-	-	61	-	-	-	-
Housekeeping Service	2,495	-	-	2,495	2,362	-	-	2,362
Insurance	11,750	-	-	11,750	10,019	-	-	10,019
Internet	210	-	-	210	-	-	-	-
Licenses and Permits	-	184	-	184	-	180	-	180
Minor Equipment	140	-	-	140	105	-	-	105
Miscellaneous	700	510	-	1,210	-	-	-	-
Payroll Taxes	1,825	912	913	3,650	945	472	472	1,889
Postage	510	-	-	510	551	-	-	551
Printing	-	-	-	-	1,275	-	-	1,275
Rent	12,000	-	-	12,000	12,000	-	-	12,000
Repairs and Maintenance	10,119	-	-	10,119	1,200	-	-	1,200
Salaries	22,507	8,921	8,920	40,348	7,540	3,771	3,771	15,082
Student Gifts	6,275	-	-	6,275	1,204	-	-	1,204
Supplies	959	2,048	-	3,007	206	3,330	-	3,536
Telephone	1,481	1,481	-	2,962	785	784	-	1,569
Transportation	9,943	-	-	9,943	9,341	-	-	9,341
Tutors	42,625	-	-	42,625	47,354	-	-	47,354
Utilities	3,000	-	-	3,000	3,000	-	-	3,000
Van Gas and Maintenance	6,529	-	-	6,529	2,036	-	-	2,036
Volunteer Recognition Dinner	1,427	-	-	1,427	538	-	-	538
Total Expenses	<u>\$ 176,064</u>	<u>\$ 34,771</u>	<u>\$ 13,807</u>	<u>\$ 224,642</u>	<u>\$ 126,728</u>	<u>\$ 25,354</u>	<u>\$ 7,980</u>	<u>\$ 160,062</u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Statements of Cash Flows
For the Years Ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ (21,778)	\$ 93,794
Adjustments to Reconcile Increase (Decrease) in Net Assets to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	16,218	4,736
Loss on Disposal of Property	-	1,221
Donated Library Books	-	(1,200)
Decrease in Accounts Receivable	-	736
(Increase) Decrease in Prepaid Insurance	(1,934)	769
Increase in Accounts Payable	155	492
Decrease in Related Party Payable	-	(160)
Increase in Accrued Payroll and Related Taxes	2,623	647
	<u>17,062</u>	<u>7,241</u>
Total Adjustments	<u>17,062</u>	<u>7,241</u>
Net Cash Provided (Used) by Operating Activities	<u>(4,716)</u>	<u>101,035</u>
Cash Flows from Investing Activities		
Cash Payments for the Purchase of Property	<u>(70,221)</u>	<u>(1,132)</u>
Net Cash Provided Used by Investing Activities	<u>(70,221)</u>	<u>(1,132)</u>
Net Increase (Decrease) in Cash	(74,937)	99,903
Cash - Beginning of Year	<u>143,561</u>	<u>43,658</u>
Cash - End of Year	<u>\$ 68,624</u>	<u>\$ 143,561</u>

See notes to financial statements.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements
June 30, 2008 and 2007

Note 1. Summary of Significant Accounting Policies

A. Organization and Nature of Activities

Children Are People, Inc. ("CAP") is a non-profit 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, 2008 and 2007

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 \$5,152 and \$1,949 was expensed during the years ended June 30, 2008 and 2007, 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, 2008 and 2007 are as follows:

Revenues		
	2008	2007
Donated Library Books	\$ -	\$ 1,200
Donated Goods	8,004	-
Donated Services	54,658	63,434
Donated Office Space	15,000	15,000
	<u>\$ 77,662</u>	<u>\$ 79,634</u>
Expenses and Assets		
	2008	2007
Library Books	\$ -	\$ 1,200
Accounting	10,200	10,200
Food	2,400	-
Rent	12,000	12,000
Student Gifts	5,275	-
Supplies	329	-
Transportation	1,833	5,880
Tutors	42,625	47,354
Utilities	3,000	3,000
	<u>\$ 77,662</u>	<u>\$ 79,634</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

CAP relies on contributions, special events, and in-kind support to fund operations. For the years ended June 30, 2008 and 2007, CAP received 12% and 30% of its total revenue from single sources.

CAP maintains all cash balances at one financial institution. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2008 and 2007, uninsured cash balances totaled \$0 and \$43,823, respectively.

CHILDREN ARE PEOPLE, INC.
Notes to Financial Statements - Continued
June 30, 2008 and 2007

Note 4. Restricted Net Assets

Board Restricted

Board restricted net assets are available for the following purposes as of June 30, 2008 and 2007:

<u>Designated Purpose</u>	<u>2008</u>	<u>2007</u>
Building Fund	\$ 12,000	\$ -
Scholarships	12,000	-
Total	<u>\$ 24,000</u>	<u>\$ -</u>

Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of June 30, 2008 and 2007:

<u>Donor</u>	<u>Purpose</u>	<u>2008</u>	<u>2007</u>
Dollar General Corporation	Purchase computers	\$ 121	\$ 4,875
Memorial Foundation	Purchase buses	9,345	75,000
James Monroe	Musical Instruments	50	-
Total		<u>\$ 9,515</u>	<u>\$ 79,875</u>

Note 5. Related Party Transactions

A board member owns an accounting firm that donates accounting services to CAP. The total amount of donated accounting services recognized in the financial statements for the years ended June 30, 2008 and 2007 was \$10,200.

A board member is an employee of an Organization that donates rent and utilities to CAP. The total amount of donated rent and utilities recognized for the financial statements for the years ended June 30, 2008 and 2007 was \$15,000.