

FOOTHILLS ACCOUNTING, INC.

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Children's Future International, Inc.
Denver, Colorado

We have audited the accompanying financial statements of Children's Future International, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Future International, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

FOOTHILLS ACCOUNTING, INC.

Foothills Accounting, Inc.

November 18, 2016

CHILDREN'S FUTURE INTERNATIONAL, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2016 and 2015

	2016	2015
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 20,322	\$ 78,157
Contributions receivable	10,000	23,137
Total current assets	30,322	101,294
PROPERTY AND EQUIPMENT		
Land-held for future use	55,622	55,622
Leashold improvements	44,342	44,342
Vehicles	15,262	15,262
Equipment	12,970	12,970
	128,196	128,196
Accumulated depreciation	(41,007)	(30,244)
Net property and equipment	87,189	97,952
OTHER ASSETS		
Deposits	750	345
TOTAL ASSETS	\$ 118,261	\$ 199,591
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Notes payable (Note 6)	\$ 30,000	\$ -
Accounts payable and accrued liabilities	3,989	410
TOTAL LIABILITIES	33,989	410
NET ASSETS		
Unrestricted	60,163	139,196
Temporarily restricted (Note 2)	24,109	59,985
Total net assets	84,272	199,181
TOTAL LIABILITIES AND NET ASSETS	\$ 118,261	\$ 199,591

See Notes to Financial Statements

CHILDREN'S FUTURE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 265,690	\$ 83,222	\$ 348,912
Interest income	120	-	120
Other	2,602	-	2,602
Net assets released from restrictions -			
Satisfaction of time and program restrictions	119,098	(119,098)	-
Total revenue and support	<u>387,510</u>	<u>(35,876)</u>	<u>351,634</u>
EXPENSES			
Program services -			
Education and basic needs support	369,647	-	369,647
Supporting services -			
Management and general	56,921	-	56,921
Fund raising	39,975	-	39,975
Total supporting services	<u>96,896</u>	<u>-</u>	<u>96,896</u>
Total expenses	466,543	-	466,543
INCREASE (DECREASE) IN NET ASSETS	(79,033)	(35,876)	(114,909)
NET ASSETS, BEGINNING OF YEAR	139,196	59,985	199,181
NET ASSETS, END OF YEAR	<u>\$ 60,163</u>	<u>24,109</u>	<u>84,272</u>

**CHILDREN'S FUTURE INTERNATIONAL, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions and grants	\$ 309,921	\$ 159,661	\$ 469,582
Interest income	210	-	210
Other	4,310	-	4,310
In-kind contributions	8,921	-	8,921
Net assets released from restrictions -			-
Satisfaction of time and program restrictions	198,745	(198,745)	-
Total revenue and support	<u>522,107</u>	<u>(39,084)</u>	<u>483,023</u>
EXPENSES			
Program services -			
Education and basic needs support	415,084	-	415,084
Supporting services -			
Management and general	48,405	-	48,405
Fund raising	60,815	-	60,815
Total supporting services	<u>109,220</u>	<u>-</u>	<u>109,220</u>
Total expenses	524,304	-	524,304
INCREASE (DECREASE) IN NET ASSETS	(2,197)	(39,084)	(41,281)
NET ASSETS, BEGINNING OF YEAR	141,393	99,069	240,462
NET ASSETS, END OF YEAR	<u>\$ 139,196</u>	<u>\$ 59,985</u>	<u>\$ 199,181</u>

See Notes to Financial Statements

CHILDREN'S FUTURE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and related expenses	\$ 172,341	\$ 30,520	\$ 31,330	\$ 234,191
Basic needs	49,094	-	-	49,094
Educational fees and assistance	72,576	-	-	72,576
Program supplies	7,730	-	-	7,730
Travel and transportation	16,576	964	292	17,832
Professional fees	9,006	11,624	1,001	21,631
Depreciation	10,764	-	-	10,764
Insurance	-	3,289	236	3,525
Bank fees	286	1,440	-	1,726
Occupancy	19,211	5,610	2,490	27,311
Office related expenses	1,573	1,575	13	3,161
IT related expenses	5,898	356	-	6,254
Special events	311	-	-	311
Marketing and promotion	-	1,543	4,613	6,156
Miscellaneous	4,281	-	-	4,281
Total expenses	<u>\$ 369,647</u>	<u>\$ 56,921</u>	<u>\$ 39,975</u>	<u>\$ 466,543</u>

See Notes to Financial Statements

CHILDREN'S FUTURE INTERNATIONAL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and related expenses	\$ 189,065	\$ 21,325	\$ 37,041	\$ 247,431
Basic needs	64,216	-	-	64,216
Educational fees and assistance	56,404	-	-	56,404
Program supplies	9,437	-	-	9,437
Travel and transportation	22,573	2,860	83	25,516
Professional fees	17,992	11,736	709	30,437
Depreciation	13,669	-	-	13,669
Insurance	-	2,656	-	2,656
Bank fees	310	951	-	1,261
Occupancy	19,508	4,995	3,795	28,298
Office related expenses	4,621	1,035	343	5,999
IT related expenses	9,744	135	-	9,879
Special events	1,386	-	8,921	10,307
Marketing and promotion	-	1,524	9,504	11,028
Miscellaneous	6,159	1,188	419	7,766
Total expenses	<u>\$ 415,084</u>	<u>\$ 48,405</u>	<u>\$ 60,815</u>	<u>\$ 524,304</u>

See Notes to Financial Statements

CHILDREN'S FUTURE INTERNATIONAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (114,909)	\$ (41,281)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,764	13,669
Gain on fixed assets disposal	-	(3,420)
Changes in operating assets and liabilities:		
Receivables	13,137	13,645
Employee advances	-	3,100
Deposits	(405)	(345)
Accounts payable and accrued expenses	3,578	375
Net cash from operating activities	<u>(87,835)</u>	<u>(14,257)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of property and equipment	-	5,600
Purchases of property and equipment	-	<u>(24,592)</u>
Net cash from investing activities	<u>-</u>	<u>(18,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	<u>30,000</u>	<u>-</u>
Net cash from financing activities	30,000	-
CHANGE IN CASH	(57,835)	(33,249)
CASH - BEGINNING OF YEAR	78,157	111,406
CASH - END OF YEAR	<u>\$ 20,322</u>	<u>\$ 78,157</u>

See Notes to Financial Statements

CHILDREN'S FUTURE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

Children's Future International, Inc. (the Organization), was incorporated as a nonprofit organization on January 14, 2008 in the state of New York. The Organization is uniquely positioned to empower children and youth to break the cycle of poverty. Its holistic services provide access to education for some of the most resource poor and vulnerable children in Cambodia. The Organization serves more than 230 children and youth that were previously not attending school and at risk of human trafficking or child labor. Its programs focus intently on ensuring that youth stay in school, attend higher education and have the opportunity to become 21st century leaders and professionals.

The majority of the Organization's revenue is derived from contributions and grants.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables and other liabilities.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. As of June 30, 2016, the Organization had no permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at June 30, 2016.

Revenue Recognition - Contributions and Support

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes, or are designated for future periods are reported as increases in temporarily restricted net assets.

Contributions to be received over multiple years, at a specified date in the future and for a specific purpose are subject to time restrictions and are reported as temporarily restricted. Multi-year promises to give are recognized as temporarily restricted revenue in the year the written promise is received from the donor. The Organization records donor-restricted contributions as unrestricted if the restrictions are met in the same reporting period.

A donor restriction expires when a stipulated time restriction ends, when an unconditional promise with an implied time restriction is collected, or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

CHILDREN'S FUTURE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions Receivable

Unconditional contributions receivable are recognized as revenue in the period the promise is received. Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at fair value which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The amortization of the discounts is included in contribution revenue. Conditional contributions receivable are recognized when the conditions on which they depend are substantially met.

At June 30, 2016, all contributions receivable are expected to be collected within one year and are deemed fully collectible.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and savings accounts and contributions receivable.

The Organization places its temporary cash and savings accounts with creditworthy, high-quality financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to certain limits. Such account balances may, at times, exceed the federally insured limit.

Credit risk with respect to contributions receivable is limited due to the number and credit worthiness of the individuals from whom the amounts are due.

Capitalization and Depreciation

Property and equipment are stated at cost, or fair value if contributed. The Organization follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Depreciation of property and equipment is charged to expense over the estimated useful lives of the respective assets using the straight-line basis as follows:

	<u>Years</u>
Leasehold improvements	10
Computers and other equipment	3-5
Vehicles	5

Fair Value

The carrying amount reported in the statement of financial position for cash and cash equivalents, receivables and accounts payable approximates fair value because of the immediate or short term maturities of these financial instruments.

Income Tax Status

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, is classified as a public charity, and has no unrelated business income. The Organization has taken no tax positions it believes are unlikely to be upheld, or that might jeopardize its tax-exempt status, if examined by taxing authorities with full knowledge of all relevant information.

CHILDREN'S FUTURE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accordingly, no provision for income taxes is included in the accompanying financial statements. Should its tax-exempt status be challenged in the future, all years since inception could be subject to review by the IRS. The Organization's federal information returns (Forms 990) for fiscal years ended June 30, 2016, 2015, 2014, and 2013 are subject to examination by the IRS, generally for three years after they were filed.

Functional Allocation of Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation. Reclassifications made in prior year have no impact on total net assets or in changes in net assets.

Date of Management's Review

Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on December 8, 2015 and this is the date which subsequent events were evaluated.

NOTE 2 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Contributions receivable	\$ 10,000	\$ 23,137
Restricted for specific purposes	<u>14,109</u>	<u>36,848</u>
	<u>\$ 24,109</u>	<u>\$ 59,985</u>

Net assets released from restrictions consisted of the following:

	<u>2016</u>	<u>2015</u>
Net collection of promises to give	\$ 23,137	\$ 13,782
Satisfaction of program restrictions	<u>95,961</u>	<u>184,963</u>
	<u>\$ 119,098</u>	<u>\$ 198,745</u>

NOTE 3 – CONCENTRATIONS

The Organization's entire program operates in Cambodia where there is potential for natural disaster as well as political unrest.

A small group of donors contributed approximately 42% of total revenue during the year ended June 30, 2016 and 2015.

CHILDREN'S FUTURE INTERNATIONAL, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – LEASE COMMITMENTS

The Organization has long-term lease agreements through August 30, 2019 for land and buildings in Cambodia. The leases cover the current school and house as well as gardens and a sport fields. The Organization also leases office space in Denver, Colorado, through September 30, 2017. The future minimum lease payments under these leases are as follows:

For the year ending June 30, 2016:

2017	\$	16,800
2018		9,825
2019		7,500
Thereafter		<u>1,250</u>
	\$	<u>35,375</u>

Rent expense was \$ 22,048 and \$ 23,278 for the year ended June 30, 2016 and 2015, respectively.

NOTE 5 – EMPLOYEE BENEFIT PLAN

In 2015, the Organization established a SIMPLE IRA plan for all of its US employees (the Plan). Employee contributions under the Plan are subject to IRS limitations. The Organization provides a matching contribution up to 3% of an employee's annual compensation, which totaled \$ 1,518 and \$ 1,088 in 2016 and 2015, respectively.

NOTE 6 – NOTES PAYABLE - RELATED PARTY

In 2016, a board member made two loans to CFI in the amount of \$30,000. The notes are non-interest bearing, unsecured and are due on or before December 31, 2016. No penalties will be charged in case CFI fails to comply with any terms of the notes.