

**CHILDREN'S FUTURE INTERNATIONAL, INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

TOGETHER WITH INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT

**CHILDREN'S FUTURE INTERNATIONAL, INC.**

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2017**

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February 27, 2018

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying financial statements of **Children's Future International, Inc.** (a New York nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

***Accountants' 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.

***Accountants' 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.

***Report on Summarized Comparative Information***

The financial statements of Children's Future International, Inc.'s as of June 30, 2016, were audited by other accountants, and they expressed an unmodified opinion on those financial statements in their report dated November 18, 2016, but they have not performed any auditing procedures since that date. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial information from which is has been derived.

*Taylor, Roth and Company PLLC*

TAYLOR, ROTH AND COMPANY, PLLC  
CERTIFIED PUBLIC ACCOUNTANTS

CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017

(WITH COMPARATIVE TOTALS FOR 2016)

	<u>2017</u>	<u>2016</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 24,163	\$ 6,213
Cash and cash equivalents - temporarily restricted	7,290	14,109
Grants receivable - temporarily restricted (Note 3)	9,000	10,000
Security deposit	775	750
Net property and equipment (Note 4)	<u>76,593</u>	<u>87,189</u>
Total assets	<u>\$ 117,821</u>	<u>\$ 118,261</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 113	\$ 3,954
Accrued payroll liabilities	3,415	35
Note payable (Note 5)	30,000	30,000
Commitments (Note 6)	<u>-</u>	<u>-</u>
Total liabilities	<u>33,528</u>	<u>33,989</u>
<u>Net assets</u>		
Unrestricted		
Operating	68,003	60,163
Temporarily restricted (Note 7)	<u>16,290</u>	<u>24,109</u>
Total net assets	<u>84,293</u>	<u>84,272</u>
Total liabilities and net assets	<u>\$ 117,821</u>	<u>\$ 118,261</u>

See independent accountant's review report  
The accompanying notes are an integral part of these financial statements

**CHILDREN'S FUTURE INTERNATIONAL, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Individual donations	\$ 138,763	\$ -	\$ 138,763	70,217
Grant revenue	92,000	34,987	126,987	132,846
Partner grants and donations	24,519	27,497	52,016	40,209
Corporate donations	40,569	-	40,569	42,889
Special events, revenue	36,316	-	36,316	62,751
Less: direct expenses	(6,722)	-	(6,722)	(6,467)
Fees for service	2,070	-	2,070	-
Interest income	154	-	154	120
Other	1,418	-	1,418	2,601
Net assets released from restrictions (Note 8)	70,303	(70,303)	-	-
Total revenue and other support	399,390	(7,819)	391,571	345,167
<u>Expense</u>				
Program services	309,735	-	309,735	369,647
Supporting services				
Management and general	32,884	-	32,884	56,921
Fundraising	48,931	-	48,931	33,508
Total expense	391,550	-	391,550	460,076
Change in net assets	7,840	(7,819)	21	(114,909)
Net assets, beginning of year	60,163	24,109	84,272	199,181
Net assets, end of year	\$ 68,003	\$ 16,290	\$ 84,293	\$ 84,272

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**CHILDREN'S FUTURE INTERNATIONAL, INC.**

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017  
(WITH COMPARATIVE TOTALS FOR 2016)

	2017			2016	
	<u>Supporting Services</u>				
	Program Services	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	\$ 168,930	\$ 21,230	\$ 34,742	\$ 224,902	\$ 234,191
Client expenses	78,493	-	-	78,493	133,606
Rent	14,142	2,480	4,197	20,819	20,619
Professional expenses	9,339	5,197	2,370	16,906	9,080
Travel	4,398	234	291	4,923	17,832
Data communications	4,748	-	-	4,748	6,124
Ground transportation and repair	4,562	-	-	4,562	-
Utilities	4,045	-	-	4,045	4,259
Processing fees	-	-	3,693	3,693	4,580
Insurance	833	833	1,362	3,028	3,525
Facilities	2,707	-	-	2,707	1,255
Office expenses	1,748	589	159	2,496	3,292
Repairs and maintenance	2,208	-	-	2,208	3,885
Licenses and fees	1,178	835	2	2,015	1,059
Marketing outreach	44	-	1,596	1,640	-
Bank fees	640	894	0	1,534	1,726
Payroll processing fees	443	317	519	1,279	-
Staff development	530	-	-	530	-
Interest expense	-	275	-	275	-
Parking	43	-	-	43	-
Other	108	-	-	108	4,279
	<u>299,139</u>	<u>32,884</u>	<u>48,931</u>	<u>380,954</u>	<u>449,312</u>
Depreciation	10,596	0	0	10,596	10,764
Total expenses	<u>\$ 309,735</u>	<u>\$ 32,884</u>	<u>\$ 48,931</u>	<u>\$ 391,550</u>	<u>\$ 460,076</u>

See independent accountant's review report  
The accompanying notes are an integral part of these financial statements

**CHILDREN'S FUTURE INTERNATIONAL, INC.**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2017**  
**(WITH COMPARATIVE TOTALS FOR 2016)**

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 21	\$ (114,909)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Depreciation	10,596	10,764
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	1,000	13,137
(Increase)decrease in security deposit	(25)	(405)
Increase(decrease) in accounts payable and payroll liabilities	(461)	3,578
Net cash provided(used) by operating activities	<u>11,131</u>	<u>(87,835)</u>
<u>Cash flows from financing activities</u>		
Proceeds from note payable	<u>-</u>	<u>30,000</u>
Net cash provided by investing activities	<u>-</u>	<u>30,000</u>
Net increase(decrease) in cash and cash equivalents	11,131	(57,835)
Cash and cash equivalents, beginning of year	<u>20,322</u>	<u>78,157</u>
Cash and cash equivalents, end of year	<u>\$ 31,453</u>	<u>\$ 20,322</u>
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	<u>\$ 275</u>	<u>\$ -</u>

See independent accountant's report  
The accompanying notes are an integral part of these financial statements



**CHILDREN'S FUTURE INTERNATIONAL, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2017**

**NOTE 1 - NATURE OF ACTIVITIES**

Children's Future International, Inc. (Organization) was incorporated in 2008 as a nonprofit corporation in the state of New York. The Organization is uniquely positioned to empower children and youth in rural Cambodia to break the cycle of poverty. The Organization serves more than 250 children and youth that were previously not attending school and at risk of human trafficking and child labor. Its holistic services provide child protection and education to some of the most resource poor and vulnerable children in Cambodia. These programs aim to ensure that each child's basic needs are met so that he or she may pursue an education to the fullest of his or her abilities. The organization receives funding primarily from individuals, foundations, corporations, and fundraising events.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES**

**1. Basis of Accounting**

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

**2. Basis of Presentation**

The Organization is required to report 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.

**3. 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.

**4. Donations**

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless the explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

5. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$1,000. The fair value of donated assets is similarly capitalized. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

6. 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. Accordingly, actual results could differ from those estimates.

7. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

8. Functional Reporting of Expenses

For the year ended June 30, 2017, the costs of providing the various 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.

9. Subsequent Events

Management has evaluated subsequent events through February 27, 2018 the date the financial statements were available to be issued.

NOTE 3 - GRANT RECEIVABLE

At year-end, grant receivable reflects a grant received from a nonprofit organization for educational program funding. The grant is anticipated to be collected during the upcoming year. Management has evaluated the receivable and does not believe that an allowance for doubtful accounts is needed

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land – held for future use	\$ 55,622
Leasehold improvements	44,342
Computers and other equipment	12,970
Vehicles	<u>15,262</u>
Total	128,196
Less: accumulated depreciation	<u>(51,603)</u>
Net property and equipment	<u>\$ 76,593</u>

In 2014, the Organization funded an acquisition of land parcels near its facilities in Cambodia. The ownership of the land is held by two employees on behalf of the Organization. Under Cambodian law land ownership is reserved to natural and legal Cambodians. The Organization has also entered into an agreement with the two employees and local Cambodian government officials under which the Organization has exclusive rights to develop and or sell the land. The total capitalized cost of the land parcels was \$55,622.

NOTE 5 - NOTE PAYABLE – RELATED PARTY

In 2016, a board member made two loans to the Organization for a total amount of \$30,000. The notes are non-interest bearing, unsecured, and are due on or before December 31, 2019. No penalties will be charged in the event the Organization fails to comply with any terms of the notes.

NOTE 6 - LEASE COMMITMENTS

The Organization has entered into five separate lease agreements through August 30, 2019 for land and existing structures in Cambodia. The leases cover the current school and house as well as gardens and a football/soccer field. The Organization has also entered into a lease agreement for office space in Denver, Colorado. The future minimum lease payments remaining are as follows:

<u>Year</u>	<u>Cambodia</u>	<u>US</u>	<u>Total</u>
2018	\$ 7,500	\$2,325	\$ 9,825
2019	<u>7,500</u>	-	<u>7,500</u>
Totals	<u>\$15,000</u>	<u>\$2,325</u>	<u>\$17,325</u>

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

At year-end, temporarily restricted net assets were available for the following program purposes:

<u>Description</u>	<u>Amount</u>
Child protection	\$ 9,669
Education and learning center	6,417
Community	<u>204</u>
Total	<u>\$ 16,290</u>

NOTE 8 - NET ASSETS RELEASED FROM RESTRICTIONS

During the year, net assets were released from donor restrictions by incurring expenses satisfying the following restricted program purposes:

<u>Description</u>	<u>Amount</u>
Education and learning center	\$ 43,302
Child protection	17,828
Community	7,212
Disaster relief	<u>1,961</u>
Total	<u>\$ 70,303</u>

NOTE 9 - FOREIGN OPERATIONS

The Organization's programs are based in Cambodia. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restrictions on currency exchange.

In connection with the Organization's operations, the Organization maintains leased facilities and funded the acquisition of land in Cambodia. As of June 30, 2017, assets in Cambodia were comprised of cash in the amount of \$26,275 and property and equipment, net of accumulated depreciation, of \$76,593. Total overseas support and revenue received from foreign sources amounted to \$63,137 in 2017.

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Organization has established a SIMPLE IRA plan (the Plan) for its US based employees. Employee contributions under the Plan are subject to limitations. The Plan provides for a matching contribution up to 3% of an employee's annual compensation. During 2017 there were no contributions made to the Plan.