

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2018

TOGETHER WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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February 27, 2019

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, 2018, 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

We previously reviewed Children's Future International, Inc.'s 2017 financial statements and in our conclusion dated February 27, 2018, stated that based on our review, we were not aware of any material modifications that should be made to the 2017 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are unaware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2017, for it to be consistent with the reviewed financial statements from which it 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, 2018

(WITH COMPARATIVE TOTALS FOR 2017)

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Cash and cash equivalents - unrestricted	\$ 13,095	\$ 24,163
Cash and cash equivalents - temporarily restricted	-	7,290
Grants receivable - unrestricted (Note 3)	3,663	-
Grants receivable - temporarily restricted (Note 3)	21,782	9,000
Security deposit	215	775
Property and equipment, net (Note 4)	65,580	76,593
Total assets	<u>\$ 104,335</u>	<u>\$ 117,821</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 8,955	\$ 113
Accrued payroll liabilities	35	3,415
Notes payable (Note 5)	30,000	30,000
Commitments (Note 6)		
Total liabilities	<u>38,990</u>	<u>33,528</u>
<u>Net assets</u>		
Unrestricted		
Operating	43,563	68,003
Temporarily restricted (Note 7)	21,782	16,290
Total net assets	<u>65,345</u>	<u>84,293</u>
Total liabilities and net assets	<u>\$ 104,335</u>	<u>\$ 117,821</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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
<u>Revenue and other support</u>				
Grant revenue	\$ 78,736	\$ 67,475	\$ 146,211	\$ 126,987
Individual donations	72,140	-	72,140	138,763
Partner grants and donations	56,096	-	56,096	52,016
Special events, revenue	40,031	-	40,031	36,316
Less: direct expenses	(5,408)	-	(5,408)	(6,722)
Corporate donations	20,325	-	20,325	40,569
Fees for service	5,031	-	5,031	2,070
Interest income	74	-	74	154
Other	4,296	-	4,296	1,418
Net assets released from restrictions (Note 8)	61,983	(61,983)	-	-
Total revenue and other support	<u>333,304</u>	<u>5,492</u>	<u>338,796</u>	<u>391,571</u>
<u>Expense</u>				
Program services	289,668	-	289,668	309,735
Supporting services				
Management and general	27,126	-	27,126	32,884
Fundraising	40,950	-	40,950	48,931
Total expense	<u>357,744</u>	<u>-</u>	<u>357,744</u>	<u>391,550</u>
Change in net assets	(24,440)	5,492	(18,948)	21
Net assets, beginning of year	<u>68,003</u>	<u>16,290</u>	<u>84,293</u>	<u>84,272</u>
Net assets, end of year	<u>\$ 43,563</u>	<u>\$ 21,782</u>	<u>\$ 65,345</u>	<u>\$ 84,293</u>

See independent accountant's review report
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CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018			2017	
	Program Services	Supporting Services		Total	Total
		Management and General	Fundraising		
Salaries, payroll taxes and benefits	\$ 164,270	\$ 10,877	\$ 21,753	\$ 196,900	\$ 224,342
Client expenses	77,284	-	-	77,284	78,493
Professional expenses	8,296	7,731	8,516	24,543	16,906
Rent	8,438	1,688	3,375	13,501	20,819
Travel	5,279	-	2,600	7,879	4,923
Utilities	4,438	-	-	4,438	4,045
Insurance	-	3,874	-	3,874	3,588
Data communications	3,512	-	-	3,512	4,748
Processing fees	-	-	2,663	2,663	3,693
Office expenses	1,880	500	-	2,380	2,496
Repairs and maintenance	2,361	-	-	2,361	2,208
Staff development	2,359	-	-	2,359	530
Marketing outreach	12	-	2,043	2,055	1,640
Bank fees	924	925	-	1,849	1,534
Ground transportation and repair	1,740	-	-	1,740	4,562
Payroll processing fees	-	1,079	-	1,079	1,279
Interest expense	-	378	-	378	275
Licenses and fees	207	55	-	262	2,015
Parking	10	-	-	10	43
Other	1,855	19	-	1,874	2,815
	282,865	27,126	40,950	350,941	380,954
Depreciation	6,803	-	-	6,803	10,596
Total expenses	\$ 289,668	\$ 27,126	\$ 40,950	\$ 357,744	\$ 391,550

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, 2018
(WITH COMPARATIVE TOTALS FOR 2017)

	2018	2017
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (18,948)	\$ 21
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Depreciation	6,803	10,596
Gain on sale of vehicles	(3,672)	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	(16,445)	1,000
(Increase)decrease in security deposit	560	(25)
Increase(decrease) in accounts payable and payroll liabilities	5,462	(461)
Net cash provided(used) by operating activities	(26,240)	11,131
<u>Cash flows from investing activities</u>		
Proceeds from the sale of vehicles	7,882	-
Net cash provided by investing activities	7,882	-
Net increase(decrease) in cash and cash equivalents	(18,358)	11,131
Cash and cash equivalents, beginning of year	31,453	20,322
Cash and cash equivalents, end of year	\$ 13,095	\$ 31,453
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	\$ 378	\$ 275

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, 2018

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 275 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, 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, 2018, 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. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

10. Subsequent Events

Management has evaluated subsequent events through February 27, 2019 the date the financial statements were available to be issued.

NOTE 3 - GRANTS RECEIVABLE

At year-end, grants receivable reflects grants received from two international nonprofit organizations. The unrestricted grant reflects a reimbursement of expenses for Next Generation Initiative. The restricted grant is for the education and learning center and child protection program. The grants are 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	<u>12,970</u>
Total	112,934
Less: accumulated depreciation	<u>(47,354)</u>
Net property and equipment	<u>\$ 65,580</u>

Depreciation expense for the year was \$6,803.

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 - NOTES 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 were 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. On February 27, 2019 the maturity dates of the two notes were extended to December 31, 2021.

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>
2019	\$7,500	\$2,610	\$10,110
2020	<u>7,500</u>	<u>1,320</u>	<u>8,820</u>
Totals	<u>\$15,000</u>	<u>\$3,930</u>	<u>\$18,930</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>
Education and learning center	\$ 10,891
Child protection	<u>10,891</u>
Total	<u>\$ 21,782</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>
Next Generation Initiative	\$ 30,199
Child protection	17,163
Education and learning center	9,417
Community development	<u>5,204</u>
Total	<u>\$ 61,983</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, 2018, assets in Cambodia were comprised of cash in the amount of \$7,953 and property and equipment, net of accumulated depreciation, \$65,580. Total overseas support and revenue received from foreign sources amounted to \$118,108 in 2018.

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 the year there were no contributions made to the Plan and the sole eligible employee left the Organization in February 2018.

NOTE 11 - CONCENTRATION OF REVENUE

The Organization relies grants and donations for the majority of its revenue and other support. During the year, the Organization received approximately 22% of its revenue and other support from one foundation.