

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

TOGETHER WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

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Taylor, Roth and Company, PLLC
Certified Public Accountants
working exclusively with nonprofit organizations

November 4, 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, 2019, 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 entity 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 2018 financial statements and in our conclusion dated February 27, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2018 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, 2018, 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, 2019

(WITH COMPARATIVE TOTALS FOR 2018)

	<u>2019</u>	<u>2018</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 42,112	\$ 13,095
Grants receivable	3,882	25,445
Security deposit	215	215
Property and equipment, net (Note 3)	<u>65,742</u>	<u>65,580</u>
Total assets	<u>\$ 111,951</u>	<u>\$ 104,335</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 5,474	\$ 8,955
Accrued payroll liabilities	3,162	35
Notes payable (Note 4)	30,000	30,000
Commitments (Note 5)		
Total liabilities	<u>38,636</u>	<u>38,990</u>
<u>Net assets</u>		
Without donor restrictions	73,315	43,563
With donor restrictions	<u>-</u>	<u>21,782</u>
Total net assets	<u>73,315</u>	<u>65,345</u>
Total liabilities and net assets	<u>\$ 111,951</u>	<u>\$ 104,335</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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Foundation and other grants	\$ 87,394	\$ 74,440	\$ 161,834	\$ 146,211
Partner grants and donations	76,133	-	76,133	56,096
Government grants	39,375	-	39,375	-
Individual donations	26,821	-	26,821	72,140
Special events, revenue	16,345	-	16,345	40,031
Less: direct expenses	(4,708)	-	(4,708)	(5,408)
Corporate donations	8,318	-	8,318	20,325
Fees for service	2,246	-	2,246	5,031
Interest income	103	-	103	74
Other	2,956	-	2,956	4,296
In-kind contributions	193	-	193	-
Net assets released from restrictions (Note 6)	96,222	(96,222)	-	-
Total revenue and other support	<u>351,398</u>	<u>(21,782)</u>	<u>329,616</u>	<u>338,796</u>
<u>Expense</u>				
Program services	272,456	-	272,456	289,668
Supporting services				
Management and general	28,597	-	28,597	27,126
Fundraising	20,593	-	20,593	40,950
Total expense	<u>321,646</u>	<u>-</u>	<u>321,646</u>	<u>357,744</u>
Change in net assets	29,752	(21,782)	7,970	(18,948)
Net assets, beginning of year	<u>43,563</u>	<u>21,782</u>	<u>65,345</u>	<u>84,293</u>
Net assets, end of year	<u>\$ 73,315</u>	<u>\$ -</u>	<u>\$ 73,315</u>	<u>\$ 65,345</u>

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CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019			2018	
	Supporting Services				Total
	Program Services	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	\$ 169,816	\$ 9,648	\$ 12,870	\$ 192,334	\$ 196,900
Client expenses	59,098	-	-	59,098	77,284
Professional expenses	2,180	8,970	2,180	13,330	24,543
Rent	7,576	2,559	102	10,237	13,501
Office expenses	5,368	305	407	6,080	2,380
Staff development	6,064	-	-	6,064	2,359
Travel	4,041	-	1,990	6,031	7,879
Data communications	3,930	218	218	4,366	3,512
Utilities	3,925	165	41	4,131	4,438
Insurance	-	3,188	-	3,188	3,874
Processing fees	-	-	1,773	1,773	2,663
Ground transportation and repair	1,669	-	-	1,669	1,740
Bank fees	661	661	-	1,322	1,849
Licenses and fees	-	1,048	-	1,048	262
Marketing outreach	15	-	1,012	1,027	2,055
Repairs and maintenance	934	-	-	934	2,361
Interest expense	-	868	-	868	378
Payroll processing fees	-	437	-	437	1,079
Parking	-	-	-	-	10
Other	2,611	290	-	2,901	1,874
	267,888	28,357	20,593	316,838	350,941
Depreciation	4,568	240	-	4,808	6,803
Total expenses	\$ 272,456	\$ 28,597	\$ 20,593	\$ 321,646	\$ 357,744

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, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	2019	2018
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 7,970	\$ (18,948)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Depreciation	4,808	6,803
Gain on sale of vehicles	-	(3,672)
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	21,563	(16,445)
(Increase)decrease in security deposit	-	560
Increase(decrease) in accounts payable	(3,481)	8,842
Increase(decrease) in accrued payroll liabilities	3,127	(3,380)
Net cash provided(used) by operating activities	33,987	(26,240)
<u>Cash flows from investing activities</u>		
(Purchases) of equipment	(4,970)	-
Proceeds from the sale of vehicles	-	7,882
Net cash provided(used) by investing activities	(4,970)	7,882
Net increase(decrease) in cash and cash equivalents	29,017	(18,358)
Cash and cash equivalents, beginning of year	13,095	31,453
Cash and cash equivalents, end of year	\$ 42,112	\$ 13,095
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	\$ 868	\$ 378

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, 2019

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 approximately 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 foundations and partners.

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 financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a program. These restrictions expire when the assets are placed in service.

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

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. Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

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, 2019, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain categories of expenses attributable to program services or a supporting function are allocated on a reasonable basis that is consistently applied. The significant expenses that are allocated include salaries taxes and benefits and professional expenses which are allocated based on time and effort. Rent is allocated based upon use. Other expenses are allocated based upon the program or supporting service benefited.

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

9. Summarized Prior-Year Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include enough detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

10. 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.

11. New Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses net asset classification, information about liquidity and available resources, information provided about functional allocation of expenses, and consistency in reporting investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

12. Subsequent Events

Management has evaluated subsequent events through November 4, 2019 the date the financial statements were available to be issued.

NOTE 3 - 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>17,940</u>
Total	117,904
Less: accumulated depreciation	<u>(52,162)</u>
Net property and equipment	<u>\$ 65,742</u>

Depreciation expense for the year was \$4,808.

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 4 - 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 originally 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 5 - LEASE COMMITMENTS

The Organization entered into five separate lease agreements on September 1, 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 and are through August 31, 2022. 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>
2020	\$ 9,480	\$1,320	\$10,800
2021	9,480	-	9,480
2020	<u>9,480</u>	<u>-</u>	<u>9,480</u>
Totals	<u>\$28,440</u>	<u>\$1,320</u>	<u>\$29,760</u>

NOTE 6 - NET ASSETS RELEASED FROM DONOR 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	\$ 48,718
Child protection	29,761
Next Generation Initiative	10,672
Community development	<u>7,071</u>
Total	<u>\$ 96,222</u>

NOTE 7 - 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, 2019, assets in Cambodia were comprised of cash in the amount of \$40,286 and property and equipment, net of accumulated depreciation, \$65,742. Total overseas support and revenue received from foreign sources amounted to approximately \$118,108 in 2019.

NOTE 8 - 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 23% of its revenue and other support from one foundation.

NOTE 9 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at June 30, 2019:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 42,112
Grants receivable	<u>3,882</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 45,994</u>

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's goal is to maintain financial assets to meet at least two months of anticipated general operating expenses (approximately \$50,000).