

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

TOGETHER WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

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November 17, 2020

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, 2020, 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 2019 financial statements and in our conclusion dated November 4, 2019, stated that based on our review, we were not aware of any material modifications that should be made to the 2019 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, 2019, for it to be consistent with the reviewed financial statements from which it has been derived.

Taylor R Roth and Company P/C
TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 122,195	\$ 42,112
Grants receivable	5,238	3,882
Security deposit	-	215
Property and equipment, net (Note 3)	59,824	65,742
Total assets	<u>\$ 187,257</u>	<u>\$ 111,951</u>
<u>Liabilities and net assets</u>		
Liabilities		
Accounts payable	\$ 4,980	\$ 5,474
Accrued payroll liabilities	35	3,162
Notes payable (Note 4)	30,000	30,000
Commitments (Note 5)		
Total liabilities	<u>35,015</u>	<u>38,636</u>
Net assets		
Without donor restrictions	105,275	73,315
With donor restrictions (Note 6)	46,967	-
Total net assets	<u>152,242</u>	<u>73,315</u>
Total liabilities and net assets	<u>\$ 187,257</u>	<u>\$ 111,951</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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Foundation and other grants	\$ 86,021	\$ 111,469	\$ 197,490	\$ 161,834
Government grants	85,978	-	85,978	39,375
Partner grants and donations	50,867	-	50,867	76,133
Individual donations	30,559	-	30,559	26,821
Special events, revenue	28,279	-	28,279	16,345
Less: direct expenses	(1,361)	-	(1,361)	(3,773)
Corporate donations	8,730	-	8,730	8,318
Interest income	95	-	95	103
Fees for service	-	-	-	2,246
Other	2,040	-	2,040	2,956
In-kind contributions	-	-	-	193
Net assets released from restrictions (Note 7)	64,502	(64,502)	-	-
Total revenue and other support	355,710	46,967	402,677	330,551
<u>Expense</u>				
Program services	271,902	-	271,902	273,391
Supporting services				
Management and general	40,757	-	40,757	28,597
Fundraising	11,091	-	11,091	20,593
Total expense	323,750	-	323,750	322,581
Change in net assets	31,960	46,967	78,927	7,970
Net assets, beginning of year	73,315	-	73,315	65,345
Net assets, end of year	\$ 105,275	\$ 46,967	\$ 152,242	\$ 73,315

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019	
		Supporting Services			
	Program Services	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	\$ 163,311	\$ 25,220	\$ 6,217	\$ 194,748	\$ 192,334
Client expenses	64,077	-	-	64,077	60,033
Rent	8,274	2,795	112	11,181	10,237
Legal and professional	2,418	6,697	-	9,115	13,330
Staff development	7,907	-	-	7,907	6,064
Office expenses	4,821	762	188	5,771	6,080
Travel	3,402	-	1,675	5,077	6,031
Data communications	3,731	207	207	4,145	4,366
Ground transportation and repair	3,008	-	-	3,008	1,669
Utilities	2,834	119	30	2,983	4,131
Repairs and maintenance	2,497	-	-	2,497	934
Licenses and fees	-	1,809	-	1,809	1,048
Marketing outreach	-	-	1,512	1,512	1,027
Bank fees	-	958	-	958	1,322
Processing fees	-	-	912	912	1,773
Interest expense	-	830	-	830	868
Insurance	-	230	-	230	3,188
Payroll processing fees	-	119	-	119	437
Other	-	715	238	953	2,901
	266,280	40,461	11,091	317,832	317,773
Depreciation	5,622	296	-	5,918	4,808
Total expenses	\$ 271,902	\$ 40,757	\$ 11,091	\$ 323,750	\$ 322,581

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 78,927	\$ 7,970
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,918	4,808
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	(1,356)	21,563
(Increase)decrease in security deposit	215	-
Increase(decrease) in accounts payable	(494)	(3,481)
Increase(decrease) in accrued payroll liabilities	(3,127)	3,127
Net cash provided by operating activities	<u>80,083</u>	<u>33,987</u>
<u>Cash flows from investing activities</u>		
(Purchase) of equipment	<u>-</u>	<u>(4,970)</u>
Net increase in cash and cash equivalents	80,083	29,017
Cash and cash equivalents, beginning of year	<u>42,112</u>	<u>13,095</u>
Cash and cash equivalents, end of year	<u>\$ 122,195</u>	<u>\$ 42,112</u>
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	<u>\$ 830</u>	<u>\$ 868</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, 2020

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.

Throughout the global pandemic the Organization adhered to all government directives and policies. In practice this meant closing the offices with staff working remotely and also closing the physical school and moving to virtual teaching. This comprised of phone calls, community visits and worksheets for students. Organization social workers reviewed all risk levels for children and their families, began face to face visits for those of the highest risk, and maintained telephone contact with others. Organization staff maintained regular contact with all local authorities by keeping them up to date with plans and supporting theirs where possible. While supporting Public Health concerns through education and the distribution of hygiene materials, Organization staff remained vigilant to any potential child protection concerns to ensure all children and families were safe, healthy, and thriving.

The organization receives funding primarily from foundation, government, and other grants.

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.

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

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.

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. Capitalization and Depreciation

The Organization follows a practice of capitalizing all expenditures for property and equipment in excess of \$3,000. 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.

5. 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.

6. 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.

7. Functional Reporting of Expenses

For the year ended June 30, 2020, 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.

8. 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, 2019, from which the summarized information was derived.

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

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. New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605). The standards update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance will result in more governmental contracts being accounted for as contributions and may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Organization does not believe the application of the provisions of the standards update materially changed the recognition of contributions received during the year.

12. Subsequent Events

Management has evaluated subsequent events through November 17, 2020 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>(58,080)</u>
Net property and equipment	<u>\$ 59,824</u>

Depreciation expense for the year was \$5,918.

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. The Organization began making repayments in July 2020.

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’s office space lease in Denver, Colorado ended in 2020. The future minimum lease payments remaining are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 9,480
2022	<u>9,480</u>
Total	<u>\$ 18,960</u>

NOTE 6 - DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Education and learning center	\$ 19,506
Child protection	17,708
Community development	<u>9,753</u>
Total	<u>\$ 46,967</u>

NOTE 7 - 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>
Child protection	\$ 45,302
Education and learning center	18,200
Community development	<u>1,000</u>
Total	<u>\$ 64,502</u>

NOTE 8 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year of June 30, 2020:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	\$ 122,195
Grants receivable	<u>5,238</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 127,433</u>

The Organization has certain donor-restricted assets which are available for general operating expenditure within one year in the normal course of operations. Accordingly, these assets have been included in the qualitative information above for financial assets available to meet general operating expenditures within one year.

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).

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, 2020, assets in Cambodia were comprised of cash in the amount of \$23,314 and property and equipment, net of accumulated depreciation, \$61,716. Total overseas support and revenue received from foreign sources amounted to approximately \$168,000 in 2020.