

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

TOGETHER WITH INDEPENDENT ACCOUNTANTS'
REVIEW REPORT

CHILDREN'S FUTURE INTERNATIONAL, INC.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

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TAYLORROTH

Certified Public Accountants

WORKING EXCLUSIVELY WITH NONPROFITS

October 15, 2022

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, 2022, 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.

We are required to be independent of Children's Future International, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

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 2021 financial statements and in our conclusion dated December 1, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2021 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, 2021, 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
DENVER, COLORADO

CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

(WITH COMPARATIVE TOTALS FOR 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 156,960	\$ 169,537
Grants receivable	-	1,049
Property and equipment, net (Note 3)	<u>71,636</u>	<u>75,670</u>
Total assets	<u>\$ 228,596</u>	<u>\$ 246,256</u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 205	\$ 394
Accrued payroll liabilities	7,887	35
Commitments (Note 4)		
Total liabilities	<u>8,092</u>	<u>429</u>
<u>Net assets</u>		
Without donor restrictions	201,790	242,482
With donor restrictions (Note 5)	<u>18,714</u>	<u>3,345</u>
Total net assets	<u>220,504</u>	<u>245,827</u>
Total liabilities and net assets	<u>\$ 228,596</u>	<u>\$ 246,256</u>

See accompanying notes and independent accountant's review report

CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Foundation and other grants	\$ 80,830	\$ 151,422	\$ 232,252	\$ 265,198
Partner grants and donations	54,039	-	54,039	65,919
Government grants	-	53,950	53,950	59,781
Individual donations	18,270	-	18,270	34,256
Corporate donations	13,663	-	13,663	21,321
Other	439	-	439	3,004
Interest income	64	-	64	31
Special events, revenue	-	-	-	-
Less: direct expenses	-	-	-	-
Net assets released from restrictions (Note 6)	190,003	(190,003)	-	-
Total revenue and other support	357,308	15,369	372,677	449,510
<u>Expense</u>				
Program services	330,120	-	330,120	305,729
Supporting services				
Management and general	56,094	-	56,094	40,593
Fundraising	11,786	-	11,786	9,603
Total expense	398,000	-	398,000	355,925
Change in net assets	(40,692)	15,369	(25,323)	93,585
Net assets, beginning of year	242,482	3,345	245,827	152,242
Net assets, end of year	\$ 201,790	\$ 18,714	\$ 220,504	\$ 245,827

See accompanying notes and independent accountant's review report

CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022			2021	
	Supporting Services				
	Program Services	Management and General	Fundraising	Total	Total
Salaries, payroll taxes and benefits	\$ 186,314	\$ 42,995	\$ 9,555	\$ 238,864	\$ 201,354
Client expenses (Note 7)	108,282	-	-	108,282	98,030
Office expenses	8,505	1,963	436	10,904	8,241
Rent	7,551	1,743	387	9,681	10,081
Legal and professional	600	4,948	-	5,548	5,468
Data communications	2,806	648	144	3,598	4,376
Repairs and maintenance	3,496	-	-	3,496	1,769
Travel	2,723	-	-	2,723	3,719
Staff development	2,204	-	-	2,204	2,632
Utilities	1,631	376	84	2,091	2,364
Licenses and fees	1,032	302	-	1,334	5,480
Ground transportation and repair	953	-	-	953	4,955
Bank fees	-	912	-	912	623
Marketing outreach	-	-	550	550	1,403
Insurance	-	488	-	488	448
Processing fees	-	-	630	630	1,003
Payroll processing fees	-	-	0	0	0
Interest expense	-	0	-	0	72
Other	191	1,517	-	1,708	2,713
	326,288	55,892	11,786	393,966	354,731
Depreciation	3,832	202	-	4,034	1,194
Total expenses	\$ 330,120	\$ 56,094	\$ 11,786	\$ 398,000	\$ 355,925

See accompanying notes and independent accountant's review report

CHILDREN'S FUTURE INTERNATIONAL, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	2022	2021
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (25,323)	\$ 93,585
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,034	1,194
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	1,049	4,189
Increase(decrease) in accounts payable	(189)	(4,586)
Increase(decrease) in accrued payroll liabilities	7,852	-
Net cash provided by operating activities	(12,577)	94,382
<u>Cash flows used by investing activities</u>		
Purchases of fixed assets	-	(17,040)
<u>Cash flows used by financing activities</u>		
Repayment of notes payable	-	(30,000)
Net increase in cash and cash equivalents	(12,577)	47,342
Cash and cash equivalents, beginning of year	169,537	122,195
Cash and cash equivalents, end of year	\$ 156,960	\$ 169,537
<u>Supplemental disclosure of information:</u>		
Cash paid during the period for interest	\$ -	\$ 72

See accompanying notes and independent accountant's report

CHILDREN'S FUTURE INTERNATIONAL, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

NOTE 1 - NATURE OF ACTIVITIES

Children's Future International, Inc. (the 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 Cambodian government directives and policies. Staff worked remotely and taught children virtually, with some small face-to-face meetings with children at the highest risk. Organization staff maintained regular contact with all local authorities and were allowed to open the Learning Center again for in-person classes in early 2022. The Organization has now returned to in-person activities and is working to support children and families that are still recovering from the knock-on effects of the pandemic.

The Organization receives funding primarily from foundation 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.

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.

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

2. Basis of Presentation (Concluded)

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, 2022, 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 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, 2021, from which the summarized information was derived.

9. Subsequent Events

Management has evaluated subsequent events through October 15, 2022, 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>34,980</u>
Total	134,944
Less: accumulated depreciation	<u>(63,308)</u>
Net property and equipment	<u>\$ 71,636</u>

Depreciation expense for the year was \$4,034.

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. See Note 11. The total capitalized cost of the land parcels was \$55,622.

NOTE 4 - 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 were through August 31, 2022. Subsequent to year-end, the lease were renewed through August 31, 2025. The lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 12,431
2024	12,431
2025	<u>12,431</u>
Total	<u>\$ 37,293</u>

NOTE 5 - DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Education and learning center	\$ 10,898
Child protection	4,491
Community development	<u>3,325</u>
Total	<u>\$ 18,714</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>
Child protection	\$ 137,547
Education and learning center	40,825
Community development	6,772
Safe migration app	<u>4,859</u>
Total	<u>\$ 190,003</u>

NOTE 7 - CLIENT EXPENSES

Client expenses is comprised of the following:

<u>Description</u>	<u>Amount</u>
Food	\$ 42,674
Personal needs	20,018
Materials	18,400
Services	17,200
Other	<u>9,990</u>
Total	<u>\$ 108,282</u>

NOTE 8 - NOTES PAYABLE – RELATED PARTY

In 2016, a board member made two loans to the Organization for a total amount of \$30,000. The notes were non-interest bearing, unsecured, and were originally due on or before December 31, 2019. On February 27, 2019, the maturity dates of the two notes were extended to December 31, 2021. The notes were repaid during 2021.

NOTE 9 - CONCENTRATION OF REVENUE SOURCE

During the year, the Organization received approximately 20% of its revenue and other support from one foundation.

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year of June 30, 2022:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents	<u>\$ 156,960</u>

NOTE 10 - AVAILABILITY AND LIQUIDITY (Continued)

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 quantitative 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 \$60,000 - \$70,000).

NOTE 11 - 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, 2022, assets in Cambodia were comprised of cash in the amount of \$40,609 and property and equipment, net of accumulated depreciation, \$63,308. Total overseas support and revenue received from foreign sources amounted to approximately \$189,000 in 2022.

NOTE 12 - LEGAL MATTER

The Organization has been named in a legal dispute involving the family and former owner of the land parcels near its facilities in Cambodia. Previously, the family had sued only the former owner, who is a family member, for a portion of the profit from the sale of the land. The local, regional and national courts ruled in favor of the former owner.

The family sued again and the Organization and former owner have been successful in the local court and are awaiting a decision in the regional court. Management believes the matter involves well settled legal issues, anticipates a successful ending to the litigation, and therefore no amounts have been accrued in the financial statements for potential losses.