

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

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

TOGETHER WITH INDEPENDENT ACCOUNTANTS'  
REVIEW REPORT

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

**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

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# TAYLORROTH

*Certified Public Accountants*

WORKING EXCLUSIVELY WITH NONPROFITS

December 24, 2023

## 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, 2023, 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 2022 financial statements and in our conclusion dated October 15, 2022, stated that based on our review, we were not aware of any material modifications that should be made to the 2022 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, 2022, 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, 2023**

**(WITH COMPARATIVE TOTALS FOR 2022)**

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 127,710	\$ 156,960
Grants and contribution receivable (Note 3)	36,061	-
Right of use asset (Note 4)	22,429	-
Cash restricted for capital projects	23,163	-
Property and equipment, net (Note 5)	<u>110,104</u>	<u>71,636</u>
Total assets	<u><u>\$ 319,467</u></u>	<u><u>\$ 228,596</u></u>
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 472	\$ 205
Accrued payroll liabilities	5,223	7,887
Lease liability (Note 4)	<u>22,429</u>	<u>-</u>
Total liabilities	<u>28,124</u>	<u>8,092</u>
<u>Net assets</u>		
Without donor restrictions	234,585	201,790
With donor restrictions (Note 6)	<u>56,758</u>	<u>18,714</u>
Total net assets	<u>291,343</u>	<u>220,504</u>
Total liabilities and net assets	<u><u>\$ 319,467</u></u>	<u><u>\$ 228,596</u></u>

See accompanying notes and independent accountant's review report

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

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Foundation and other grants	\$ 75,000	\$ 232,633	\$ 307,633	\$ 232,252
Individual contributions (Note 7)	28,608	73,595	102,203	18,270
Government grants	-	59,699	59,699	53,950
Partner grants and contributions	50,781	-	50,781	54,039
Corporate contributions	7,517	4,960	12,477	13,663
Other	2,796	-	2,796	439
Interest income	205	-	205	64
Net assets released from restrictions (Note 8)	332,843	(332,843)	-	-
Total revenue and other support	497,750	38,044	535,794	372,677
<u>Expense</u>				
Program services	388,018	-	388,018	330,120
Supporting services				
Management and general	63,657	-	63,657	56,094
Fundraising	13,280	-	13,280	11,786
Total expense	464,955	-	464,955	398,000
Change in net assets	32,795	38,044	70,839	(25,323)
Net assets, beginning of year	201,790	18,714	220,504	245,827
Net assets, end of year	\$ 234,585	\$ 56,758	\$ 291,343	\$ 220,504

See accompanying notes and independent accountant's review report

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

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	2023				2022
	Program Services	Supporting Services			Total
		Management and General	Fundraising	Total	
Salaries, payroll taxes and benefits	\$ 206,031	\$ 47,546	\$ 10,565	\$ 264,142	\$ 238,864
Client expenses (Note 9)	134,748	-	-	134,748	108,282
Lease	10,355	2,390	531	13,276	9,681
Legal and professional	4,680	6,925	-	11,605	5,548
Travel	8,888	-	-	8,888	2,723
Office expenses	4,942	1,140	253	6,335	10,904
Data communications	3,636	839	186	4,661	3,598
Utilities	2,475	571	127	3,173	2,091
Ground transportation and repair	2,668	-	-	2,668	953
Processing fees	-	968	968	1,936	630
Staff development	1,433	-	-	1,433	2,204
Repairs and maintenance	1,275	-	-	1,275	3,496
Bank fees	-	1,091	-	1,091	912
Marketing outreach	-	-	650	650	550
Insurance	-	488	-	488	488
Licenses and fees	166	302	-	468	1,334
Other	191	1,053	-	1,244	1,708
	381,488	63,313	13,280	458,081	393,966
Depreciation	6,530	344	-	6,874	4,034
Total expenses	<u>\$ 388,018</u>	<u>\$ 63,657</u>	<u>\$ 13,280</u>	<u>\$ 464,955</u>	<u>\$ 398,000</u>

See accompanying notes and independent accountant's review report

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

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2023  
(WITH COMPARATIVE TOTALS FOR 2022)

	2023	2022
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 70,839	\$ (25,323)
Adjustments to reconcile change in net assets to net cash provided(used) by operating activities		
Depreciation	6,874	4,034
Non-cash lease expense	9,889	-
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants and contribution receivable	(36,061)	1,049
Increase(decrease) in accounts payable	267	(189)
Increase(decrease) in accrued payroll liabilities	(2,664)	7,852
Increase(decrease) in lease liability	(9,889)	-
Net cash provided(used) by operating activities	39,255	(12,577)
<u>Cash flows used by investing activities</u>		
Purchases of fixed assets	(45,342)	-
Net increase(decrease) in cash and cash equivalents	(6,087)	(12,577)
Cash, cash equivalents, and restricted cash, beginning of year	156,960	169,537
Cash, cash equivalents, and restricted cash, end of year	\$ 150,873	\$ 156,960

See accompanying notes and independent accountant's report



## CHILDREN'S FUTURE INTERNATIONAL, INC.

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

#### NOTE 1 - NATURE OF ACTIVITIES

Children's Future International, Inc. (CFI or 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 800 children and youth that were previously not attending school and at risk of human trafficking and child labor.

CFI works in four main areas to best serve the whole child of our students: supplemental education, education advocacy, social work and youth empowerment projects. The Organization's approximately 50 staff use international standards and tools to evaluate each child's situation and best incorporate their individual needs and desires. This support system provides us the possibility to best tailor the support to the child and their family. CFI's intake/exit system ensures that all children are safe and supported, while prioritizing the most vulnerable and reducing service dependency of families. This way, we ensure the most vulnerable are not left behind while empowering them to make a difference in their life and community.

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. Restricted cash represents has held for capital projects. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position and the totals in the statement of cash flows:

<u>Description</u>	<u>Amount</u>
Cash and cash equivalents	\$ 127,710
Restricted cash	<u>23,163</u>
Total	<u>\$ 150,873</u>

4. Leases

The Organization determines if an arrangement is or contains a lease at inception and whether it will be classified as an operating or finance lease based upon the accounting criteria. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. The Organization uses the rate implicit in the lease if it is determinable. When the rate implicit in the lease is not determinable, the Organization uses its incremental borrowing rate to determine the present value of the future lease payments. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization applies the short-term lease exemption of not recognizing a ROU asset and lease liability for leases that have terms of 12 months or less. Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

5. 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.

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.

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

8. Functional Reporting of Expenses

For the year ended June 30, 2023, 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.

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, 2022, from which the summarized information was derived.

10. Recently Adopted Accounting Standards

During the year, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. The adoption of the accounting standard did not have an impact upon the financial statements.

11. Subsequent Events

Management has evaluated subsequent events through December 24, 2023, the date the financial statements were available to be issued.

NOTE 3 - GRANTS AND CONTRIBUTION RECEIVABLE

Grants and contribution receivable primarily consists of receivables due from international aid organizations under reimbursement arrangements. Management has evaluated the receivables and does not believe that an allowance for doubtful accounts is necessary. The receivables are anticipated to be received during the upcoming year.

NOTE 4 - RIGHT OF USE ASSET AND LEASE LIABILITY

The Organization entered into five separate lease agreements for land and existing structures in Cambodia. The leases cover the current school and house as well as gardens and a football/soccer field. Lease cost is solely comprised of the operating lease costs.

NOTE 4 - RIGHT OF USE ASSET AND LEASE LIABILITY (Continued)

Maturities of the lease liability, excluding the option period, as of June 30, 2023, were as follows:

<u>year</u>	<u>Amount</u>
2024	\$ 12,431
2025	<u>12,431</u>
	24,862
Less amount representing interest	<u>(2,433)</u>
Present value of minimum lease payments	<u>\$ 22,429</u>

The discount rate used to calculate the present value of future minimum lease payments was 8.50%. The remaining lease term was two years and three months as of year-end.

Supplemental cash flow information follows:

<u>description</u>	<u>Amount</u>
Cash paid for amounts included in measurement of lease liabilities	
Operating cash outflows from operating leases	\$ 13,276
Right-of-use assets obtained in exchange for new lease liabilities	\$ 32,318

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Land – held for future use	\$ 55,622
Land improvements	45,342
Leasehold improvements	44,342
Computers and other equipment	<u>34,980</u>
Total	180,286
Less: accumulated depreciation	<u>(70,182)</u>
Net property and equipment	<u>\$ 110,104</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. See Note 12. The total capitalized cost of the land parcels was \$55,622.

During the year, the Organization began making improvements to the land parcels including raising the level of the land, building a fence, and beginning architectural drawings for new buildings. A total of \$45,342 was capitalized in connection with the improvements.

NOTE 6 - DONOR RESTRICTED NET ASSETS

Donor restricted net assets are available for the following purposes:

<u>Description</u>	<u>Amount</u>
Capital improvements	\$ 23,163
Soccer/Lego program	17,944
Education and learning center	6,919
Computer equipment	4,960
Nutrition	1,955
Community development	1,675
Housing	<u>142</u>
Total	<u>\$ 56,758</u>

NOTE 7 - INDIVIDUAL CONTRIBUTIONS

Individual contributions include a contribution of \$73,595 restricted to be used exclusively for capital improvement projects. The funds were used for land improvements during the year and remaining unspent funds are anticipated to be used for further land improvements, building design and construction, etc.

NOTE 8 - 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/social work	\$ 124,144
Soccer/Lego program	73,335
Capital improvements	50,432
Education and learning center	48,643
Nutrition	18,024
Community development	9,638
Housing	8,108
Staff scholarships	<u>519</u>
Total	<u>\$ 332,843</u>

NOTE 9 - CLIENT EXPENSES

Client expenses is comprised of the following:

<u>Description</u>	<u>Amount</u>
Food	\$ 44,342
Materials	30,574
Services	28,407
Personal needs	15,233
Events	8,862
Other	<u>7,330</u>
Total	<u>\$ 134,748</u>

NOTE 10 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year of June 30, 2023:

Financial assets at year-end:	<u>Amount</u>
Cash and cash equivalents, including cash restricted for capital projects	\$ 150,873
Grants receivable	<u>36,061</u>
Total financial assets	<u>186,934</u>
Less amounts not available to be used within one year	
Donor purpose restricted net assets	<u>(56,758)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 130,176</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 \$80,000 - \$90,000).

NOTE 11 - RETIREMENT PLAN

During the year, the Organization's employees started to participate in a retirement plan under the Cambodian National Social Security Fund. The retirement plan requires both employers and employees to contribute 2% of an employee's salary capped at \$300 of salary per month. The Organization's contributions to the retirement plan were \$2,126.

NOTE 12 - 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, 2023, assets in Cambodia were comprised of cash in the amount of \$76,959 and property and equipment, net of accumulated depreciation, \$110,104. Total overseas support and revenue received from foreign sources amounted to approximately \$232,000 in 2023.