

CHILDREN'S RESCUE INITIATIVE

REVIEWED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



TABLE OF CONTENTS

INDEPENDENT ACCOUNTANT’S REVIEW REPORT 1

FINANCIAL STATEMENTS:

 Statement of Financial Position..... 3

 Statement of Activities 4

 Statement of Functional Expenses 5

 Statement of Cash Flows..... 6

 Notes to the Financial Statements..... 7



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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Children's Rescue Initiative
Conneaut Lake, Pennsylvania

Report on the Financial Statements

We have reviewed the accompanying financial statements of Children's Rescue Initiative (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 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.

Accountant's 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.

Accountant's 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.

Change in Accounting Principle

As described in Note A to the financial statements, during the 2019 year-end, Children's Rescue Initiative adopted new accounting guidance, FASB Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our conclusion is not modified with respect to this matter.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Meadville, Pennsylvania

February 19, 2021

CHILDREN'S RESCUE INITIATIVE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

| | | |
|-----------|----|--------------|
| Cash | \$ | 54,296 |
| Inventory | | <u>2,000</u> |

| | | |
|---------------------|-----------|----------------------|
| TOTAL ASSETS | \$ | <u>56,296</u> |
|---------------------|-----------|----------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | | |
|-----------------------------------|----|-------|
| Accrued payroll and payroll taxes | \$ | 2,221 |
|-----------------------------------|----|-------|

NET ASSETS

| | | |
|---------------------------------------|--|---------------|
| Net assets without donor restrictions | | |
| Undesignated | | <u>28,274</u> |
| | | 28,274 |
| Net assets with donor restrictions | | <u>25,801</u> |
| | | <u>54,075</u> |

| | | |
|---|-----------|----------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ | <u>56,296</u> |
|---|-----------|----------------------|

See accompanying notes and independent accountant's review report.

CHILDREN'S RESCUE INITIATIVE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

| | <i>Without Donor Restrictions</i> | <i>With Donor Restrictions</i> | <i>Total</i> |
|---------------------------------------|---------------------------------------|------------------------------------|-------------------------|
| SUPPORT AND REVENUE | | | |
| Contributions | \$ 164,567 | \$ 84,089 | \$ 248,656 |
| Program service revenue | 34,800 | - | 34,800 |
| Donated services | 20,000 | - | 20,000 |
| Net assets released from restrictions | 65,578 | (65,578) | - |
| | <u>284,945</u> | <u>18,511</u> | <u>303,456</u> |
| EXPENSES | | | |
| Program services | 225,318 | - | 225,318 |
| Administrative and general | 22,579 | - | 22,579 |
| Fundraising | 18,342 | - | 18,342 |
| | <u>266,239</u> | <u>-</u> | <u>266,239</u> |
| CHANGE IN NET ASSETS | 18,706 | 18,511 | 37,217 |
| NET ASSETS, BEGINNING OF YEAR | <u>9,568</u> | <u>7,290</u> | <u>16,858</u> |
| NET ASSETS, END OF YEAR | <u><u>\$ 28,274</u></u> | <u><u>\$ 25,801</u></u> | <u><u>\$ 54,075</u></u> |

See accompanying notes and independent accountant's review report.

CHILDREN'S RESCUE INITIATIVE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

| | <i>Program Services</i> | <i>Administrative and General</i> | <i>Fundraising</i> | <i>Total</i> |
|-------------------------------|-----------------------------|---------------------------------------|--------------------|-------------------|
| Salaries and wages | \$ 18,276 | \$ 564 | \$ 15,415 | \$ 34,255 |
| Payroll taxes | 1,880 | 58 | 1,585 | 3,523 |
| Donations | 1,100 | - | - | 1,100 |
| Rescue missions | 35,645 | - | - | 35,645 |
| Survivor care and education | 90,561 | - | - | 90,561 |
| Training | 48,407 | - | - | 48,407 |
| Professional fees | - | 5,010 | - | 5,010 |
| Occupancy | 4,000 | 1,000 | - | 5,000 |
| Telephone and internet | 1,384 | 636 | - | 2,020 |
| Postage and shipping | - | 1,331 | - | 1,331 |
| Advertising | 2,618 | 2,255 | 1,342 | 6,215 |
| Bank charges | 87 | 722 | - | 809 |
| Contract labor | 600 | 500 | - | 1,100 |
| Meals | 1,918 | 95 | - | 2,013 |
| Office expense | - | 7,528 | - | 7,528 |
| Travel | 14,965 | 163 | - | 15,128 |
| Repairs and maintenance | 3,277 | 1,990 | - | 5,267 |
| Insurance | - | 727 | - | 727 |
| Small equipment and furniture | 600 | - | - | 600 |
| TOTAL EXPENSES | \$ 225,318 | \$ 22,579 | \$ 18,342 | \$ 266,239 |

See accompanying notes and independent accountant's review report.

CHILDREN'S RESCUE INITIATIVE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

| | | |
|---|-----------|----------------------|
| Change in net assets | \$ | 37,217 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Increase in inventory | | (2,000) |
| Increase in accrued payroll and payroll taxes | | 1,292 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | | <u>36,509</u> |
| CHANGE IN CASH | | 36,509 |
| CASH, BEGINNING OF YEAR | | <u>17,787</u> |
| CASH, END OF YEAR | \$ | <u><u>54,296</u></u> |

See accompanying notes and independent accountant's review report.

CHILDREN'S RESCUE INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Children's Rescue Initiative (the "Organization") is a non-profit organization whose mission it is to rescue, restore and raise up children, mostly overseas, who are enslaved and trafficked for labor and sex. Further, the Organization provides funding for foster care and education of rescued children.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles applicable to nonprofit organizations.

Basis of Presentation

Revenues, expenses, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

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 passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated 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 restriction to net assets without donor restrictions in the Statement of Activities.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less when purchased are considered cash equivalents for the purpose of the Statement of Cash Flows. The Organization maintains all cash in checking and savings accounts and has no cash equivalents at December 31, 2019.

CHILDREN'S RESCUE INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services

Portions of the Organization's functions are conducted by unpaid volunteer officers and committees. Donated services are reported as contributions at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by contribution and which require specialized skills provided by individuals possessing such skills. For the year ended December 31, 2019, \$20,000 in services met the criteria for recognition as contributed services.

Income Taxes

The Organization, Inc. is a Not-for-Profit Organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code with the exception of federal income tax arising from net income from unrelated business income.

Allocation of Expenses

The costs of providing the various programs and other activities that have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. The Organization uses a combination of allocating costs based on salaries and wages and direct identification of costs.

Fair Value of Financial Instruments

The carrying amounts of financial instruments, including cash, accrued payroll and payroll taxes, approximate their fair market value due to the short-term maturities of those instruments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recently Issued and Adopted Accounting Pronouncement

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The Update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about the expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

CHILDREN'S RESCUE INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued Accounting Pronouncement

The FASB has issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, effective for the financial statements ending July 31, 2020. This Update is to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendment in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Management is currently evaluating the impact of the adoption of this Update on the Organization's financial statements.

Subsequent Events

Management has evaluated subsequent events through February 19, 2021, the date on which the financial statements were available to be issued.

NOTE B – CASH

The carrying amount of the Organization's deposits at year-end with financial institutions was \$54,296, and the bank balance was \$64,388. The bank balances were fully insured at December 31, 2019.

NOTE C – LIQUIDITY AND AVAILABILITY

The following reflects the Organization's financial assets as of the Statement of Financial Position date, reduced by amounts not available for general use within one year of the Statement of Financial Position date because of contractual or donor-imposed restrictions or internal designations.

| | |
|---|--------------------------------|
| Cash and cash equivalents | \$ 54,296 |
| Less: donor imposed restrictions | <u>(25,801)</u> |
| FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR | <u><u>\$ 28,495</u></u> |

CHILDREN'S RESCUE INITIATIVE
NOTES TO THE FINANCIAL STATEMENTS

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are net assets subject to donor-imposed stipulations that may or will be met by action of the Organization and/or the passage of time. The balances of net assets with donor restrictions consist of the following at December 31, 2019:

| | |
|-------------------|-------------------------|
| Rescue Operations | \$ 25,801 |
| Survivor Care | - |
| TOTAL | <u>\$ 25,801</u> |

NOTE E – INCOME TAXES

The Organization is a nonprofit corporation exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purpose.

Interest and penalties related to income tax reporting are recognized when incurred and are included in the Statement of Activities. Management has determined the Organization had no activities subject to unrelated business income tax (UBIT) during the year ended December 31, 2019. The Organization has not been subject to any income tax penalties or interest for all open tax years.

NOTE F – SUBSEQUENT EVENT

Due to the COVID-19 outbreak, economic uncertainties have arisen which are likely to negatively impact operations of the Organization though such potential impact is unknown at this time.