

CHILDREN'S RESCUE INITIATIVE

REVIEWED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019



McGill, Power, Bell & Associates, LLP
Certified Public Accountants • Business & Financial Advisors

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Children's Rescue Initiative (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagements 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 conclusions.

Accountants' Conclusion

Based on our reviews, 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.

McGill, Power, Bell & Associates, LLP

McGill, Power, Bell & Associates, LLP

Meadville, Pennsylvania

April 27, 2022

CHILDREN'S RESCUE INITIATIVE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash	\$ 146,933	\$ 54,296
Inventory	2,000	2,000
TOTAL ASSETS	<u><u>\$ 148,933</u></u>	<u><u>\$ 56,296</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 5,322	\$ -
Accrued payroll and payroll taxes	2,945	2,221
	<u>8,267</u>	<u>2,221</u>

NET ASSETS

Net assets without donor restrictions		
Undesignated	46,981	28,274
Net assets with donor restrictions	93,685	25,801
	<u>140,666</u>	<u>54,075</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 148,933</u></u>	<u><u>\$ 56,296</u></u>

See accompanying notes and independent accountant's review report.

CHILDREN'S RESCUE INITIATIVE
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
SUPPORT AND REVENUE			
Contributions	\$ 174,099	\$ 207,694	\$ 381,793
Program service revenue	2,070	-	2,070
Net assets released from restrictions	139,810	(139,810)	-
	<u>315,979</u>	<u>67,884</u>	<u>383,863</u>
EXPENSES			
Program services	220,079	-	220,079
Administrative and general	56,099	-	56,099
Fundraising	28,970	-	28,970
	<u>305,148</u>	<u>-</u>	<u>305,148</u>
CHANGE IN NET ASSETS BEFORE PAYCHECK PROTECTION PROGRAM FUNDING	10,831	67,884	78,715
Paycheck Protection Program funding	7,876	-	7,876
CHANGE IN NET ASSETS	18,707	67,884	86,591
NET ASSETS, BEGINNING OF YEAR	<u>28,274</u>	<u>25,801</u>	<u>54,075</u>
NET ASSETS, END OF YEAR	<u><u>\$ 46,981</u></u>	<u><u>\$ 93,685</u></u>	<u><u>\$ 140,666</u></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, 2020

	<i>Program Services</i>	<i>Administrative and General</i>	<i>Fundraising</i>	<i>Total</i>
Survivor care and education	\$ 88,586	\$ -	\$ -	\$ 88,586
Salaries and wages	10,002	19,353	24,017	53,372
Training	28,471	-	-	28,471
Rescue missions	25,424	-	-	25,424
Travel	21,000	-	-	21,000
Repairs and maintenance	14,245	713	-	14,958
Taxes	10,751	3,831	-	14,582
Professional fees	-	13,810	-	13,810
Occupancy	10,753	2,629	-	13,382
Advertising	1,809	2,308	2,662	6,779
Payroll taxes	760	1,795	2,091	4,646
Office expense	-	3,923	200	4,123
Insurance	-	3,147	-	3,147
Meals	2,912	121	-	3,033
Small equipment and furniture	2,028	353	-	2,381
Contract labor	2,000	380	-	2,380
Telephone and internet	452	1,537	-	1,989
Postage and shipping	-	1,589	-	1,589
Bank charges	211	606	-	817
Donations	675	-	-	675
Dues & Subscriptions	-	4	-	4
TOTAL EXPENSES	\$ 220,079	\$ 56,099	\$ 28,970	\$ 305,148

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>
Survivor care and education	\$ 90,561	\$ -	\$ -	\$ 90,561
Training	48,407	-	-	48,407
Rescue missions	35,645	-	-	35,645
Salaries and wages	18,276	564	15,415	34,255
Travel	14,965	163	-	15,128
Office expense	-	7,528	-	7,528
Advertising	2,618	2,255	1,342	6,215
Repairs and maintenance	3,277	1,990	-	5,267
Professional fees	-	5,010	-	5,010
Occupancy	4,000	1,000	-	5,000
Payroll taxes	1,880	58	1,585	3,523
Telephone and internet	1,384	636	-	2,020
Meals	1,918	95	-	2,013
Postage and shipping	-	1,331	-	1,331
Donations	1,100	-	-	1,100
Contract labor	600	500	-	1,100
Bank charges	87	722	-	809
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 78,715	\$ 37,217
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Increase in inventory	-	(2,000)
Increase in accounts payable	5,322	-
Increase in accrued payroll and payroll taxes	724	1,292
	<u>84,761</u>	<u>36,509</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	84,761	36,509
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program funding, net	<u>7,876</u>	<u>-</u>
CHANGE IN CASH	92,637	36,509
CASH, BEGINNING OF YEAR	<u>54,296</u>	<u>17,787</u>
CASH, END OF YEAR	<u><u>\$ 146,933</u></u>	<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, whereby 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 had no cash equivalents at December 31, 2020 or 2019.

CHILDREN'S RESCUE INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory is stated at the estimated cost. As of December 31, 2020 and 2019, inventory balance was \$2,000.

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 years ended December 31, 2020 and 2019, \$0 and \$20,000, respectively, in services met the criteria for recognition as contributed services.

Income Taxes

The Organization 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 have been summarized on a functional basis in the Statements 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, accounts payable, 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 the 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.

CHILDREN'S RESCUE INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Issued and Adopted Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), effective for fiscal years beginning after December 15, 2019. The standard proscribes a single model for revenue recognition, with a set of principles to be used for determining when revenue should be recognized. It also requires expanded disclosures about the nature, amount, and time of revenue and cash flows. This Update was adopted on January 1, 2020 and did not have a material impact on the Organization's financial statements.

Subsequent Events

Management has evaluated subsequent events through April 27, 2022, the date on which the financial statements were available to be issued.

NOTE B – CASH

The carrying amount of the Organization's deposits at December 31, 2020 with financial institutions was \$146,933, and the bank balance was \$147,025. At December 31, 2019, deposits with financial institutions were \$54,296 and the bank balance was \$64,388. The bank balances were fully insured at December 31, 2020 and 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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 146,933	\$ 54,296
Less: donor imposed restrictions	<u>(93,685)</u>	<u>(25,801)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u><u>\$ 53,248</u></u>	<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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Rescue operations	\$ 54,176	\$ 25,801
Building fund	20,646	-
Survivor care	14,618	-
Relief fund	4,245	-
TOTAL	<u>\$ 93,685</u>	<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 years ended December 31, 2020 and 2019. The Organization has not been subject to any income tax penalties or interest for all open tax years.

NOTE F – PAYCHECK PROTECTION PROGRAM FUNDING

In May 2020, the Organization applied for, and was approved for loan funding under the CARES Act (PPP1) in the amount of \$11,100 by PNC Bank, of which \$3,224 was deemed overpaid by PNC and was requested to be repaid by the Organization during the year ended December 31, 2020. Forgiveness of the loan was eligible up to 100% of the loan funding as long as certain requirements were met. The remaining balance was to be repaid at 1% interest and matured two years from the date of the loan. During the year ended December 31, 2020, the Organization had expended all \$7,876 of net funds in accordance with requirements set forth by the Small Business Administration (SBA). The Organization recognized the \$7,876 as revenue in the year ended December 31, 2020.

CHILDREN'S RESCUE INITIATIVE

NOTES TO THE FINANCIAL STATEMENTS

NOTE G – ECONOMIC UNCERTAINTIES

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.

NOTE H – SUBSEQUENT EVENT

On July 28, 2021, the Organization was notified that PPP1 in the amount of \$7,876 was forgiven by the SBA.