

CHILDREN'S NETWORK INTERNATIONAL, INC

dba HELP THE CHILDREN

AUDITED FINANCIAL STATEMENTS

AT

DECEMBER 31, 2017

Bryant & Associates CPA's
Orange County/San Diego County
(760)289-5078

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**Bryant & Associates
Certified Public Accountants
P.O. Box 4573
Carlsbad CA 92018**

Independent Auditors Report

To the Board of Directors
Children's Network International, Inc.
dba Help the Children

Report on the Financial Statements

I have audited the accompanying financial statements of Children's Network International, Inc. dba Help the Children, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, functional expenses and cash flows for the period ending December 31, 2017 and the related notes to the financial statements.

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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Children's Network International, Inc. dba Help the Children as of December 31, 2017, and the changes in its net assets and its cash flows for the period ending December 31, 2017 then ended in accordance with accounting principles generally accepted in the United States of America.

Suzanne Bryant
Suzanne Bryant CPA
Bryant & Associates CPA's
July 5, 2018

CHILDREN'S NETWORK INTERNATIONAL, INC dba HELP THE CHILDREN
STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDING DECEMBER 31, 2017

ASSETS

	<u>December 31, 2017</u>
<u>Current Assets: (Notes 1, 2,3,4, and 6)</u>	
Cash and Equivalents	\$ 94,403
Investments	72,741
Prepaid expenses	3,651
Inventory	912,772
Total Current Assets	<u>\$ 1,083,567</u>
<u>Fixed Assets: (Notes 3 and 6)</u>	
Furniture	330,364
Warehouse equipment	16,130
Vehicles	285,059
	<u>631,553</u>
Less: Accumulated depreciation	<u>(590,673)</u>
Total Fixed Assets	<u>\$ 40,880</u>
<u>Other Assets: (Note 8)</u>	
Trademark	9,189
	<u>9,189</u>
Less: Accumulated amortization	<u>(5,704)</u>
Total Other Assets	<u>\$ 3,485</u>
TOTAL ASSETS	<u><u>\$ 1,127,932</u></u>

LIABILITIES AND NET ASSETS

<u>Current Liabilities: (Note 10)</u>	
Accounts payable	\$ 2,833
Deferred revenue	
Total Liabilites	<u>2,833</u>
<u>Net Assets: (Notes 1)</u>	
Unrestricted	\$ 1,125,099
Temporarily restricted	
Permanently restricted	
Total Net Assets	<u>1,125,099</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,127,932</u></u>

The accompanying notes are an integral part of these financial statements.

CHILDREN'S NETWORK INTERNATIONAL, INC dba HELP THE CHILDREN
STATEMENT OF ACTIVITIES
FOR THE PERIOD ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>December 31, 2017</u>
<u>Support and Revenue:</u>				
Cash contributions	\$ 539,344			\$ 539,344
Non-cash contributions	34,734,341			34,734,341
Investments income	56,373			56,373
Grants	150,275			150,275
Program	82,341			82,341
Total Support and Revenue	35,562,674			35,562,674
<u>Expenses:</u>				
Program Services:				
Childrens programs	35,727,076			35,727,076
Total Program Services	\$ 35,727,076			\$ 35,727,076
Supporting Services:				
Management and general	138,559			138,559
Fundraising	97,234			97,234
Total Supporting Services	235,793			235,793
Total Program and Supporting Services	\$ 35,962,869			\$ 35,962,869
Non program or supporting services expenses				
Depreciation	50,488			50,488
Amortization	936			936
Total Expenses	\$ 35,911,445			\$ 35,911,445
Decrease in Net Assets	(348,771)			(348,771)
Net Assets at Beginning of Year	1,473,870			1,473,870
NET ASSETS AT END OF YEAR	\$ 1,125,099	\$	\$	\$ 1,125,099

The accompanying notes are an integral part of these financial statements.

CHILDRENS NETWORK INTERNATIONAL INC, dba HELP THE CHILDREN
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE PERIOD ENDED DECEMBER 31, 2017

	Programs		Supporting Services		
	Relief Services	Management and General	Fundraising	Total Supporting Services	Total
Salaries and Related Expenses:					
Salaries and wages	\$ 208,851	\$ 59,672	\$ 29,836	\$ 89,507	\$ 298,358
Payroll taxes and employee benefits	22,137	6,325	3,163	9,488	31,625
Total Salaries and Related expenses	<u>230,988</u>	<u>65,997</u>	<u>32,998</u>	<u>98,995</u>	<u>329,983</u>
Nonsalary Related Expenses:					
Advertising	\$	\$	\$ 34	\$ 34	\$ 34
Direct assistance(inkind)	35,135,127				35,135,127
Fundraising Banquet			49,035	49,035	49,035
Shipping	42,554				42,554
Vehicle expense	27,962				27,962
Insurance	20,276	5,793	2,897	8,690	28,966
Occupancy	152,731	3,149	1,575	4,724	157,455
Consulting fee		27,507			27,507
Dues		1,448		1,448	1,448
Professional fees	55,713	15,918	7,959	23,877	79,590
Licenses and permits	15,442				15,442
Computer, internet, and telephone	28,500	588	294	881	29,381
Medical outreach/Missionary	17,783				17,783
Federal campaign			2,443	2,443	2,443
Office supplies and expenses		18,159		18,159	18,159
TOTAL PROGRAM AND SUPPORTING SERVICES EXPENSES	<u>\$ 35,727,076</u>	<u>\$ 138,559</u>	<u>\$ 97,234</u>	<u>\$ 208,286</u>	<u>\$ 35,962,869</u>

The accompanying notes are an integral part of these financial statements.

**CHILDRENS NETWORK INTERNATIONAL dba HELP THE CHILDREN
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2017**

Cash Flows From Operating Activities:

Cash received from contributions and program revenues	\$ 828,333
Cash paid to vendors	(923,808)
Net Cash Provided by Operating Activities	(95,475)

Cash Flows From Investing Activities:

Decrease in investment	59,315
Net Cash flow from Investing Activities	59,315

Net decrease in Cash and Cash Equivalents	\$ (36,160)
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Cash and Cash Equivalents at Beginning of Year	130,563
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Cash and cash equivalents at End of Year	\$ 94,403
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**Reconciliation of Excess Support Over
Expenses to Net Cash flows from Operating Activities**

Excess of cash paid over cash received	\$ (115,722)
Decrease in accounts receivable	2,464
Decrease in prepaid expense	913
Decrease in accounts payable	(8,130)
Decrease in deferred revenue	25,000
Net Cash Flow from Operating Activities	\$ (95,475)

The accompanying notes are an integral part of the financial statements.

CHILDREN'S NETWORK INTERNATIONAL, INC. dba Help the Children

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization: Children's Network International, Inc. dba Help the Children is a non-profit public benefit corporation established in 1998 to help alleviate the suffering of children and their families throughout the United States and around the world. Since 2008, the organization has been doing business as Help the Children. Revenues are derived primarily from unrestricted contributions.

Contributions: The organization receives nearly 98% of its contributions in the form of food, supplies, and materials. These items are generally donated in bulk. Cash contributions from a large number of individual and corporate donors comprise the remainder.

Donated Materials and Services: Donated food products are redistributed by the Organization to its charitable beneficiaries and, accordingly, these donations have been recorded in the financial statements as contributions at a predetermined estimated fair market value.

No amounts have been reflected in the financial statements for donated services in as much as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization's mission.

Inventories: Due to the pass-through nature of the food products received, inventory cost of goods sold is not recorded in the financial statements except as in-kind expense items. The donated inventory is valued at wholesale value as an increase to inventory and in-kind contributions, when received. The disbursed inventory is recorded as reduction of inventory and an in-kind expense when distributed to individuals, local nonprofits or other qualified agencies. Perishable food items are not entered into the inventory system and are distributed as quickly as possible to reduce spoilage and waste. The Organization values inventory at a level 2 of the fair value hierarchy.

Furniture and Equipment: Furniture and equipment are recorded at cost. Betterments that materially add to the value of related assets or materially extend the useful life of assets are capitalized. Normal building maintenance and minor equipment purchases are expensed when incurred. Furniture and equipment with a cost value in excess of \$500 are capitalized over the useful life; items with a cost value below \$500 are expensed in the period incurred.

Depreciation of furniture and equipment is provided on a straight-line basis based on estimated useful lives. Equipment is estimated at 7 years and vehicles are estimated at 5-7 years. Lease hold improvements are capitalized and amortized over the term of the lease or the estimated useful life of the improvements, whichever is less.

Cash and Cash Equivalents: For purposes of the statements of cashflows, the Organization considers cash and all highly liquid investments available for current use with an initial maturity of three months or less to be cash.

Income Taxes: The Organization is qualified as an exempt corporation under Section 501 (c) (3) of the Internal Revenue Code and is not subject to federal income tax. The organization is classified as "other than a private foundation" by the IRS.

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by an organization, management believes that all of the positions taken by the organization in its federal and state income tax returns are more likely than not to be sustained upon examination.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**1.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The organization files return in the U.S. Federal jurisdiction and the State of California. The Organization's federal income tax returns for the prior three tax years remain subject to examination by the Internal Revenue Service. The Organization's California income tax returns for the four prior tax years remain subject to examination by the Franchise Tax Board.

Net Assets: Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Unrestricted Net Assets: These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program related services, raising contributions and performing administrative functions.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by either actions of the Children's Network International, Inc. dba Help the Children and/or the passage of time. When the donor restriction expires, i.e., the stipulated time restriction ends, or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. As of December 31, 2016, the Organization had not temporarily restricted net assets.

Permanently Restricted Net Assets: No assets subject to donor-imposed stipulations are permanently maintained by the Children's Network International, Inc. dba Help the Children as of December 31, 2017, there were no permanently restricted net assets.

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.

Functional Allocation of Expense: The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and supporting services benefited.

2. CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially expose Children's Network International, Inc. dba Help the Children, to a concentration of credit risk consists primarily of cash and investments. The Federal Deposit Insurance Corporation (FDIC) insures deposits at each institution up to at least \$250,000, The Securities Investor Protection Corporation (SIPC) insures accounts at each institution up to \$500,000. From time to time, Children's Network International, Inc. dba Help the Children's balances may be in excess of the FDIC and SIPC insurance

3. DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the price that would be received to sell an asset or paid to transfer liability in an orderly transaction between market participants at the measurement date. Children's Network International, Inc. dba Help the Children also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard three levels of inputs that may be used to measure fair value:

Level 1: Observable prices in an active market for identical assets and liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**3.DISCLOSURE ABOUT FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)**

The Organization currently recognizes all assets and liabilities at Level 1 of the valuation hierarchy unless stated otherwise.

4. INVESTMENTS

At December 31, 2017, Children's Network International, Inc. dba Help the Children's investments consisted of:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains(loss)</u>
Money market and mutual funds	\$ 0	\$ 0	
Equities			
Money market funds	<u>72,741</u>	<u>72,741</u>	
Total investments	<u>\$ 72,741</u>	<u>72,741</u>	

5. GIFT IN KIND CONTRIBUTION VALUATION

All gift in kind contributions of equipment and supplies are valued at fair value. For purposes of estimating the value of the contributed food, Children's Network International, Inc. dba Help the Children uses the then current daily USDA valuation of bulk food, discounted for estimated spoilage, which we consider a Level 1 input, per Note 3, above. All other donated items are valued using Level 1 or Level 2 inputs, as available.

6. FIXED ASSETS

The Organization had the following fixed assets at December 31, 2017:

	<u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/17</u>
Furniture & equipment	\$ 330,364	\$		\$330,364
Service vehicles	272,559	12,500		285,059
Warehouse equipment	4,107	12,022		16,129
	<u>\$ 607,030</u>	<u>24,522</u>		<u>\$ 739,553</u>
Accumulated Depreciation				
Net Furniture and Equipment	<u>(537,578)</u>	<u>(17,018)</u>		<u>(590,673)</u>
	<u>\$69,452</u>	<u>\$ (9,685)</u>		<u>\$40,879</u>

Depreciation costs for the year amounted to: \$ 50,488

7. COMPENSTED ABSENCES

Children's Network International, Inc. dba Help the Children does not accrue compensated absences (vacation and sick leave) because the amount cannot be reasonably estimated.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**8. INTANGIBLE ASSETS**

The Organization's intangible assets consist of a trademark that is amortized over 15 years. The trademark expires in the year 2021. The balance of the intangible assets at December 31, 2017 was:

Assets	<u>12/31/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/17</u>
Trademark	\$ 9,189			\$ 9,189
Total	\$ 9,189			\$ 9,189
Accumulated Amortization				
Trademark	\$5,381		(720)	\$4,661
Total				
Net Intangible Assets	\$3,808		(720)	\$4,528

Amortization costs for the year amounted to: \$ (197)

Future estimated amortization expense is as follows: For the year ending December 31,

2018	\$1,509
2019	1,509
2021	<u>1,509</u>
	\$4,528

9. LEASE

Children's Network International, Inc. dba Help the Children entered into a lease agreement, with the Salvation Army, for the Ware house and office space in Bell, California from January 2017 through December 31, 2022. The lease calls for a payment of \$7,500 from January 1, 2017 through December 31, 2022. The future minimum payments for this lease amounts are as follows below.

Future Lease payments	2018	\$ 90,000
	2019	90,000
	2020	90,000
	2021	90,000
		\$360,000

Children's Network International, Inc. dba Help the Children leases office space in Santa Clarita, California from Rediger Investment Corp. The lease continues a month to month basis and requires monthly payments of \$2,576 with an additional amount paid for the common areas.

Total lease expense for the year amounted to \$120,913.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**10. SUBSEQUENT EVENTS**

Accounting standards require that Children's Network International, Inc. dba Help the Children assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. The Organization evaluated all potential subsequent events as of July 5, 2018 when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as that require disclosure in the financial statements.

11. Name Change

During the year the Organization applied to the Internal Revenue Service to change its name from Children's Network International, Inc dba Help the Children to Help the Children, Inc. Currently the Organization is working to change its name with the state of California Secretary of State.