

Lost Angels Children's Project, Inc.
Financial Statements
December 31, 2021

TABLE OF CONTENTS

	PAGE
Independent Auditor's Report	1
Statements of Assets, Liabilities, and Net Assets-Modified-Cash Basis	3
Statement of Support, Revenue, and Expenses-Modified-Cash Basis	4
Notes to Financial Statements	5



P.O. Box 56
359 Main Street
Gainesville, MO 65655
417-543-3952

Billy I. Pippin
pippin_cpa@yahoo.com

P.O. Box 2883
904 South Main St. Mountain
Home, AR 72653
870-425-1120

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Lost Angels Children's Project, Inc.

Opinion

We have audited the accompanying financial statements of Lost Angels Children's Project, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets modified-cash basis as of December 31, 2021, and the related statement of support, revenue, and expenses-modified -cash basis for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Lost Angels Children's Project, Inc. as of December 31, 2021, and its support, revenue, and expenses for the year then ended in accordance with the modified-cash basis of accounting as described in Note I.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Lost Angels Children's Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note I of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified-cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified-cash basis of accounting described in Note I, and for determining that the modified-cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lost Angels Children's Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Lost Angels Children's Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Pippin CPA, LLC

Gainesville, Missouri
August 31, 2022

**LOST ANGELS CHILDREN'S PROJECT, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED-CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	514,314
Prepaid insurance	6,815
Fundraising inventory assets	72,100
Prepaid lease	22,673
TOTAL CURRENT ASSETS	\$ 615,902

FIXED ASSETS

Property and equipment (net of related accumulated depreciation)	38,963
TOTAL ASSETS	\$ 654,865

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Credit cards payable	\$ 1,046
TOTAL CURRENT LIABILITIES	1,046

NET ASSETS

Without donor restrictions	653,819
With donor restrictions	-
TOTAL NET ASSETS	653,819
TOTAL LIABILITIES AND NET ASSETS	\$ 654,865

The accompanying Notes to Financial Statements are an integral part of this statement.

**LOST ANGELS CHILDREN'S PROJECT, INC.
STATEMENT OF SUPPORT, REVENUES, AND EXPENSES-MODIFIED-CAS BASIS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SUPPORT AND REVENUE:	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Donations	\$ 91,127	-	91,127
Grants-government	-	241,220	241,220
Grants-private	548,678	-	548,678
In-Kind	58,150	-	58,150
PPP Loan forgiveness	39,400	-	39,400
Net assets released from restrictions satisfaction of purpose restriction	241,220	(241,220)	-
Total Public Support	978,575	-	978,575
Revenue:			
Sales	28,062	-	28,062
Total Revenue	28,062	-	28,062
TOTAL SUPPORT AND REVENUE	1,006,637	-	1,006,637
EXPENSES:			
Program Services:			
Cost of sales	11,816	-	11,816
Wages-staff	240,527	-	240,527
Payroll taxes	20,694	-	20,694
Employee benefits	6,954	-	6,954
Advertising	2,063	-	2,063
Repairs and maintenance	3,650	-	3,650
Supplies/educational material/incentives	256,486	-	256,486
Rent	32,000	-	32,000
Travel	5,392	-	5,392
Utilities	4,792	-	4,792
Telephone	1,591	-	1,591
Independent contractor	32,400	-	32,400
Insurance	10,795	-	10,795
Technology	5,674	-	5,674
Depreciation	4,090	-	4,090
Miscellaneous	4,293	-	4,293
Total Program Services	643,216	-	643,216
Support Services:			
Wages and salaries	94,407	-	94,407
Payroll taxes	8,497	-	8,497
Professional fees	19,223	-	19,223
Office and administration	16,954	-	16,954
Total Support Services	139,080	-	139,080
TOTAL EXPENSES	782,296	-	782,296
CHANGE IN NET ASSETS	224,341	-	224,341
NET ASSETS, BEGINNING OF YEAR	429,478	-	429,478
NET ASSETS, END OF YEAR	\$ 653,819	\$ -	\$ 653,819

The accompanying Notes to Financial Statements are an integral part of this statement.

**LOST ANGELS CHILDREN'S PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Type of Organization

Lost Angels Children's Project, Inc. (the "Organization") is a not-for-profit organization, incorporated as a 501(c)(3) California Public Benefit Corporation on February 17, 2015, The Organization's specific and primary purpose to combat child homelessness.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified-cash basis of accounting. Certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. Therefore, accounts receivable, accrued expenses, and accounts payable are not reflected.

Financial Statement Presentation and Net Assets

The Organization records contributions and grants received based upon the existence or absence of donor-imposed restrictions. Accordingly, support and revenues are classified in the following two net asset categories: net assets with donor restrictions or without donor restrictions. The Organization reports support and revenue received during the fiscal year with specific restrictions but whose restrictions were fulfilled before the fiscal year end as restricted support and revenue upon receipt and as net assets released from restrictions once those donor-imposed restrictions are met.

Estimates

The preparation of modified-cash basis financial statements requires the use of management's estimates that affect the reported amounts of assets and liabilities and disclosures. The estimated amounts may differ from actual results.

Cash and Cash Equivalents

The Organization defines cash as cash on hand and amounts held at financial institutions with original maturities of three months or less.

Concentration of Credit Risk

The Organization's instruments exposed to concentrations of credit risk consists of cash and cash equivalents. Such assets are placed with high quality financial institutions. The Federal Deposit Insurance Corporation secures interest accounts at such institutions up to \$250,000 per depositor. The Organization occasionally may have balances exceeding this limit; however, such occurrences are infrequent, and it is believed credit risk exposure is limited.

**LOST ANGELS CHILDREN'S PROJECT, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant, and Equipment

Fixed assets are recorded at cost when purchased. Repairs and maintenance to property and equipment are expensed as incurred. Repairs that are material in nature and expected to extend the useful life of the asset are capitalized and depreciated. Depreciation is computed using the straight-line method over the expected useful life of the assets placed in service as follows: 39 years for building improvements and 5 to 7 years for equipment.

Public Support and Revenue

The Organization's primary revenue and support is derived from state and local grants, and fundraising events by volunteers is recognized as proceeds when received.

Functional Allocation of Expenses

The Organization's activities have been summarized on a functional basis in the statement of functional expenses. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain cost have been allocated among the programs and supporting services benefited. Management of the Organization directly identifies certain expenses associated with program service and fundraising efforts of the Organization. Rent, office expense, professional fees and advertising are allocated to the program or supporting service based on management estimates of usage.

Income Taxes

The Organization is a not-for-profit entity exempt from Federal income tax under Section 501(c)(3). Accordingly, a provision for income taxes has not been recognized on the financial statements. There was no unrelated business income during the fiscal year ended December 31, 2021, and therefore, no provision for federal or state income taxes has been made.

NOTE 2 – PROPERTY PLANT AND EQUIPMENT

Property and equipment consist of the following for the year ended December 31, 2021:

Machinery & equipment	\$ 30,955
Leasehold improvements	17,719
Total	<u>48,674</u>
Less accumulated depreciation	<u>(9,711)</u>
Net property and Equipment	<u>\$ 38,963</u>

**LOST ANGELS CHILDREN'S PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 3 – GRANT REVENUE

The Organization received governmental grants in the amount of \$241,220 for operations. Additionally private foundations granted \$548,678 to the Organization during the fiscal year ended December 31, 2021.

NOTE 4 - CONTRIBUTED SERVICES

During the year ended December 31, 2021, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

NOTE 5 - RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Organization maintains commercial insurance coverage for those risks of loss.

NOTE 6 - CONTINGENCIES

During the normal course of doing business, the Organization may become a party to a legal litigation. The Organization is not aware of threatened or pending litigation. No liabilities have been recorded in the financial statements for any such contingencies.

NOTE 7 – CASH

The total cash & cash equivalents held by the Organization at December 31, 2021 was \$514,313. The deposits of the organization exceed FDIC insurance limits by \$264,313. In the event of bank failure, \$264,313 would be unrecoverable.

NOTE 8- RELATED PARTY TRANSACTIONS

During the year ending December 31, 2021, the Organization was not aware of any related party transaction which would require disclosure in the financial statements.

NOTE 9 – PAYROLL PROTECTION LOAN AND EFFECTS OF COVID-19 ON FINANCIAL STATEMENTS

The Organization has applied for and received SBA Payroll Protection Loan in the amount of \$39,400. During the same period, the Organization applied for, and received forgiveness of this loan. Accordingly, this loan/grant has been recorded in the statement of activities as public support.

Effects of COVID-19 on financial statements have been evaluated and are not considered material to the financial statements as a whole.

**LOST ANGELS CHILDREN'S PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

NOTE 10 – ACCOUNTING CHANGE AND RESTATEMENT OF BEGINNING NET ASSETS

During the period ended December 31, 2021, the entity changed the way they accounted for vintage vehicles that were held for later restoration and subsequent fundraising giveaways. Additionally certain prepaid expenses have been placed on the balance sheet which have been historically expensed as operating cost in the period paid. Prior to the change, these items were expensed in the period purchased, currently they are recorded and reported as inventory held for fund raising purposes and prepaid expenses. The net effect of the change on beginning net assets was \$26,500. As the entity grows, the expectation of future financial statement presentation will be accounting principals generally accepted in the United States of America.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 31, 2022, and no events have occurred which would require modifications to the financial statements.