

**Lost Angels Children's Project, Inc.**  
Financial Statements  
December 31, 2020

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the accompanying financial statements of Lost Angles Children's Project, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets—modified-cash basis as of December 31, 2020, 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 Angles Children's Project, Inc. as of December 31, 2020, and its support, revenue, and expenses for the year then ended in accordance with the modified-cash basis of accounting as described in Note 1.

### **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 Angles 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 1 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 1, 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

## **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.

Gainesville, Missouri  
January 28, 2022

**LOST ANGELS CHILDREN'S PROJECT, INC.  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS-MODIFIED-CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 368,305
<b>TOTAL CURRENT ASSETS</b>	<u>368,305</u>

**FIXED ASSETS**

Property and equipment (net of related accumulated depreciation)	35,947
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<b>TOTAL ASSETS</b>	<u>\$ 404,251</u>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,273
Accrued wages and payroll tax liabilities	-

<b>TOTAL CURRENT LIABILITIES</b>	<u>1,273</u>
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**NET ASSETS**

Without donor restrictions	402,978
With donor restrictions	-

<b>TOTAL NET ASSETS</b>	<u>402,978</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 404,251</u>
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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, 2020**

<b>SUPPORT AND REVENUE:</b>	Without Donor Restrictions	With Donor Restrictions	Total
Public Support			
Donations	\$ 99,021	-	99,021
Grants-government	-	160,471	160,471
Grants-private	-	430,177	430,177
PPP Loan forgiveness	26,200	-	26,200
Net assets released from restrictions satisfaction of purpose restriction	590,648	(590,648)	-
<b>Total Public Support</b>	715,869	-	715,869
Revenue:			
Sales	21,735	-	21,735
<b>Total Revenue</b>	21,735	-	21,735
<b>TOTAL SUPPORT AND REVENUE</b>	737,604	-	737,604
<b>EXPENSES:</b>			
Program Services:			
Cost of sales	34,122	-	34,122
Wages-staff	155,803	-	155,803
Payroll taxes	13,258	-	13,258
Employee benefits	7,802	-	7,802
Advertising	5,537	-	5,537
Repairs and maintenance	2,182	-	2,182
Supplies/educational material/incentives	110,860	-	110,860
Rent	29,580	-	29,580
Travel	3,636	-	3,636
Utilities	5,545	-	5,545
Telephone	2,784	-	2,784
Independent contractor	10,614	-	10,614
Insurance	15,127	-	15,127
Technology	3,846	-	3,846
Depreciation	2,835	-	2,835
Miscellaneous	1,455	-	1,455
<b>Total Program Services</b>	404,986	-	404,986
Support Services:			
Wages and salaries	43,440	-	43,440
Payroll taxes	3,739	-	3,739
Professional fees	10,349	-	10,349
Office and administration	10,858	-	10,858
<b>Total Support Services</b>	68,386	-	68,386
<b>TOTAL EXPENSES</b>	473,371	-	473,371
<b>CHANGE IN NET ASSETS</b>	264,233	-	264,233
<b>NET ASSETS, BEGINNING OF YEAR</b>	138,745	-	138,745
<b>NET ASSETS, END OF YEAR</b>	\$ 402,978	\$ -	\$ 402,978

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, 2020**

**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, 2020**

**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, 2020, 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, 2020:

Machinery & equipment	\$ 23,849
Leasehold improvements	17,719
Total	<u>41,568</u>
Less accumulated depreciation	<u>(5,621)</u>
Net property and Equipment	<u>\$ 35,947</u>



**LOST ANGELS CHILDREN'S PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**NOTE 3 – GRANT REVENUE**

The Organization received governmental grants in the amount of \$160,471 for operations. Additionally private foundations granted \$430,177 to the Organization during the fiscal year ended December 31, 2020.

**NOTE 4 - CONTRIBUTED SERVICES**

During the year ended December 31, 2020, 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, 2020 was \$368,305. The deposits of the organization exceed FDIC insurance limits by \$118,305.

**NOTE 8- RELATED PARTY TRANSACTIONS**

During the year ending December 31, 2020, 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 \$26,200. 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, 2020**

**NOTE 10 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through January 28, 2022, and no events have occurred which would require modifications to the financial statements.

Lost Angels Children's Project  
45059 Trevor Ave.  
Lancaster, CA 93534

COPY

January 28, 2022

Pippin CPA, LLC  
PO Box 56  
Gainesville, MO 65655

This representation letter is provided in connection with your audit of the financial statements of Lost Angels Children's Project, Inc. , which comprise the statements of assets, liabilities, and net assets-modified-cash basis as of December 31, 2020, and the related statements of support, revenue, and expense-modified-cash basis for the period then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with the modified-cash basis of accounting.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 28, 2022, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated December 31, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with the modified-cash basis of accounting.
- 2) The financial statements referred to above are fairly presented in conformity with the modified-cash basis of accounting.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with the modified-cash basis of accounting.
- 7) All events subsequent to the date of the financial statements and for which the modified-cash basis of accounting requires adjustment or disclosure have been adjusted or disclosed.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.

- 9) We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Organization's accounts. In this case, no representation about uncorrected misstatements is necessary.
- 10) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 11) Material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 12) Guarantees, whether written or oral, under which the Organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

**Information Provided**

- 13) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Organization from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 14) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 15) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 16) We have no knowledge of any fraud or suspected fraud that affects the Organization and involves:
  - a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 17) We have no knowledge of any allegations of fraud or suspected fraud affecting the Organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 18) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 19) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 20) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with U.S. GAAP, and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 21) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 22) The Organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us.

24) In regard to the nonattest services performed by you, we have—

- Assumed all management responsibilities.
- Designated an individual (within senior management) with suitable skill, knowledge, or experience to oversee the services.
- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

25) Lost Angels Children's Project, Inc. is an exempt organization under Section 501(c)3 of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

26) For the period beginning January 31, 2020, through the date of this letter, we have not engaged the services of an attorney.



Signature: \_\_\_\_\_

*AR*

Title: Executive Director