

NEVADA CHILD SEEKERS MERGING CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2009



**HOULDSWORTH
RUSSO & CO., P.C.**
certified public accountants

AN INDEPENDENT MEMBER OF
**BDO
SEIDMAN**
ALLIANCE

NEVADA CHILD SEEKERS MERGING CORPORATION

DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Nevada Child Seekers Merging Corporation
Henderson, Nevada

We have audited the accompanying statement of financial position of Nevada Child Seekers Merging Corporation (a nonprofit organization) as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nevada Child Seekers Merging Corporation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Henderson, Nevada
May 28, 2010

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009

ASSETS

CURRENT ASSETS

| | |
|-------------------|------------|
| Cash | \$ 119,927 |
| Grants receivable | 87,584 |
| Inventory | 6,153 |
| Prepaid expenses | 9,126 |
| | 222,790 |

OTHER ASSETS

| | |
|-----------------------------|------------|
| Property and equipment, net | 22,151 |
| Deposit | 2,500 |
| | 24,651 |
| | \$ 247,441 |

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

| | |
|--------------------------------|----------|
| Accounts payable | \$ 9,259 |
| Accrued payroll liabilities | 4,979 |
| Deferred revenue | 1,380 |
| Deferred rent expense, current | 567 |
| | 16,185 |

OTHER LIABILITIES

| | |
|----------------------------------|--------|
| Deferred rent expense, long term | 142 |
| | 16,327 |

NET ASSETS

| | |
|--------------|------------|
| Unrestricted | 231,114 |
| | \$ 247,441 |

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

UNRESTRICTED NET ASSETS

Revenue, gains and other support:

| | |
|---|-----------|
| Contributions | \$ 98,759 |
| Grants | 165,291 |
| In-kind donations | 15,233 |
| Special events, less direct costs of \$47,991 | 118,267 |
| Interest income | 195 |
| Other income | 1,398 |
| Net assets released from restrictions | 7,645 |
| | 406,788 |

Expenses:

| | |
|------------------------|---------|
| Program services | 309,024 |
| Support services: | |
| Management and general | 55,466 |
| Fundraising | 28,316 |
| | 392,806 |

INCREASE IN UNRESTRICTED NET ASSETS 13,982

TEMPORARILY RESTRICTED NET ASSETS

| | |
|---|---------|
| Net assets released from restrictions | (7,645) |
| Decrease in temporarily restricted net assets | (7,645) |

INCREASE IN NET ASSETS 6,337

NET ASSETS AT BEGINNING OF YEAR 224,777

NET ASSETS AT END OF YEAR \$ 231,114

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009

| | <u>Programs</u> | <u>Management and general</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------|-------------------|-----------------------------------|--------------------|-------------------|
| Bank fees | \$ - | \$ 3,199 | \$ - | \$ 3,199 |
| Education | 240 | 26 | 19 | 285 |
| Depreciation | 8,742 | 959 | 698 | 10,399 |
| Employee benefits | 1,183 | 130 | 94 | 1,407 |
| Fundraising | - | - | 9,295 | 9,295 |
| Insurance | 9,820 | 1,077 | 784 | 11,681 |
| Occupancy | 30,402 | 3,334 | 2,427 | 36,163 |
| Office expense | 5,623 | 617 | 448 | 6,688 |
| Payroll taxes | 12,174 | 1,335 | 972 | 14,481 |
| Printing | 7,280 | 2,295 | - | 9,575 |
| Professional fees | - | 23,833 | - | 23,833 |
| Program expenses | 63,407 | - | - | 63,407 |
| Salaries | 159,145 | 17,453 | 12,702 | 189,300 |
| Subscriptions | 1,464 | 161 | 116 | 1,741 |
| Telephone | 3,636 | 399 | 290 | 4,325 |
| Travel | 5,908 | 648 | 471 | 7,027 |
| | <u>\$ 309,024</u> | <u>\$ 55,466</u> | <u>\$ 28,316</u> | <u>\$ 392,806</u> |

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

| | |
|---|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Increase in net assets | \$ 6,337 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | |
| Depreciation | 10,399 |
| Donated fixed assets | (2,898) |
| (Increase) decrease in operating assets: | |
| Accounts receivable | (59,347) |
| Inventory | (6,016) |
| Prepaid expenses | 2,300 |
| Increase (decrease) in operating liabilities: | |
| Accounts payable | 695 |
| Accrued expenses | 38 |
| Deferred revenue | 1,380 |
| Deferred rent expense | (661) |
| | <u>(47,773)</u> |
| NET CASH USED FOR OPERATING ACTIVITIES | <u>(47,773)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of property and equipment | <u>(853)</u> |
| NET CASH USED FOR INVESTING ACTIVITIES | <u>(853)</u> |
| NET DECREASE IN CASH | (48,626) |
| CASH, BEGINNING OF YEAR | <u>168,553</u> |
| CASH, END OF YEAR | <u><u>\$ 119,927</u></u> |

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Nevada Child Seekers Merging Corporation is a not-for-profit organization dedicated to locating missing, abducted and runaway children statewide. The Organization provides education, safety and prevention programs, counseling referrals and support groups for both parents and children.

Description of Program Services

Nevada Child Seekers provides fingerprinting and child safety packets to the community through health fairs, child safety events and back-to-school expos. The Organization offers photo ID cards by appointment and at no charge to the public. Nevada Child Seekers offers a support group for families of missing persons, which is facilitated by trained professionals. The Organization serves as a liaison between families of missing children, law enforcement, media and the public. There is an Emergency Volunteer Search Force Program in which the volunteers regularly receive extensive training with law enforcement. The team is on-call 24 hours a day and works side by side with law enforcement when a child is missing.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the FASB Accounting Standards Codification (ASC) 958-205 and subsections (formerly Statement of Financial Accounting Standards ["SFAS"] No. 117, *Financial Statements of Not-for-Profit Organizations* ["SFAS 117"]). Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires by a stipulated time restriction lapsing or by the purpose of the restriction having been accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same period received are reported as unrestricted support.

Revenue is deferred and recognized over the periods to which it relates.

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Receivables are stated at amount management expects to collect from outstanding balances. It is the Organization's policy to charge off uncollectible receivables when management determines the receivable will not be collected. There was no provision for uncollectible receivables at December 31, 2009.

Expense Allocations

Expenses are charged to programs and supporting services based on periodic time and expenses studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Inventory

Inventory consists of printed materials used for the program. The materials have been valued at cost.

Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method. Acquisitions of property and equipment in excess of \$500 are capitalized.

Use of Estimates

Timely 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Donated Assets

Donated marketable securities and other non-cash donations are recorded as contributions at their estimated fair value at the date of donation.

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Services

Donated services are recognized as contributions in accordance with FASB Accounting Standards Codification (ASC) 958-605 and subsections (formerly SFAS No. 116, Accounting for Contributions Received and Contributions Made), if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services consisted of accounting fees totaling \$7,265 for the year ended December 31, 2009.

Date of Management Review

Subsequent events have been evaluated through May 28, 2010, which is the date the financial statements were available to be issued.

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | |
|-------------------------------|------------------|
| Furniture and equipment | \$ 62,709 |
| Less accumulated depreciation | <u>40,558</u> |
| | <u>\$ 22,151</u> |

NOTE 3. LEASE

The Organization has a non-cancelable operating lease for office space in Las Vegas that expires March 31, 2011. Monthly rental payments of \$2,400 are required under the agreement plus amounts for project costs as defined in the agreement. Base monthly rentals increase annually at a fixed rate of 4%. Rental expense for this lease totaled \$30,539 for the year ended December 31, 2009. Future minimum rentals under this operating lease are as follows:

| | |
|------|------------------|
| 2010 | \$ 29,520 |
| 2011 | <u>7,440</u> |
| | <u>\$ 36,960</u> |