

NEVADA CHILD SEEKERS MERGING CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2010



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

AN INDEPENDENT MEMBER OF
**BDO
SEIDMAN
ALLIANCE**

NEVADA CHILD SEEKERS MERGING CORPORATION

DECEMBER 31, 2010

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENSES	4
STATEMENT OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-10



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, 2010, 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, 2010, 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.

Houldsworth, Russo & Company

Las Vegas, Nevada
April 11, 2011

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

CURRENT ASSETS

Cash	\$	199,900
Cash, restricted		10,116
Accounts receivable		650
Grants receivable		34,781
Pledges receivable, restricted		15,750
Inventory		4,368
Prepaid expenses		7,160
Deposit		2,500
		<u>275,225</u>

OTHER ASSETS

Property and equipment, net		14,827
		<u>14,827</u>
	\$	<u>290,052</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	2,451
Accrued payroll liabilities		5,380
Deferred rent expense		142
		<u>7,973</u>

NET ASSETS

Unrestricted		256,213
Temporarily restricted		25,866
		<u>282,079</u>
	\$	<u>290,052</u>

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

UNRESTRICTED NET ASSETS	
Revenue, gains and other support:	
Contributions	\$ 31,984
Grants	208,366
In-kind donations	15,997
Special events	
Special event revenue	\$ 162,584
Less: Cost of direct benefit to donors	<u>(44,690)</u>
Net revenues from special events	117,894
Interest income	9
Other income	978
Net assets released from restrictions	<u>9,634</u>
	<u>384,862</u>
Expenses:	
Program services	260,616
Support services:	
Management and general	69,835
Fundraising	<u>26,787</u>
	357,238
Loss on disposal of fixed assets	<u>2,525</u>
	<u>359,763</u>
Increase in unrestricted net assets	25,099
TEMPORARILY RESTRICTED NET ASSETS	
Contributions and pledges	35,500
Net assets released from restrictions	<u>(9,634)</u>
Increase in temporarily restricted net assets	<u>25,866</u>
INCREASE IN NET ASSETS	50,965
NET ASSETS AT BEGINNING OF YEAR	<u>231,114</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 282,079</u></u>

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Programs</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Bad debt	-	5	1,525	1,530
Bank fees	-	139	3,127	3,266
Education	100	468	-	568
Depreciation	9,426	1,274	222	10,922
Payroll-related	1,795	243	42	2,080
Fundraising supplies	-	-	16,653	16,653
Insurance	9,278	1,254	219	10,751
Occupancy	30,455	4,115	720	35,290
Office expense	83	9,301	75	9,459
Payroll taxes	12,148	1,641	287	14,076
Printing	5,555	-	-	5,555
Professional fees	14,767	23,822	-	38,589
Program expenses	2,977	-	-	2,977
Salaries	161,202	21,780	3,811	186,793
Subscriptions	-	1,256	-	1,256
Supplies	4,258	-	-	4,258
Telephone	3,617	489	85	4,191
Travel	4,955	4,048	21	9,024
	<u>\$ 260,616</u>	<u>\$ 69,835</u>	<u>\$ 26,787</u>	<u>\$ 357,238</u>

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 50,965
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation	10,922
Donated fixed asset	(2,978)
Loss on disposal of fixed assets	2,525
(Increase) decrease in operating assets:	
Accounts receivable	36,401
Inventory	1,785
Prepaid expenses	1,970
Increase (decrease) in operating liabilities:	
Accounts payable	(7,234)
Accrued expenses	401
Deferred revenue	(1,380)
Deferred rent expense	(142)
	<u>93,235</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>93,235</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(3,146)</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(3,146)</u>
NET INCREASE IN CASH	90,089
CASH, BEGINNING OF YEAR	<u>119,927</u>
CASH, END OF YEAR	<u>\$ 210,016</u>
CASH, UNRESTRICTED	199,900
CASH, RESTRICTED	<u>10,116</u>
	<u>\$ 210,016</u>

See notes to financial statements.

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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. Under the Codification, 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, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable, Grants Receivable and Pledges Receivable

Accounts receivable consist of amounts due from individuals for items purchased at special events. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Grants receivable represents amounts due from grantors for amounts expended by the Organization in line with the grant agreement. Contributions are recognized when the donor makes a promise to give (pledge receivable) to the Organization that is, in substance, unconditional. Conditional pledges receivable are recognized at fair value when the conditions on which they depend are substantially met. Grants receivable and pledges receivable are stated at the 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. Management expects to collect all outstanding balances of accounts, grants and pledges receivable. Therefore, no provision for uncollectible receivables was present at December 31, 2010.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash with high credit quality financial institutions and generally limits the amount of credit exposure to the amount of the Federal Deposit Insurance Corporation's insurance coverage limits of \$250,000. As of December 31, 2010, the Organization had no accounts that exceeded this limit.

Concentration of Fiscal Resources

During 2010, the Organization received 51% of its revenues from grants, 29% from special events, and 20% from donations. The Organization had three grants that made up 69% of all grant revenue received and one donor that made up 16% of all contributions received. No other grantor or donor contributed more than 10% of respective revenues in 2010. The Organization could be adversely affected and its ability to continue as a going concern would be impacted if these funding sources were to be diminished and not replaced with other funding sources.

Expense Allocations

Indirect expenses are charged to programs and supporting services based on periodic time 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).

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventory

Inventory consists of printed materials used for the program and gift certificates held for special events. The inventory has been valued at cost or fair market value.

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.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

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. No marketable securities were donated in 2010.

Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958-605 and subsections, 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 \$6,270, recorded as management and general expense, entertainment services totaling \$2,000 recorded as a cost related to a special event and other professional services totaling \$2,100 recorded as management and general expense for the year ended December 31, 2010.

Date of Management Review

Subsequent events have been evaluated through April 11, 2011, which is the date the financial statements were available to be issued.

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Furniture and equipment	\$ 62,333
Less accumulated depreciation	<u>47,506</u>
	<u>\$ 14,827</u>

NOTE 3. LEASE

The Organization has a non-cancelable operating lease for office space in Las Vegas that expired on 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 \$29,033 for the year ended December 31, 2010. On March 7, 2011, the Organization entered into a new operating lease for office space in Henderson, Nevada.

Base monthly rent of \$1,788 will be required under the lease for 36 months. Future minimum rentals under these operating leases are as follows:

2011	\$ 22,842
2012	21,511
2013	21,576
2014	<u>3,597</u>
	<u>\$ 69,526</u>

NOTE 4. TEMPORARILY RESTRICTED NET ASSETS

Net assets are temporarily restricted for the following purposes:

Education program	\$ 20,166
radKIDS program	4,450
Office cleaning services	<u>1,250</u>
	<u>\$ 25,866</u>

These assets are held as follows:

Cash	\$ 10,116
Pledge receivable	<u>15,750</u>
	<u>\$ 25,866</u>

NEVADA CHILD SEEKERS MERGING CORPORATION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2010

NOTE 5. RECENT ACCOUNTING PRONOUNCEMENT

The Organization adopted the provision of FASB ASC 740-10-25 on January 1, 2009. Under FASB ASC 740-10-25, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of this pronouncement had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, they will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of January 1, 2010, as a result of the adoption of this pronouncement. For the year ended December 31, 2010, there were no interest or penalties recorded or included in its financial statements.