

KIDS WHO CARE, INC.

Financial Statements

For the Year Ended December 31, 2015

CHARLES O. PAUL

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kids Who Care, Inc.

We have audited the accompanying financial statements Kids Who Care, Inc. (the School), which comprise that statement of financial position as of December 31, 2015, and the related statements of activities and cash flows and functional expenses for the year then ended, 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

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 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Who Care, Inc. as of December 31, 2015 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.

Report on Summarized Comparative Information

We have previously audited Kids Who Care's 2014 financial statements, and our report dated September 20, 2015 expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statement from which it has been derived.



CHARLES O. PAUL, CPA
August 21, 2016

KIDS WHO CARE, INC.
Statement of Financial Position
December 31, 2015
With Summarized Financial Information
as of December 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 211,559	\$ 211,489
Grants and pledges receivable	10,000	12,549
Accounts receivable, less \$5,474 allowance for uncollectibles	45,953	30,139
Prepaid expenses	61,666	19,914
Total current assets	329,178	274,091
Fixed assets at cost, net of \$59,319 accumulated depreciation	25,242	24,798
Other assets		
Website, net of \$24,308 accumulated amortization	12,341	19,671
Total Assets	\$ 366,761	\$ 318,560
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 12,554	\$ 6,288
Unearned revenue	61,252	29,533
Total current liabilities	73,806	35,821
Commitments and contingencies	-	-
Net assets:		
Unrestricted	285,309	281,689
Temporarily restricted net assets	7,646	1,050
Total net assets	292,955	282,739
Total Liabilities and Net Assets	\$ 366,761	\$ 318,560

The accompanying notes are an integral part of the financial statements
(2)

KIDS WHO CARE, INC.
Statement of Activities
For the Year Ended December 31, 2015
With Summarized Financial Information
For the Years Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>2014</u>
Revenue and support:				
Tuition and services	\$ 266,315	\$ -	\$ 266,315	\$ 281,803
Touring	38,740	-	38,740	86,815
Admissions	62,561	-	62,561	66,689
Program advertising	3,279	-	3,279	995
Interest income	114	-	114	131
Contributions and grants	402,551	7,646	410,197	323,836
Rental and other income	18,996	-	18,996	14,347
Concessions and store sales	37,421	-	37,421	42,092
Assets released from restriction	1,050	(1,050)	-	-
	<u>831,027</u>	<u>6,596</u>	<u>837,623</u>	<u>816,708</u>
Expenses:				
Program services	551,952	-	551,952	608,474
General and administrative expense	172,101	-	172,101	146,804
Fundraising expenses	103,354	-	103,354	68,646
	<u>827,407</u>	<u>-</u>	<u>827,407</u>	<u>823,924</u>
Increase in net assets	3,620	6,596	10,216	(7,216)
Net assets, beginning of year	<u>281,689</u>	<u>1,050</u>	<u>282,739</u>	<u>289,955</u>
Net assets, end of year	<u><u>\$ 285,309</u></u>	<u><u>\$ 7,646</u></u>	<u><u>\$ 292,955</u></u>	<u><u>\$ 282,739</u></u>

The accompanying notes are an integral part of the financial statements
(3)

KIDS WHO CARE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2015
With Summarized Financial Information
For the Year Ended December 31, 2014

	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 10,216	\$ (7,216)
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation	10,693	9,405
Amortization	7,330	7,329
Decrease (increase) in accounts receivable	(15,814)	38,836
Decrease (increase) in pledges and grants receivable	2,549	(3,215)
Decrease (increase) in prepaid expenses	(41,752)	10,998
Increase (decrease) in accounts payable and accrued liabilities	6,266	(518)
Increase (decrease) in deferred revenue	31,719	(52,210)
Net cash provided by operating activities	11,207	3,409
Cash flows from investing activities:		
Payment for website development	-	-
Purchase of fixed assets	(11,137)	(8,379)
Net cash used in investing activities	(11,137)	(8,379)
Cash flows from financing activities:	-	-
Net increase in cash and cash equivalents	70	(4,970)
Cash and cash equivalents, beginning of year	211,489	216,459
Cash and cash equivalents, end of year	\$ 211,559	\$ 211,489
 Schedule of non-cash investing and financing activities:		
None		
 Supplemental Statement of Cash Flow information:		
Interest received	\$ 114	\$ 131
Interest paid	\$ -	\$ -

The accompanying notes are an integral part of the financial statements
(4)

KIDS WHO CARE, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 155,555	\$ 134,383	\$ 56,015	345,953
Payroll Taxes	10,378	10,138	4,424	24,940
Employee Benefits	3,366	3,647	1,577	8,590
Total	169,299	148,168	62,016	379,483
Supplies and materials	22,103	1,651	1,010	24,764
Telephone	-	3,912	-	3,912
Equipment & technology	6,966	1,306	435	8,707
Printing, publications and postage	23,564	316	105	23,985
Occupancy	29,647	1,893	631	32,171
Professional fees	-	4,000	-	4,000
Exchange students	12,167	-	-	12,167
Production and artist fees	169,566	-	-	169,566
Touring	34,240	-	-	34,240
Marketing and promotion	11,204	-	-	11,204
Board fundraising expense	-	-	30,322	30,322
Bad debt expense	-	4,200	-	4,200
Insurance	5,816	1,091	1,464	8,371
Meetings, planning and conferences	1,411	662	524	2,597
Other	299	175	-	474
Youth leadership board	45,105	-	-	45,105
Service fees	6,147	2,023	5,946	14,116
Total	537,534	169,397	102,453	809,384
Amortization	5,864	1,100	366	7,330
Depreciation	8,554	1,604	535	10,693
Total	\$ 551,952	\$ 172,101	\$ 103,354	\$ 827,407

The accompanying notes are an integral part of the financial statements

KIDS WHO CARE, INC.
Notes to Financial Statements

1. Summary of Significant Accounting Policies

(a) School and Operations

The Kids Who Care, Inc. (the “School”) is a Texas nonprofit corporation incorporated under the laws of the State of Texas for the purpose of providing professional training in theatre and production for performers of all ages using a skill-specific theatre curriculum. The School’s training is available to people of all socioeconomic backgrounds, and provides local, national and international outreach.

(b) Financial Statement Presentation

For financial reporting purposes, the School's net assets are grouped and reported by the following three classifications:

Unrestricted - includes funds that represent resources over which the Board of Directors has discretionary control to carry out operations of the School in accordance with its bylaws.

Temporarily Restricted - includes funds that represent resources expendable only for those operating purposes specified by the donor. Resources of this classification originate principally from grants and gifts.

Permanently Restricted - includes funds that have been accepted with donor stipulations that the principal be maintained intact in perpetuity with only the income to be utilized.

(c) Accounts and Grants Receivable

Accounts receivable are composed of current grants receivable as well charges for services. In the opinion of management the allowance for uncollectible accounts is reasonable and covers all material receivables which are doubtful of collection.

(d) Fixed Assets

Expenditures for furniture and equipment are stated at cost. Donated assets are recorded at their estimated fair market value at the date of contribution. Such donations are recorded as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit instructions regarding their use are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the School reports expiration of donor restrictions when the assets are placed into service. The School capitalizes fixed assets over \$250 and with a useful life in excess of one year.

Depreciation of fixed assets is calculated on the straight-line method over the following useful lives:

Equipment	5-8 years
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KIDS WHO CARE, INC.
Notes to Financial Statements

(e) Income Taxes

The School is exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. Additionally, the School is considered to be a public charity under Section 509 (a).

(f) Functional Expenses Allocation

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(g) Contributions and Grants

Contributions and Grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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. If the restrictions are met in the year of contribution, the amounts of temporarily restricted gifts are listed as unrestricted contributions.

(h) Contributed Services

A substantial number of volunteers have donated significant amounts of time to the School's activities. However, the School only recognizes donated services that create or enhance nonfinancial assets, or that require specialized skills, provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. No amounts have been presented in the financial statements for contributed services, as the amounts are immaterial.

(i) Cash and Cash Equivalents

The School considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents. The School places its cash with quality financial institutions and limits its exposure by controlling the cash balances it maintains in any one financial institution. The School has never experienced losses from credit risk associated with its cash balances.

(j) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

KIDS WHO CARE, INC.
Notes to Financial Statements

(k) Concentration of Credit Risk

Financial instruments that expose the Organization to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions and the Organization has not experienced any loss on its cash equivalents.

(l) Amortization

The School's website is being amortized over its expected life of five years.

(m) Subsequent Events

Management evaluates subsequent events through the date of the report, which is the date the financial statements were available to be issued.

(n) Comparative Prior Period Information

The financial statements include certain prior period summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the seven months ended December 31, 2014, from which the summarized information was derived.

(o) Accounting Pronouncement

In January 2016, the Financial Accounting Standards Board issued a pronouncement related to accounting for leases. The effect of this change will require that Organizations who enter into leases of more than twelve months record those leases as assets and liabilities. The standard is effective for the Organization's year that ends December 31, 2020. The Organization has not yet assessed the impact of this new accounting standard.

2. Fixed Assets

The composition of fixed assets at December 31, 2015 is as follows:

Equipment	\$ 84,561
Less accumulated depreciation	<u>59,319</u>
	<u>\$ 25,242</u>

KIDS WHO CARE, INC.
Notes to Financial Statements

3. Unearned revenue

A summary of unearned amounts is as follows:

Balance, December 31, 2014	\$ 29,553
Tuition & other charges	268,014
Revenue earned	<u>(266,315)</u>
 Balance, December 31, 2015	 <u>\$ 61,252</u>

4. Commitments and Contingencies

Grants and bequests require the fulfillment of certain conditions as set forth in the grant instrument. Failure to fulfill the conditions could result in the return of funds to the grantor. Although that remains a possibility, the Board deems such contingency remote since by accepting the gifts and their terms, the School has, in essence, accommodated the provisions of the gift.

The School leases its theatre and office facilities under an operating lease that expired in March 2015 but was renewed with a total rental for the year of \$13,766 or \$1,147 per month with an additional amount for parking which changes based upon the number of spaces used. The organization enters into short-term rental agreements with various organizations for specific events. Total rental expense for the period ended December 31, 2015 was \$32,171.

5. Line of Credit

The School has a \$20,000 line of credit with a financial institution due December 2016 with interest at prime plus 1.25% (4.25% at December 31, 2015) payable monthly. The note is secured by the personal guaranty of certain members of the Board of Directors. At December 31, 2015, nothing was outstanding on this line of credit.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of \$7,646 that is restricted for program that will be conducted in 2015.

During 2015 the Organization expended \$1,050 in temporarily restricted net assets for use in program services.