

KIDS WHO CARE, INC.

Financial Statements

For the Year Ended December 31, 2016

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, 2016, 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, 2016 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 2015 financial statements, and our report dated September 21, 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, 2015, is consistent, in all material respects, with the audited financial statement from which it has been derived.



CHARLES O. PAUL, CPA
August 31, 2017

KIDS WHO CARE, INC.
Statement of Financial Position
December 31, 2016
With Summarized Financial Information
as of December 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 169,487	\$ 211,559
Grants and pledges receivable	32,334	10,000
Accounts receivable, less \$3,758 allowance for uncollectibles	34,204	45,953
Prepaid expenses	<u>9,477</u>	<u>61,666</u>
Total current assets	245,502	329,178
Fixed assets at cost, net of \$68,819 accumulated depreciation	21,342	25,242
Other assets		
Website, net of \$31,472 accumulated amortization	<u>5,177</u>	<u>12,341</u>
Total Assets	<u><u>\$ 272,021</u></u>	<u><u>\$ 366,761</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 14,058	\$ 12,554
Unearned revenue	<u>20,608</u>	<u>61,252</u>
Total current liabilities	<u>34,666</u>	<u>73,806</u>
Commitments and contingencies	-	-
Net assets:		
Unrestricted	235,311	285,309
Temporarily restricted net assets	<u>2,044</u>	<u>7,646</u>
Total net assets	<u>237,355</u>	<u>292,955</u>
Total Liabilities and Net Assets	<u><u>\$ 272,021</u></u>	<u><u>\$ 366,761</u></u>

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, 2016
With Summarized Financial Information
For the Years Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016</u>	<u>2015</u>
Revenue and support:				
Tuition and services	\$ 252,088	\$ -	\$ 252,088	\$ 266,315
Touring	55,460	-	55,460	38,740
Admissions	86,502	-	86,502	62,561
Program advertising	-	-	-	3,279
Interest income	62	-	62	114
Contributions and grants	448,082	2,044	450,126	410,197
Rental and other income	21,195	-	21,195	18,996
Concessions and store sales	49,563	-	49,563	37,421
Assets released from restriction	7,646	(7,646)	-	-
	<u>920,598</u>	<u>(5,602)</u>	<u>914,996</u>	<u>837,623</u>
Expenses:				
Program services	681,489	-	681,489	551,952
General and administrative expense	178,367	-	178,367	172,101
Fundraising expenses	110,740	-	110,740	103,354
	<u>970,596</u>	<u>-</u>	<u>970,596</u>	<u>827,407</u>
Increase in net assets	(49,998)	(5,602)	(55,600)	10,216
Net assets, beginning of year	<u>285,309</u>	<u>7,646</u>	<u>292,955</u>	<u>282,739</u>
Net assets, end of year	<u><u>\$ 235,311</u></u>	<u><u>\$ 2,044</u></u>	<u><u>\$ 237,355</u></u>	<u><u>\$ 292,955</u></u>

The accompanying notes are an integral part of the financial statements

KIDS WHO CARE, INC.
Statement of Cash Flows
For the Year Ended December 31, 2016
With Summarized Financial Information
For the Year Ended December 31, 2015

	2016	2015
Cash flows from operating activities:		
Increase in net assets	\$ (55,600)	\$ 10,216
Adjustments to reconcile the increase in net assets to net cash provided by operating activities:		
Depreciation	9,500	10,693
Amortization	7,164	7,330
Decrease (increase) in accounts receivable	11,749	(15,814)
Decrease (increase) in pledges and grants receivable	(22,334)	2,549
Decrease (increase) in prepaid expenses	52,189	(41,752)
Increase (decrease) in accounts payable and accrued liabilities	1,504	6,266
Increase (decrease) in deferred revenue	(40,644)	31,719
	(36,472)	11,207
Cash flows from investing activities:		
Payment for website development	-	-
Purchase of fixed assets	(5,600)	(11,137)
	(5,600)	(11,137)
Cash flows from financing activities:	-	-
Net increase in cash and cash equivalents	(42,072)	70
Cash and cash equivalents, beginning of year	211,559	211,489
Cash and cash equivalents, end of year	\$ 169,487	\$ 211,559
 Schedule of non-cash investing and financing activities:		
None		
 Supplemental Statement of Cash Flow information:		
Interest received	\$ 62	\$ 131
Interest paid	\$ 98	\$ -

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, 2016

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 175,631	\$ 140,264	\$ 56,015	371,910
Payroll Taxes	13,982	11,842	4,977	30,801
Employee Benefits	3,349	3,253	1,408	8,010
Total	192,962	155,359	62,400	410,721
Supplies and materials	28,541	2,054	778	31,373
Telephone	-	4,179	-	4,179
Equipment & technology	8,027	1,505	502	10,034
Printing, publications and postage	19,994	259	86	20,339
Occupancy	28,751	1,738	579	31,068
Professional fees	-	4,000	-	4,000
Exchange students	7,102	-	-	7,102
Production and artist fees	226,211	-	-	226,211
Touring	78,885	-	-	78,885
Marketing and promotion	11,016	-	-	11,016
Board fundraising expense	-	-	36,880	36,880
Bad debt expense	-	3,000	-	3,000
Insurance	6,301	1,181	1,494	8,976
Meetings, planning and conferences	644	119	538	1,301
Other	1,358	181	-	1,539
Youth leadership board	51,325	-	-	51,325
Service fees	7,041	2,292	6,650	15,983
Total	668,158	175,867	109,907	953,932
Amortization	5,731	1,075	358	7,164
Depreciation	7,600	1,425	475	9,500
Total	\$ 681,489	\$ 178,367	\$ 110,740	\$ 970,596

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, 2015, 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, 2016 is as follows:

Equipment	\$ 90,161
Less accumulated depreciation	<u>68,819</u>
	<u>\$ 21,342</u>

KIDS WHO CARE, INC.
Notes to Financial Statements

3. Unearned revenue

A summary of unearned amounts is as follows:

Balance, December 31, 2015	\$ 61,252
Tuition & services	211,444
Revenue earned	<u>(252,088)</u>
 Balance, December 31, 2016	 <u>\$ 20,608</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 expires in October 2017. Rental due under this lease for 2017 will be for the year of \$10,841 or \$1,205 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, 2016 was \$31,068.

Subsequent to December 31, 2016, the School entered into a lease for storage space with monthly rental payments of \$675 commencing in May 2017 and ending on April 30, 2018. Additionally, the School entered into a lease for office equipment that begins in September 2017. Minimum lease payments under this lease are \$473 per month for 60 months.

Total lease payments by year for all leases are as follows:

2017	\$18,133
2018	8,376
2019	5,676
2020	5,676
2021	5,676
2022	3,784

5. Line of Credit

The School has a \$20,000 line of credit with a financial institution due in January 2018 with interest at prime plus 1.25% (5.00% at December 31, 2016) payable monthly. The note is secured by the personal guaranty of certain members of the Board of Directors. At December 31, 2016, nothing was outstanding on this line of credit.

KIDS WHO CARE, INC.
Notes to Financial Statements

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consists of \$2,044 that is restricted for program that will be conducted in 2016.

During 2016 the Organization expended \$7,646 in temporarily restricted net assets for use in program services.