

KIDZ2LEADERS, INC.

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FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2016 AND 2015

KIDZ2LEADERS, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of kidz2leaders, inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of kidz2leaders, inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 kidz2leaders, inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Brooks, McGinnis & Company, LLC*

Atlanta, Georgia  
June 20, 2017

KIDZ2LEADERS, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
Cash and cash equivalents	\$ 213,240	\$ 273,152
Certificates of deposit	71,136	-
Contributions receivable	56,308	70,485
Prepaid expenses	2,395	2,220
Property and equipment, net	5,076	3,148
Trademark	2,375	2,375
Total assets	\$ 350,530	\$ 351,380
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 18,463	\$ 21,131
Agency funds - interns4tomorrow	11,004	11,581
Total liabilities	29,467	32,712
Commitments and contingencies		
Net assets:		
Unrestricted:		
Net expended for property and equipment	5,076	3,148
Available for operations	221,837	217,840
Total unrestricted net assets	226,913	220,988
Temporarily restricted	94,150	97,680
Total net assets	321,063	318,668
Total liabilities and net assets	\$ 350,530	\$ 351,380

The accompanying notes are an integral part of these financial statements.

KIDZ2LEADERS, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 361,767	\$ 326,592
Support from Mount Bethel UMC	41,400	41,400
Event revenue, net of direct expenses of \$27,174 and \$30,360 respectively	54,726	49,718
Counselor fees	13,200	12,000
Other income	1,925	537
	473,018	430,247
Net assets released from restrictions	45,980	76,255
Total unrestricted revenues, gains and support	518,998	506,502
Expenses:		
Program Services:		
Camp Hope	223,020	230,458
interns4tomorrow	62,003	76,447
Other programs	111,628	78,755
Total program services	396,651	385,660
Supporting services:		
Fundraising	57,073	47,058
General and Administrative	59,349	67,499
Total supporting services	116,422	114,557
Total expenses	513,073	500,217
Increase in unrestricted net assets	5,925	6,285
Changes in temporarily restricted net assets:		
Contributions	42,450	90,685
Net assets released from restrictions	(45,980)	(76,255)
Increase (decrease) in temporarily restricted net assets	(3,530)	14,430
Increase in net assets	2,395	20,715
Net assets at beginning of year	318,668	297,953
Net assets at end of year	\$ 321,063	\$ 318,668

The accompanying notes are an integral part of these financial statements.

KIDZ2LEADERS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Camp Hope	interns4 tomorrow	Other Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and wages	\$ 74,169	\$ 46,874	\$ 24,287	\$ 145,330	\$ 48,754	\$ 37,162	\$ 85,916	\$ 231,246
Contract labor	10,733	-	-	10,733	-	-	-	10,733
Payroll taxes and benefits	4,634	3,971	2,108	10,713	4,232	3,226	7,458	18,171
Total personnel	<u>89,536</u>	<u>50,845</u>	<u>26,395</u>	<u>166,776</u>	<u>52,986</u>	<u>40,388</u>	<u>93,374</u>	<u>260,150</u>
Assistance	-	-	4,365	4,365	-	-	-	4,365
Camp rent	52,043	-	17,177	69,220	-	-	-	69,220
Travel, meals and entertainment	10,935	842	16,095	27,872	5	23	28	27,900
Training	922	122	476	1,520	23	106	129	1,649
Honorariums and gifts	5,387	-	34	5,421	-	-	-	5,421
Insurance	3,021	400	1,561	4,982	75	347	422	5,404
Program expenses	26,026	5,299	19,936	51,261	-	-	-	51,261
Office supplies	744	98	385	1,227	18	84	102	1,329
Security monitoring	-	-	-	-	-	179	179	179
Postage and printing	2,137	228	1,012	3,377	43	198	241	3,618
Telephone and internet	2,367	313	1,223	3,903	59	272	331	4,234
Repairs and maintenance	3,998	529	2,065	6,592	99	459	558	7,150
Professional fees	6,448	185	1,562	8,195	35	13,161	13,196	21,391
Office rent	14,760	1,953	7,625	24,338	366	1,696	2,062	26,400
Storage facility rent	2,394	-	-	2,394	-	-	-	2,394
Scholarship expenses	-	-	10,500	10,500	-	-	-	10,500
Vehicle expenses	75	91	405	571	-	-	-	571
Depreciation	1,147	152	592	1,891	28	132	160	2,051
Technology	600	435	-	1,035	-	-	-	1,035
Other	480	511	220	1,211	3,336	2,304	5,640	6,851
Total expenses	<u>\$ 223,020</u>	<u>\$ 62,003</u>	<u>\$ 111,628</u>	<u>\$ 396,651</u>	<u>\$ 57,073</u>	<u>\$ 59,349</u>	<u>\$ 116,422</u>	<u>\$ 513,073</u>
Percentages	<u>43%</u>	<u>12%</u>	<u>22%</u>	<u>77%</u>	<u>11%</u>	<u>12%</u>	<u>23%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

KIDZ2LEADERS, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Camp Hope	interns4 tomorrow	Other Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and wages	\$ 88,086	\$ 43,832	\$ 23,645	\$ 155,563	\$ 40,547	\$ 27,505	\$ 68,052	\$ 223,615
Contract labor	7,155	-	-	7,155	-	-	-	7,155
Payroll taxes and benefits	5,308	3,778	2,098	11,184	3,598	2,441	6,039	17,223
Total personnel	<u>100,549</u>	<u>47,610</u>	<u>25,743</u>	<u>173,902</u>	<u>44,145</u>	<u>29,946</u>	<u>74,091</u>	<u>247,993</u>
Assistance	-	-	2,615	2,615	-	-	-	2,615
Field trips	-	14,170	-	14,170	-	-	-	14,170
Camp rent	53,025	-	6,260	59,285	-	-	-	59,285
Travel, meals and entertainment	9,298	808	6,677	16,783	-	60	60	16,843
Training	9,544	96	168	9,808	-	89	89	9,897
Honorariums and gifts	5,400	-	4,224	9,624	-	-	-	9,624
Insurance	2,860	697	917	4,474	51	650	701	5,175
Program expenses	17,803	5,652	11,253	34,708	-	-	-	34,708
Office supplies	965	149	192	1,306	-	137	137	1,443
Security monitoring	-	-	-	-	-	380	380	380
Postage and printing	1,285	258	359	1,902	11	240	251	2,153
Telephone and internet	2,686	633	832	4,151	19	590	609	4,760
Repairs and maintenance	4,212	1,026	1,351	6,589	46	957	1,003	7,592
Professional fees	3,482	259	1,346	5,087	74	28,248	28,322	33,409
Advertising and marketing	-	-	2,738	2,738	19	-	19	2,757
Office rent	14,593	3,556	4,679	22,828	258	3,314	3,572	26,400
Storage facility rent	2,352	-	-	2,352	-	-	-	2,352
Scholarship expenses	-	-	7,877	7,877	-	-	-	7,877
Vehicle expenses	42	202	703	947	-	-	-	947
Depreciation	1,836	447	589	2,872	32	418	450	3,322
Technology	-	59	-	59	-	-	-	59
Other	526	825	232	1,583	2,403	2,470	4,873	6,456
Total expenses	<u>\$ 230,458</u>	<u>\$ 76,447</u>	<u>\$ 78,755</u>	<u>\$ 385,660</u>	<u>\$ 47,058</u>	<u>\$ 67,499</u>	<u>\$ 114,557</u>	<u>\$ 500,217</u>
Percentages	<u>46%</u>	<u>15%</u>	<u>16%</u>	<u>77%</u>	<u>9%</u>	<u>14%</u>	<u>23%</u>	<u>100%</u>

The accompanying notes are an integral part of these financial statements.

KIDZ2LEADERS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ <u>2,395</u>	\$ <u>20,715</u>
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	2,051	3,322
Donated equipment	(2,351)	-
Change in assets and liabilities:		
(Increase) decrease in:		
Contribution receivable	14,177	(36,255)
Prepaid expenses	(175)	(22)
Increase (decrease) in:		
Accounts payable and accrued expenses	(2,667)	2,620
Agency funds - interns4tomorrow	(577)	(446)
Total adjustments	<u>10,458</u>	<u>(30,781)</u>
Net cash provided by (used in) operating activities	<u>12,853</u>	<u>(10,066)</u>
Cash flows from investing activities		
Purchase of equipment	(1,629)	-
Purchase of certificates of deposit	<u>(71,136)</u>	-
Net cash used in investing activities	<u>(72,765)</u>	-
Net decrease in cash and cash equivalents	(59,912)	(10,066)
Cash and cash equivalents, beginning of year	<u>273,152</u>	<u>283,218</u>
Cash and cash equivalents, end of year	<u>\$ 213,240</u>	<u>\$ 273,152</u>

The accompanying notes are an integral part of these financial statements.



KIDZ2LEADERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies

Organization

kidz2leaders, inc. (the Organization) is a nonprofit corporation located in Cobb County, Georgia. The Organization was established in 1999 and is supported primarily through contributions from individual and corporate contributors. The Organization also receives limited support from Mount Bethel United Methodist Church as further discussed in Note 8. The Organization exists to help change the lives of prisoners' children and to break the vicious cycle of incarceration. Children are taught to become leaders and provide a life of hope through Christian programming and a fun environment.

Method of Reporting

The Organization's accounts are maintained, and these statements are presented, on the accrual basis of accounting to present the results of activities and financial position in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Under accounting principles generally accepted in the United States of America (GAAP), 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, or permanently restricted net assets based on stipulations made by the donor. Although the Organization continues to maintain its internal financial statements and general ledger on a fund accounting basis, its external financial statements are presented in accordance with GAAP.

Contributions

Unconditional promises to give and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions. Accordingly, the Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Temporarily restricted contributions received and expended in the same accounting period are classified as unrestricted net assets. All contributions and unconditional promises to give which do not have donor restrictions as to purpose or time are classified as unrestricted contributions and pledges receivable. The Organization records gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, as well as gifts of cash or other assets that must be used to acquire long-lived assets, are reported as restricted support.

KIDZ2LEADERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Contributions – Continued

Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or purchased long-lived assets are placed in service. Land held for sale, other assets, and marketable equity securities acquired by gift are recorded at fair market value on the date of receipt.

Donated Equipment, Supplies and Services

All non-cash gifts (other than personal services) are recorded at their estimated fair value at the date of receipt. Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received either created or enhanced non-financial assets or required specialized skills that would need to be purchased if not donated. The Organization received \$24,708 and \$32,494 in donated equipment, supplies, and services for the years ended December 31, 2016 and 2015, respectively, and these have been recognized as contributions, expenses, or capital additions in the accompanying financial statements. A substantial number of volunteers have also donated significant amounts of their time to the Organization. However, these services do not meet the requirements above, and therefore are not reported in the financial statements.

Property and Equipment

It is the policy of the Organization to capitalize property and equipment in excess of \$500. The cost of the property is depreciated over the estimated useful lives of the related assets using the straight-line method. A summary of depreciable lives follows:

Computer equipment and software	3 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

The Organization evaluates its long-lived assets for indicators of possible impairment by comparing the carrying amounts of such assets to future net undiscounted cash flows expected to be generated by such assets when events or circumstances indicate that the carrying value of an asset or asset group may not be recoverable. Should an impairment exist, the impairment loss would be measured based on the excess of the asset's carrying value over the asset's estimated fair value, which would normally be determined by discounting estimated future cash flows.

Advertising Expense

Advertising costs are expensed as they are incurred. For the year ended December 31 2015, advertising expense was \$2,757. There was no advertising expense for 2016.

KIDZ2LEADERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the various programs and supporting services as required by GAAP.

Estimates

The 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.

Tax Exempt Status

The Organization is exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. The Organization believes that it has appropriate support for any tax position taken and as such, does not have any uncertain tax positions that are material to the financial statements. As of December 31, 2016, fiscal years 2013-2016 remain open for examination by federal and state tax authorities.

Concentration of Credit Risk

The Organization maintains bank accounts with one financial institution. The account balances (as reflected in the institution's records) are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization's cash balances were fully insured as of December 31, 2016 and 2015.

Classification Correction

Net assets have been restated to reflect a change in classification between unrestricted and temporarily restricted net assets for the year ended December 31, 2015. Contributions of \$32,500 previously reported as temporarily restricted contributions have been reported as unrestricted contributions in the 2015 statement of activities. In addition, net assets released from restrictions increased by \$29,755 in the 2015 statement of activities. As a result, unrestricted net assets increased by \$62,255, and temporarily restricted net assets decreased by the same amount at December 31, 2015. Notes 2, 3, 6, and 7 have also been restated due to these reclassifications.

KIDZ2LEADERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. Nature of Organization and Significant Accounting Policies – Continued

Reclassification of Amounts

Certain other amounts previously reported have been reclassified to conform to the account categories used in the 2016 financial statements.

Subsequent Events

Subsequent events have been evaluated through June 20, 2017, which is the date the financial statements were available to be issued. No subsequent events were noted as of this date.

2. Cash and Cash Equivalents

The Organization considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

	2016	2015
Unrestricted cash	\$ 127,886	\$ 187,571
Restricted cash - agency funds	11,004	11,581
Restricted cash - other	74,350	74,000
Total cash and cash equivalents	\$ 213,240	\$ 273,152

3. Contributions Receivable

During the years ended December 31, 2016 and 2015, the Organization received unconditional promises to give from organizations and individuals in the amounts of \$56,308 and \$70,485, respectively. The restricted contributions included in the contributions receivable balance at December 31, 2016 and 2015 total \$19,800 and \$23,680, respectively. Management considers these receivables to be fully collectable within one year. Consequently, no allowance for uncollectible contributions receivable or the related present value discount was deemed necessary at either December 31, 2016 or 2015.

KIDZ2LEADERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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4. Property and Equipment, Net

The Organization's property and equipment consist of the following at December 31:

	2016	2015
Computer equipment	\$ 23,111	\$ 26,854
Computer software	9,307	9,307
Furniture and equipment	32,692	28,713
Vehicles	25,774	25,774
	90,884	90,648
Less accumulated depreciation	(85,808)	(87,500)
Total property and equipment, net	\$ 5,076	\$ 3,148

Depreciation expense for the years ended December 31, 2016 and 2015 was \$2,051 and \$3,322, respectively.

5. Agency Funds – interns4tomorrow

The interns4tomorrow program assists students in the funding of college and other higher education expenses. Under this program, eligible participants work for a sponsoring organization, and a percentage of wages earned by the participant and matched by the employer are transferred to an interest bearing savings account. These accounts have been established in both the participant and kidz2leaders names to fund tuition and other expenses related to higher education, and disbursement of the funds must be approved by management until the participants reach the age of 21. Once the participants attain the age of 21, they have the right to transfer the funds to their own accounts. The balance of the funds under the Organization's control at December 31, 2016 and 2015 was \$11,004 and \$11,581, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions the Organization has received which are subject to donor-imposed restrictions. Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Scholarships	\$ 89,350	\$ 74,200
Camp Hope	3,300	3,330
interns4tomorrow	1,000	1,000
Education	500	-
Family retreat	-	19,150
Temporarily restricted net assets	\$ 94,150	\$ 97,680

KIDZ2LEADERS, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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7. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended December 31:

	2016	2015
Scholarships	\$ 10,500	\$ 6,750
Family retreat	31,150	-
Counselor retreats	-	12,200
Camp Hope	3,330	27,550
interns4tomorrow	1,000	28,670
Other programs	-	1,085
Total net assets released from restrictions	\$ 45,980	\$ 76,255

8. Related Party Transactions

During both 2016 and 2015, Mount Bethel United Methodist Church, Inc. (the Church) provided an annual grant of \$15,000 and an in-kind contribution of \$26,400 for the use of a building on the Church campus. In addition, the Organization had \$5,508 and \$13,305 in contributions receivable due from the Church at December 31, 2016 and 2015, respectively. These contributions consist of member donations specifically given to the Church for kidz2leaders, inc.