

KIDZ2LEADERS , INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, 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 from 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, 2017 and 2016, 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.

Atlanta, Georgia
June 7, 2018

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KIDZ2LEADERS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 308,742	\$ 213,240
Certificates of deposit	76,255	71,136
Contributions receivable	91,476	56,308
Prepaid expenses and other assets	3,356	2,395
Property and equipment, net	6,301	5,076
Trademark	2,375	2,375
Total assets	\$ 488,505	\$ 350,530
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 25,290	\$ 18,463
Agency funds - interns4tomorrow	8,431	11,004
Total liabilities	33,721	29,467
Commitments and contingencies		
Net assets:		
Unrestricted:		
Net expended for property and equipment	6,301	5,076
Available for operations	274,083	221,837
Total unrestricted net assets	280,384	226,913
Temporarily restricted	174,400	94,150
Total net assets	454,784	321,063
Total liabilities and net assets	\$ 488,505	\$ 350,530

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

KIDZ2LEADERS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
Changes in unrestricted net assets:		
Revenues and gains:		
Contributions	\$ 427,788	\$ 361,767
Support from Mount Bethel UMC	41,400	41,400
Event revenue, net of direct expenses of \$29,713 and \$27,174 respectively	51,072	54,726
Counselor fees	11,925	13,200
Other income	2,089	1,925
	534,274	473,018
Net assets released from restrictions	13,050	45,980
Total unrestricted revenues, gains, and support	547,324	518,998
Expenses:		
Program Services:		
Camp Hope	228,081	223,020
interns4tomorrow	57,233	62,003
Other programs	98,990	111,628
Total program services	384,304	396,651
Supporting services:		
Fundraising	65,242	57,073
General and Administrative	44,307	59,349
Total supporting services	109,549	116,422
Total expenses	493,853	513,073
Increase in unrestricted net assets	53,471	5,925
Changes in temporarily restricted net assets:		
Contributions	93,300	42,450
Net assets released from restrictions	(13,050)	(45,980)
Increase (decrease) in temporarily restricted net assets	80,250	(3,530)
Increase in net assets	133,721	2,395
Net assets at beginning of year	321,063	318,668
Net assets at end of year	\$ 454,784	\$ 321,063

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

KIDZ2LEADERS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Camp Hope	interns4 tomorrow	Other Programs	Total Program Services	Fundraising	General and Administrative	Total Supporting Services	Total Expenses
Salaries and wages	\$ 72,289	\$ 42,077	\$ 16,916	\$ 131,282	\$ 57,455	\$ 21,000	\$ 78,455	\$ 209,737
Contract labor	10,733	-	-	10,733	-	-	-	10,733
Payroll taxes and benefits	5,542	3,229	1,297	10,068	4,405	1,610	6,015	16,083
Total personnel	<u>88,564</u>	<u>45,306</u>	<u>18,213</u>	<u>152,083</u>	<u>61,860</u>	<u>22,610</u>	<u>84,470</u>	<u>236,553</u>
Assistance	-	-	2,337	2,337	-	-	-	2,337
Camp rent	53,082	-	15,702	68,784	-	-	-	68,784
Travel, meals, and entertainment	8,790	1,038	11,071	20,899	-	4	4	20,903
Training	6,206	30	735	6,971	5	30	35	7,006
Honorariums and gifts	3,950	-	1,892	5,842	-	-	-	5,842
Insurance	2,959	437	1,591	4,987	67	427	494	5,481
Program expenses	26,543	4,459	20,273	51,275	-	-	-	51,275
Office supplies	1,546	185	673	2,404	28	180	208	2,612
Postage and printing	1,841	137	553	2,531	21	134	155	2,686
Telephone and internet	2,376	777	1,053	4,206	44	283	327	4,533
Repairs and maintenance	4,107	607	2,208	6,922	92	593	685	7,607
Professional fees	8,998	1,639	4,973	15,610	167	14,869	15,036	30,646
Office rent	14,252	2,107	7,662	24,021	321	2,058	2,379	26,400
Storage facility rent	2,520	-	-	2,520	-	-	-	2,520
Scholarship expenses	-	-	8,250	8,250	-	-	-	8,250
Vehicle expenses	12	92	872	976	-	-	-	976
Depreciation	1,336	198	718	2,252	30	193	223	2,475
Technology	600	162	-	762	-	-	-	762
Other	399	59	214	672	2,607	2,926	5,533	6,205
Total expenses	<u>\$ 228,081</u>	<u>\$ 57,233</u>	<u>\$ 98,990</u>	<u>\$ 384,304</u>	<u>\$ 65,242</u>	<u>\$ 44,307</u>	<u>\$ 109,549</u>	<u>\$ 493,853</u>
Percentages	<u>46%</u>	<u>12%</u>	<u>20%</u>	<u>78%</u>	<u>13%</u>	<u>9%</u>	<u>22%</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, 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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Increase in net assets	\$ <u>133,721</u>	\$ <u>2,395</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	2,475	2,051
Donated equipment	(3,700)	(2,351)
Change in assets and liabilities:		
(Increase) decrease in:		
Contribution receivable	(35,168)	14,177
Prepaid expenses and other assets	(961)	(175)
Increase (decrease) in:		
Accounts payable and accrued expenses	6,827	(2,667)
Agency funds - interns4tomorrow	(2,573)	(577)
Total adjustments	<u>(33,100)</u>	<u>10,458</u>
Net cash provided by operating activities	<u>100,621</u>	<u>12,853</u>
Cash flows from investing activities		
Purchase of equipment	-	(1,629)
Purchase of certificates of deposit	<u>(5,119)</u>	<u>(71,136)</u>
Net cash used in investing activities	<u>(5,119)</u>	<u>(72,765)</u>
Net increase (decrease) in cash and cash equivalents	95,502	(59,912)
Cash and cash equivalents, beginning of year	<u>213,240</u>	<u>273,152</u>
Cash and cash equivalents, end of year	<u>\$ <u>308,742</u></u>	<u>\$ <u>213,240</u></u>

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

KIDZ2LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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. 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, 2017 AND 2016

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, Services and Facilities

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 \$23,874 and \$24,708 in donated equipment, supplies, and services for the years ended December 31, 2017 and 2016, respectively, and these have been recognized as contribution revenue and 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.

The Organization's office facility is donated by Mount Bethel United Methodist Church and is located on the Church campus. The value of the contribution is \$26,400 for each of the years ended December 31, 2017 and 2016 and is included in support from Mount Bethel UMC and rent expense in the accompanying financial statements.

Property and Equipment, Net

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.

KIDZ2LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017, fiscal years 2014 through 2017 remain open for examination by federal and state tax authorities.

Concentration of Credit Risk

The Organization maintains bank accounts with two financial institutions. The account balances (as reflected in the institutions' records) are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000 at each institution. At December 31, 2017, cash balances exceeded this FDIC coverage by approximately \$57,054. The Organization's cash balances were fully insured as of December 31, 2016.

Subsequent Events

Subsequent events have been evaluated through June 7, 2018, which is the date the financial statements were available to be issued. No subsequent events were noted as of this date.

KIDZ2LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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:

	2017	2016
Unrestricted cash	\$ 169,211	\$ 127,886
Restricted cash - agency funds	8,431	11,004
Restricted cash - other	131,100	74,350
Total cash and cash equivalents	\$ 308,742	\$ 213,240

3. Contributions Receivable

During the years ended December 31, 2017 and 2016, the Organization received unconditional promises to give from organizations and individuals in the amounts of \$91,476 and \$56,308, respectively. The restricted contributions included in the contributions receivable balance at December 31, 2017 and 2016 total \$43,300 and \$19,800, respectively. Management considers these receivables to be fully collectable. Consequently, no allowance for uncollectible contributions receivable was deemed necessary at either December 31, 2017 or 2016.

Contributions receivable are expected to be collected as follows at December 31:

	2017	2016
Less than one year	\$ 71,476	\$ 56,308
One to two years	20,000	-
Contributions receivable	\$ 91,476	\$ 56,308

4. Property and Equipment, Net

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

	2017	2016
Computer equipment	\$ 23,111	\$ 23,111
Computer software	9,307	9,307
Furniture and equipment	36,392	32,692
Vehicles	25,774	25,774
	94,584	90,884
Less accumulated depreciation	(88,283)	(85,808)
Total property and equipment, net	\$ 6,301	\$ 5,076

KIDZ2LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

4. Property and Equipment, Net – Continued

Depreciation expense for the years ended December 31, 2017 and 2016 was \$2,475 and \$2,051, 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, 2017 and 2016 was \$8,431 and \$11,004, 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:

	2017	2016
Scholarships	\$ 101,100	\$ 89,350
Camp Hope	28,300	3,300
interns4tomorrow	5,000	1,000
Education	-	500
Time restricted for future operations	40,000	-
Temporarily restricted net assets	\$ 174,400	\$ 94,150

KIDZ2LEADERS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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:

	2017	2016
Scholarships	\$ 8,250	\$ 10,500
Family retreat	-	31,150
Camp Hope	3,300	3,330
interns4tomorrow	1,000	1,000
Education	500	-
Total net assets released from restrictions	\$ 13,050	\$ 45,980

8. Related Party Transactions

During 2017, there was a transition in the Executive Director position at kidz2leaders, inc. The new Executive Director is a family member of the Organization's Board Chairman for the year ended December 31, 2017 and continues into 2018. Per discussions with management, the Board Chairman recuses himself from all Board decisions directly related to the Executive Director to avoid any impropriety or conflicts of interest.

9. Commitments

During 2017, the Organization entered into a contract related to a rebranding initiative including development of a new website. The total contract amount is \$11,925 and the remaining amount on the contract at year end is \$5,925.