

**KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF**

**FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEARS ENDED  
DECEMBER 31, 2014 and 2013**

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Kids in Need of Development, Education, and Relief  
Dallas, Texas

We have audited the accompanying financial statements of Kids in Need of Development, Education, and Relief (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, 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 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 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 Kids in Need of Development, Education, and Relief as of December 31, 2014 and 2013, 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.

*Fox, Byrd + Company, P.C.*

March 6, 2015  
Dallas, Texas

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2014 and 2013

	2014	2013
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	\$ 639,650	\$ 281,307
Accounts receivable	-	7,700
Accounts receivable - other	-	175
Total current assets	639,650	289,182
Property and equipment		
Office equipment	19,287	14,238
Furniture and fixtures	3,538	3,538
	22,825	17,776
Less: Accumulated depreciation	16,046	14,043
	6,779	3,733
Security deposit	1,185	1,185
 TOTAL ASSETS	 \$ 647,614	 \$ 294,100
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 8,791	\$ 13,515
Accrued expenses	1,984	3,248
Total current liabilities	10,775	16,763
Long-term liabilities	-	-
Total liabilities	10,775	16,763
Net assets		
Unrestricted	636,839	265,557
Temporarily restricted	-	11,780
Total net assets	636,839	277,337
 TOTAL LIABILITIES AND NET ASSETS	 \$ 647,614	 \$ 294,100

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENTS OF ACTIVITIES  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>UNRESTRICTED NET ASSETS</b>		
Unrestricted support and revenues		
Contributions	\$ 1,557,188	\$ 719,510
Interest income	137	45
Net assets released from restrictions	<u>12,000</u>	<u>20,000</u>
 Total unrestricted support and revenues	 <u>1,569,325</u>	 <u>739,555</u>
 Expenses		
Program service	1,027,425	557,714
Management and general	32,758	22,550
Fundraising and promotion	<u>149,640</u>	<u>164,341</u>
Total expenses	<u>1,209,823</u>	<u>744,605</u>
 Increase (decrease) in unrestricted net assets	 <u>359,502</u>	 <u>(5,050)</u>
 <b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contribution restricted to hot breakfast program	12,000	-
Contribution restricted to purchase water wells	-	11,780
Net assets released from restrictions	<u>(12,000)</u>	<u>(20,000)</u>
 Decrease in temporarily restricted net assets	 <u>-</u>	 <u>(8,220)</u>
 INCREASE (DECREASE) IN NET ASSETS	 359,502	 (13,270)
 NET ASSETS, beginning of year	 <u>277,337</u>	 <u>290,607</u>
 NET ASSETS, end of year	 <u>\$ 636,839</u>	 <u>\$ 277,337</u>

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2014

	2014				
	Program Services	Supportive Services		Total Supportive Services	Total Expenses
		Management and General	Fundraising		
Expenses:					
Grants and assistance	\$ 791,761	\$ -	\$ -	\$ -	\$ 791,761
Foreign currency exchange loss	13,162	-	-	-	13,162
Salaries	77,144	19,251	67,367	86,618	163,762
Payroll taxes	5,982	1,473	5,154	6,627	12,609
Employee benefits	9,581	1,842	8,968	10,810	20,391
Professional fees	18,787	-	-	-	18,787
Office expense	-	-	10,657	10,657	10,657
Information technology expense	7,573	-	-	-	7,573
Occupancy	15,244	2,278	-	2,278	17,522
Travel	17,467	-	-	-	17,467
Conferences and meetings	1,000	-	-	-	1,000
Bank and credit card charges	3,634	-	-	-	3,634
Depreciation	-	2,003	-	2,003	2,003
Other expenses	66,090	5,911	57,494	63,405	129,495
	<u>\$ 1,027,425</u>	<u>\$ 32,758</u>	<u>\$ 149,640</u>	<u>\$ 182,398</u>	<u>\$ 1,209,823</u>

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2013

	2013				
	Program Services	Supportive Services		Total Supportive Services	Total Expenses
		Management and General	Fundraising		
Expenses:					
Grants and assistance	\$ 338,596	\$ -	\$ -	\$ -	\$ 338,596
Foreign currency exchange gain	4,467	-	-	-	4,467
Salaries	77,805	16,028	64,007	80,035	157,840
Payroll taxes	6,236	1,226	4,897	6,123	12,359
Employee benefits	8,392	1,243	7,180	8,423	16,815
Professional fees	34,080	-	200	200	34,280
Office expense	-	-	3,189	3,189	3,189
Information technology expense	4,176	-	-	-	4,176
Occupancy	17,990	2,648	-	2,648	20,638
Travel	27,022	-	-	-	27,022
Conferences and meetings	(200)	-	-	-	(200)
Bank and credit card charges	3,077	-	-	-	3,077
Depreciation	-	1,405	-	1,405	1,405
Other expenses	36,073	-	84,868	84,868	120,941
	<u>\$ 557,714</u>	<u>\$ 22,550</u>	<u>\$ 164,341</u>	<u>\$ 186,891</u>	<u>\$ 744,605</u>

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENT OF CASH FLOWS  
For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 359,502	\$ (13,270)
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation expense	2,003	1,405
(Increase) decrease in receivables	7,875	(7,340)
Decrease in prepaid expenses	-	6,700
Increase (decrease) in accounts payable	(4,724)	8,228
Decrease in accounts payable - grants	-	(32,420)
Increase (decrease) in accrued expenses	<u>(1,264)</u>	<u>49</u>
Net cash provided by (used in) operating activities	<u>363,392</u>	<u>(36,648)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	<u>(5,049)</u>	<u>(576)</u>
Net cash used in investing activities	<u>(5,049)</u>	<u>(576)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	358,343	(37,224)
CASH AND CASH EQUIVALENTS, beginning of year	<u>281,307</u>	<u>318,531</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 639,650</u>	<u>\$ 281,307</u>

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



KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kids in Need of Development, Education, and Relief (the Organization) is an international humanitarian organization based in the United States of America. The Organization was founded by a group of American Muslim physicians and relief workers. The Organization is a not-for-profit, non-stock corporate entity organized under the laws of the state of Texas in January 2002. The purpose of the Organization is to aid in the relief and development of children who are victims of man-made and natural disasters. The Organization is managed by a board of directors which is currently comprised of four active members.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. 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, or if they are designated as support for future periods. 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 activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Non-cash contributions are recorded at their fair value when significant. Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. These contributed services are not recorded in the financial statements.

Allocation of Expenses

The costs of providing the Organization's various programs and services are summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated to the Organization's program and supportive services.

Income Taxes

Kids in Need of Development, Education, and Relief is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Consequently, no income tax provision has been included in the financial statements. However, any activity determined to be unrelated to the Organization's tax exemption are subject to income taxes in accordance with Section 511 of the Internal Revenue Code. The Organization is not classified as a private foundation by the Internal Revenue Service.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include all highly liquid investments available for current use with an initial maturity of three months or less.

Property and Equipment

It is the Organization's policy to capitalize assets whose cost is greater than \$500. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Purchased property and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives of five to ten years. Depreciation expense was \$2,003 and \$1,405 for the years ended December 31, 2014 and 2013, respectively.

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 of assets and liabilities and the 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. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash. In the normal course of operations, the Organization may have bank account balances in excess of federally insured limits.

Foreign Currency Transactions

Foreign currency transactions during the year are recorded at actual exchange rates in effect at the date of the transaction. At year end, assets and liabilities are translated into U.S. dollars at foreign exchange rates in effect at the balance sheet date. Foreign currency exchange loss was \$13,162 and \$4,467 in the years ended December 31, 2014 and 2013, respectively.

Date of Management's Review

Subsequent events were evaluated through March 6, 2015, which is the date the financial statements were available to be issued.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
NOTES TO THE FINANCIAL STATEMENTS

2. EMPLOYMENT BENEFIT PLAN

The Organization maintains a tax deferred group annuity contract for the benefit of its employees. Eligible employees may contribute to the plan by electing to make salary reductions on a pre-tax basis. The Organization may elect to contribute to the plan on a discretionary basis. The Organization's retirement plan contribution was \$2,455 and \$2,455 in the years ended December 31, 2014 and 2013, respectively.

3. COMMITMENTS AND CONTINGENT LIABILITIES

The Organization leases office facilities and equipment under operating leases. Rent expense was \$17,562 and \$19,247 for the years ended December 31, 2014 and 2013, respectively.

Company employees are entitled to vacation and paid sick days. The estimated liability is insignificant and no liability has been recorded in the financial statements. The Organization's policy is to recognize costs of compensated absences when actually paid to employees.