

KIDS IN NEED OF DEVELOPEMT, EDUCATION, AND RELIEF

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

**FOR THE YEARS ENDED
DECEMBER 31, 2013 and 2012**

KIDS IN NEED OF DEVELOPEMT, 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 statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows 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 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Kids in Need of Development, Education, and Relief as of December 31, 2012, were audited by other auditors whose report dated June 12, 2013, expressed an unmodified opinion on those statements.

Tox, Byrd + Company, P.C.

March 26, 2014
Dallas, Texas

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 281,307	\$ 318,531
Accounts receivable	7,700	360
Accounts receivable - other	175	175
Prepaid expenses	-	6,700
Total current assets	<u>289,182</u>	<u>325,766</u>
Property and equipment		
Office equipment	14,238	13,662
Furniture and fixtures	3,538	3,538
	<u>17,776</u>	<u>17,200</u>
Less: Accumulated depreciation	14,043	12,638
	<u>3,733</u>	<u>4,562</u>
Security deposit	<u>1,185</u>	<u>1,185</u>
TOTAL ASSETS	<u><u>\$ 294,100</u></u>	<u><u>\$ 331,513</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - grants	\$ -	\$ 32,420
Accounts payable	13,515	5,287
Accrued expenses	3,248	3,199
Total current liabilities	<u>16,763</u>	<u>40,906</u>
Long-term liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>16,763</u>	<u>40,906</u>
Net Assets		
Unrestricted	265,557	270,607
Temporarily restricted	11,780	20,000
Total Net Assets	<u>277,337</u>	<u>290,607</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 294,100</u></u>	<u><u>\$ 331,513</u></u>

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Unrestricted Support and Revenues		
Contributions	\$ 719,510	\$ 744,037
Interest income	45	62
Net assets released from restrictions	<u>20,000</u>	<u>-</u>
 Total Unrestricted Revenues, Gains and Other Support	 <u>739,555</u>	 <u>744,099</u>
 Expenses		
Program service	557,714	447,481
Management and general	22,550	37,249
Fundraising and promotion	<u>164,341</u>	<u>94,452</u>
Total expenses	<u>744,605</u>	<u>579,182</u>
 Increase (Decrease) in Unrestricted Net Assets	 <u>(5,050)</u>	 <u>164,917</u>
 TEMPORARILY RESTRICTED ASSETS		
Contribution restricted to purchase playground equipment	-	20,000
Contribution restricted to purchase water wells	11,780	-
Net assets released from restrictions	<u>(20,000)</u>	<u>-</u>
 Increase in Temporarily Restricted Net Assets	 <u>(8,220)</u>	 <u>20,000</u>
 INCREASE (DECREASE) IN NET ASSETS	 (13,270)	 184,917
 NET ASSETS, beginning of year	 <u>290,607</u>	 <u>105,690</u>
 NET ASSETS, end of year	 <u>\$ 277,337</u>	 <u>\$ 290,607</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	Management and General	Fundraising	Total Supportive Services	Total Expenses
Expenses:					
Grants and assistance	\$ 338,596	\$ -	\$ -	\$ -	\$ 338,596
Foreign currency exchange loss	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
	\$ 557,714	\$ 22,550	\$ 164,341	\$ 186,891	\$ 744,605

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, 2012

	2012				
	Program Service	Management and General	Fundraising	Total Supportive Services	Total Expenses
Expenses:					
Grants and assistance	\$ 179,882	\$ -	\$ -	\$ -	\$ 179,882
Foreign currency exchange gain	(482)	-	-	-	(482)
Salaries	73,605	13,580	63,699	77,279	150,884
Payroll taxes	5,837	1,078	5,060	6,138	11,975
Employee benefits	14,607	1,622	10,063	11,685	26,292
Professional fees	29,359	3,183	2,830	6,013	35,372
Office expense	33,699	3,873	1,162	5,035	38,734
Information technology expense	5,423	588	523	1,111	6,534
Occupancy	25,206	2,733	2,429	5,162	30,368
Travel	16,467	1,876	2,501	4,377	20,844
Conferences and meetings	37,161	4,029	3,582	7,611	44,772
Bank and credit card charges	7,801	1,170	780	1,950	9,751
Depreciation	-	1,466	-	1,466	1,466
Other expenses	18,916	2,051	1,823	3,874	22,790
	<u>\$ 447,481</u>	<u>\$ 37,249</u>	<u>\$ 94,452</u>	<u>\$ 131,701</u>	<u>\$ 579,182</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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (13,270)	\$ 184,917
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities		
Depreciation expense	1,405	1,465
Increase in receivables	(7,340)	(535)
Decrease in prepaid expenses	6,700	100
Increase (decrease) in accounts payable	8,228	(1,316)
Decrease in accounts payable - grants	(32,420)	(51,162)
Increase in accrued expenses	49	1,572
Net cash provided by (used in) operating activities	<u>(36,648)</u>	<u>135,041</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(576)</u>	<u>(2,099)</u>
Net cash used in investing activities	<u>(576)</u>	<u>(2,099)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,224)	132,942
CASH AND CASH EQUIVALENTS, beginning of year	<u>318,531</u>	<u>185,589</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 281,307</u>	<u>\$ 318,531</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 years. Depreciation expense was \$1,405 and \$1,465 for the years ended December 31, 2013 and 2012, 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 \$4,467 in the year ended December 31, 2013, and foreign currency exchange gain was \$482 in the year ended December 31, 2012.

Date of Management's Review

Subsequent events were evaluated through March 26, 2014, 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 \$2,456 in the years ended December 31, 2013 and 2012, respectively.

3. COMMITMENTS AND CONTINGENT LIABILITIES

The Organization leases office facilities and equipment under operating leases. Rent expense was \$19,247 and \$22,872 for the years ended December 31, 2013 and 2012, 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.