

**KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA**

**FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

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

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying statement of financial position of Kids in Need of Development, Education, and Relief: Kinder USA as of December 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my 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: Kinder USA as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Mike Dunson, CPA  
April 23, 2012  
Dallas, Texas

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
STATEMENT OF FINANCIAL POSITION

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 185,589	\$ 188,076
Accounts receivable		3,473
Prepaid expenses	<u>6,800</u>	<u>23,886</u>
Total Current Assets	<u>192,389</u>	<u>215,435</u>
Property and Equipment		
Office equipment	20,906	60,655
Furniture and fixtures	<u>4,495</u>	<u>4,495</u>
	25,401	65,150
Less: Accumulated depreciation	<u>21,473</u>	<u>62,287</u>
	<u>3,928</u>	<u>2,863</u>
Deposit	<u>1,185</u>	<u>1,185</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 197,502</u></b>	<b><u>\$ 219,483</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable - grants	\$ 83,582	\$ 29,544
Accounts payable	6,603	3,688
Accrued expenses	<u>1,627</u>	<u>5,159</u>
Total Current Liabilities	91,812	38,391
Long-term Liabilities	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b><u>91,812</u></b>	<b><u>38,391</u></b>
Net Assets		
Unrestricted	105,690	171,092
Temporarily restricted		10,000
<b>TOTAL NET ASSETS</b>	<b><u>105,690</u></b>	<b><u>181,092</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 197,502</u></b>	<b><u>\$ 219,483</u></b>

See accompanying notes

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
STATEMENT OF ACTIVITIES

	<u>Year Ended December 31, 2011</u>	<u>Year Ended December 31, 2010</u>
<b>UNRESTRICTED NET ASSETS</b>		
Unrestricted Support and Revenues		
Contributions	\$ 694,796	\$ 669,452
Interest income	155	615
Net assets released from restrictions	<u>10,000</u>	<u>          </u>
<b>Total Unrestricted Revenues, Gains and Other Support</b>	<u>704,951</u>	<u>670,067</u>
<b>Expenses</b>		
Program service	579,417	576,821
Management and general	95,429	95,544
Fundraising and promotion	<u>95,507</u>	<u>94,262</u>
<b>Total Expenses</b>	<u>770,353</u>	<u>766,627</u>
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>(65,402)</u>	<u>(96,560)</u>
<b>TEMPORARILY RESTRICTED ASSETS</b>		
Contribution restricted to purchase of playground equipment		10,000
Net assets released from restrictions	<u>(10,000)</u>	<u>          </u>
<b>Increase in Temporarily Restricted Net Assets</b>	<u>(10,000)</u>	<u>10,000</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<u>(75,402)</u>	<u>(86,560)</u>
<b>NET ASSETS, Beginning of year</b>	<u>181,092</u>	<u>267,652</u>
<b>NET ASSETS, End of year</b>	<u>\$ 105,690</u>	<u>\$ 181,092</u>

See accompanying notes

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2011

	Program Service	Management and General	Fundraising	Total Supportive Services	Total Expenses
Expenses:					
Grants and assistance	\$ 359,992	\$	\$	\$	\$ 359,992
Foreign currency exchange loss	12,232				12,232
Salaries	74,663	18,666	62,219	80,885	155,548
Payroll taxes	5,990	1,498	4,992	6,490	12,480
Employee benefits	11,112	2,778	9,260	12,038	23,150
Professional fees	13,572	11,721	5,552	17,273	30,845
Office expense	26,397	4,902	6,411	11,313	37,710
Information technology expense	503	2,346	503	2,849	3,352
Occupancy	10,803	16,205		16,205	27,008
Travel	15,785	7,893	2,631	10,524	26,309
Conferences and meetings	26,471	17,206	441	17,647	44,118
Depreciation		2,083		2,083	2,083
Bank and credit card charges	7,904	2,634		2,634	10,538
Other expenses	13,993	7,497	3,498	10,995	24,988
	<u>\$ 579,417</u>	<u>\$ 95,429</u>	<u>\$ 95,507</u>	<u>\$ 190,936</u>	<u>\$ 770,353</u>

See accompanying notes

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended December 31, 2010

	Program Service	Management and General	Fundraising	Total Supportive Services	Total Expenses
<b>Expenses:</b>					
Grants and assistance	\$ 364,840	\$	\$	\$	\$ 364,840
Foreign currency exchange loss	4,383				4,383
Salaries	72,112	18,266	60,309	78,575	150,687
Payroll taxes	5,615	1,404	4,679	6,083	11,698
Employee benefits	11,406	2,851	9,505	12,356	23,762
Professional fees	12,180	10,518	4,982	15,500	27,680
Office expense	34,689	6,442	8,424	14,866	49,555
Information technology expense	2,458	435	435	870	3,328
Occupancy	12,729	19,093		19,093	31,822
Travel	22,183	11,091	3,697	14,788	36,971
Conferences and meetings	23,494	15,271	392	15,663	39,157
Depreciation		3,562		3,562	3,562
Bank and credit card charges	7,586	2,529		2,529	10,115
Other expenses	3,146	4,082	1,839	5,921	9,067
	<u>\$ 576,821</u>	<u>\$ 95,544</u>	<u>\$ 94,262</u>	<u>\$ 189,806</u>	<u>\$ 766,627</u>

See accompanying notes

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
STATEMENT OF CASH FLOWS

	Year Ended December 31, 2011	Year Ended December 31, 2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (75,402)	\$ (86,560)
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation expense	2,083	3,562
Decrease (increase) in receivables	3,473	(2,919)
Decrease (increase) in prepaid expense	17,086	(785)
Increase (decrease) in accounts payable	2,915	(2,331)
Increase (decrease) in accounts payable - grants	54,038	(7,356)
Increase (decrease) in accrued expenses	(3,532)	1,083
Net Cash Provided by Operating Activities	661	(95,306)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Redemption of certificates of deposit		15,409
Purchase of property and equipment	(3,148)	
Net Cash Provided (Used) by Investing Activities	(3,148)	15,409
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,487)	(79,897)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>	188,076	97,676
<b>CASH AND CASH EQUIVALENTS, End of year</b>	\$ 185,589	\$ 17,779

See accompanying notes



KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Nature of Activities*

Kids in Need of Development, Education, and Relief: Kinder USA (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 the 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: Kinder USA 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: KINDER USA  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 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 \$2,083 and \$3,562 for the years ended December 31, 2011 and 2010.

*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 \$12,232 and \$4,383 in the year ended December 31, 2011 and 2010 and is included in other expenses.

*Date of Management's Review*

Subsequent events were evaluated through April 23, 2012, which is the date the financial statements were available to be issued.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA  
NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2011 and 2010

**NOTE 2 – EMPLOYEE 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 pretax basis. The Organization may elect to contribute to the plan on a discretionary basis. The Organization's retirement plan contribution was \$2,325 and \$2,385 in the years ended December 31, 2011 and 2010.

**NOTE 3 - COMMITMENTS AND CONTINGENT LIABILITIES**

The Organization leases office facilities and equipment under operating leases. Rent expense was \$20,941 and \$20,820 for the years ended December 31, 2011 and 2010. The future minimum lease payments at December 31, 2011, are as follows:

Year Ended December 31,	Amount
<u>2012</u>	<u>\$ 9,111</u>
	<u>\$ 9,111</u>

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 Company's policy is to recognize costs of compensated absences when actually paid to employees.