

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

FINANCIAL STATEMENTS

December 31, 2010 and 2009

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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, 2010 and 2009, 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, 2010 and 2009, 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

Mike Dunson, CPA
May 10, 2011
Dallas, Texas

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

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 188,076	\$ 267,973
Certificates of deposit		15,409
Accounts receivable	3,473	554
Prepaid expenses	<u>23,886</u>	<u>23,101</u>
Total Current Assets	<u>215,435</u>	<u>307,037</u>
Property and Equipment		
Office equipment	60,655	60,655
Furniture and fixtures	<u>4,495</u>	<u>4,495</u>
	65,150	65,150
Less: Accumulated depreciation	<u>62,287</u>	<u>58,725</u>
	<u>2,863</u>	<u>6,425</u>
Deposit	<u>1,185</u>	<u>1,185</u>
TOTAL ASSETS	<u><u>\$ 219,483</u></u>	<u><u>\$ 314,647</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,688	\$ 6,019
Accounts payable - grants	29,544	36,900
Accrued expenses	<u>5,159</u>	<u>4,076</u>
Total Current Liabilities	<u>38,391</u>	<u>46,995</u>
Long-term Liabilities		
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>38,391</u>	<u>46,995</u>
Net Assets		
Unrestricted	171,092	267,652
Temporarily restricted	10,000	
TOTAL NET ASSETS	<u>181,092</u>	<u>267,652</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 219,483</u></u>	<u><u>\$ 314,647</u></u>

See accompanying notes

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

	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>
UNRESTRICTED NET ASSETS		
Unrestricted Support and Revenues		
Contributions	\$ 669,452	\$ 1,028,368
Interest income	<u>615</u>	<u>1,215</u>
Total Unrestricted Revenues, Gains and Other Support	<u>670,067</u>	<u>1,029,583</u>
Expenses		
Program service	576,821	696,030
Management and general	95,544	131,731
Fundraising and promotion	<u>94,262</u>	<u>118,085</u>
Total Expenses	<u>766,627</u>	<u>945,846</u>
Increase (Decrease) in Unrestricted Net Assets	<u>(96,560)</u>	<u>83,737</u>
TEMPORARILY RESTRICTED ASSETS		
Contribution restricted to purchase of playground equipment	<u>10,000</u>	<u>:</u>
Increase in Temporarily Restricted Net Assets	<u>10,000</u>	<u></u>
INCREASE (DECREASE) IN NET ASSETS	<u>(86,560)</u>	<u>83,737</u>
NET ASSETS, Beginning of year	<u>267,652</u>	<u>183,915</u>
NET ASSETS, End of year	<u>\$ 181,092</u>	<u>\$ 267,652</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
Expenses:					
Grants and assistance	\$ 364,840	\$	\$	\$	\$ 364,840
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	7,529	4,082	1,839	5,921	13,450
	<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 FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Program Service	Management and General	Fundraising	Total Supportive Services	Total Expenses
Expenses:					
Grants and assistance	\$ 470,653	\$	\$	\$	\$ 470,653
Salaries	83,237	47,564	49,354	96,918	180,155
Payroll taxes	5,579	5,579		5,579	11,158
Employee benefits	7,094	4,829	3,000	7,829	14,923
Professional fees		20,618	20,618	41,236	41,236
Office expense	28,703	14,871	9,352	24,223	52,926
Information technology expense	3,263	735	735	1,470	4,733
Occupancy	21,360	16,095		16,095	37,455
Travel	28,970	598	5,192	5,790	34,760
Conferences and meetings	36,151		10,000	10,000	46,151
Depreciation		4,823		4,823	4,823
Bank and credit card charges	4,226	12,677		12,677	16,903
Advertising and promotion			18,052	18,052	18,052
Other expenses	6,794	3,342	1,782	5,124	11,918
	<u>\$ 696,030</u>	<u>\$ 131,731</u>	<u>\$ 118,085</u>	<u>\$ 249,816</u>	<u>\$ 945,846</u>

See accompanying notes

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

	<u>Year Ended December 31, 2010</u>	<u>Year Ended December 31, 2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (86,560)	\$ 83,737
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation expense	3,562	4,823
Decrease (increase) in receivables	(2,919)	(554)
Decrease (increase) in prepaid expense	(785)	10,950
Decrease (increase) in other assets		(1,185)
Increase (decrease) in accounts payable	(2,331)	2,568
Increase (decrease) in accounts payable - grants	(7,356)	26,900
Increase (decrease) in accrued expenses	1,083	128
Net Cash Provided by Operating Activities	<u>(95,306)</u>	<u>127,367</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in certificates of deposit		(15,484)
Redemption of certificates of deposit	15,409	25,621
Purchase of property and equipment		(1,244)
Net Cash Provided (Used) by Investing Activities	<u>15,409</u>	<u>8,893</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(79,897)	136,260
CASH AND CASH EQUIVALENTS, Beginning of year	<u>267,973</u>	<u>131,713</u>
CASH AND CASH EQUIVALENTS, End of year	<u><u>\$ 188,076</u></u>	<u><u>\$ 267,973</u></u>

See accompanying notes

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF: KINDER USA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010 and 2009

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, 2010 and 2009

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 \$3,562 and \$4,823 for the years ended December 31, 2010 and 2009.

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.

Reclassification of Prior Year Information

Certain prior year information has been reclassified to conform to current year presentation.

Date of Management's Review

Subsequent events were evaluated through May 10, 2011, 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, 2010 and 2009

NOTE 2 – CERTIFICATES OF DEPOSIT

At December 31, 2009, the Organization also has two certificates of deposit in the total amount of \$25,602 with terms of three and nine months at rates of 0% and .50%.

NOTE 3 – 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 \$2,385 and \$735 in the years ended December 31, 2010 and 2009.

NOTE 4 - COMMITMENTS AND CONTINGENT LIABILITIES

The Organization leases office facilities and equipment under operating leases. Rent expense was \$20,820 and \$21,689 for the years ended December 31, 2010 and 2009. The future minimum lease payments at December 31, 2010, are as follows:

Year Ended December 31,	Amount
2011	\$ 9,926
2012	2,000
	<u>\$ 11,926</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.