

# TUGGLE, BURTON & CO., P.C.

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Kids in Need of Development, Education, and Relief (a Texas nonprofit organization), which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities and change in net assets, cash flows and functional expenses 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 2018 and 2017 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, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Jerry J. Burton, Co. P.C.*

April 25, 2019  
Addison, Texas

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31,

ASSETS

<u>CURRENT ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash	\$ 439,722	\$ 338,829
Contributions receivable	19,884	13,332
Prepaid expenses	350	-
	<hr/>	<hr/>
TOTAL CURRENT ASSETS	459,956	352,161
<u>PROPERTY AND EQUIPMENT</u>		
Office furniture	3,657	2,874
Office equipment	6,553	6,553
	<hr/>	<hr/>
	10,210	9,427
Less accumulated depreciation	(8,413)	(7,345)
	<hr/>	<hr/>
TOTAL PROPERTY AND EQUIPMENT	1,797	2,082
Investments	2,715	-
Security deposit	1,070	1,070
	<hr/>	<hr/>
TOTAL OTHER ASSETS	3,785	1,070
TOTAL ASSETS	<u>\$ 465,538</u>	<u>\$ 355,313</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 2,647	\$ 5,599
Accrued expense	3,497	1,513
	<hr/>	<hr/>
TOTAL CURRENT LIABILITIES	6,144	7,112
<u>NET ASSETS</u>		
Donor restricted	-	-
Without donor restrictions	459,394	348,201
	<hr/>	<hr/>
TOTAL NET ASSETS	459,394	348,201
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 465,538</u>	<u>\$ 355,313</u>

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>			<u>2017</u>		
	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>Donor Restricted</u>	<u>Total</u>
<b><u>REVENUES AND SUPPORT</u></b>						
Contributions	482,556	\$ 543,677	\$ 1,026,233	379,434	494,651	\$ 874,085
Net assets released from restrictions, satisfaction of purpose restrictions	<u>543,677</u>	<u>(543,677)</u>	<u>-</u>	<u>494,651</u>	<u>(494,651)</u>	<u>-</u>
<b>TOTAL REVENUES AND SUPPORT</b>	<u>1,026,233</u>	<u>-</u>	<u>1,026,233</u>	<u>874,085</u>	<u>-</u>	<u>874,085</u>
<b><u>EXPENSES</u></b>						
Program service	<u>785,510</u>	<u>-</u>	<u>785,510</u>	<u>742,915</u>	<u>-</u>	<u>742,915</u>
Total program expenses	<u>785,510</u>	<u>-</u>	<u>785,510</u>	<u>742,915</u>	<u>-</u>	<u>742,915</u>
Fund-raising	<u>87,358</u>	<u>-</u>	<u>87,358</u>	<u>83,653</u>	<u>-</u>	<u>83,653</u>
Management and general	<u>41,874</u>	<u>-</u>	<u>41,874</u>	<u>42,545</u>	<u>-</u>	<u>42,545</u>
<b>TOTAL EXPENSES</b>	<u>914,742</u>	<u>-</u>	<u>914,742</u>	<u>869,113</u>	<u>-</u>	<u>869,113</u>
<b><u>OTHER INCOME (LOSS)</u></b>						
Investment loss	<u>(298)</u>	<u>-</u>	<u>(298)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>INCREASE IN NET ASSETS</b>	<u>111,193</u>	<u>-</u>	<u>111,193</u>	<u>4,972</u>	<u>-</u>	<u>4,972</u>
<b><u>NET ASSETS, beginning, as reported</u></b>	<u>348,201</u>	<u>-</u>	<u>348,201</u>	<u>368,547</u>	<u>-</u>	<u>368,547</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,318)</u>	<u>-</u>	<u>(25,318)</u>
<b><u>NET ASSETS, beginning, adjusted</u></b>	<u>348,201</u>	<u>-</u>	<u>348,201</u>	<u>343,229</u>	<u>-</u>	<u>343,229</u>
<b><u>NET ASSETS, ending</u></b>	<u>\$ 459,394</u>	<u>\$ -</u>	<u>\$ 459,394</u>	<u>\$ 348,201</u>	<u>\$ -</u>	<u>\$ 348,201</u>

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from contributions, programs, etc.	\$ 1,019,681	\$ 876,029
Cash paid to employees	(146,633)	(154,975)
Cash paid to vendors	<u>(768,359)</u>	<u>(716,176)</u>
 CASH PROVIDED BY OPERATING ACTIVITIES	 <u>104,689</u>	 <u>4,878</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(3,013)	-
Purchase of fixed assets	<u>(783)</u>	<u>(2,373)</u>
CASH USED IN INVESTING ACTIVITIES	<u>(3,796)</u>	<u>(2,373)</u>
 <u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Prior period adjustment	<u>-</u>	<u>(25,318)</u>
	<u>-</u>	<u>(25,318)</u>
 <u>NET INCREASE (DECREASE) IN CASH</u>	 100,893	 (22,813)
 <u>CASH, beginning of year</u>	 <u>338,829</u>	 <u>361,642</u>
 <u>CASH, end of year</u>	 <u>\$ 439,722</u>	 <u>\$ 338,829</u>

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

<u>NET INCOME</u>	\$ 111,193	\$ 4,972
 <u>ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Depreciation	1,068	2,302
Unrealized loss on investments	298	-
 Change in asset and liability accounts affecting net income:		
Accounts receivable	(6,552)	1,330
Prepaid expense	(350)	-
Security deposit	-	(1,070)
Accounts payable	(2,952)	(1,989)
Accrued liabilities	<u>1,984</u>	<u>(667)</u>
 <u>NET CASH PROVIDED BY OPERATIONS</u>	 <u>\$ 104,689</u>	 <u>\$ 4,878</u>

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

**KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2017</u>
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Supportive</u>	<u>Expenses</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Supportive</u>	<u>Totals</u>
	<u>Services</u>	<u>and General</u>	<u>2018</u>	<u>Services</u>	<u>Total</u>	<u>Services</u>	<u>and General</u>	<u>2017</u>	<u>Services</u>	<u>Totals</u>
Grants and assistance	\$ 612,832	\$ -	\$ -	\$ -	\$ 612,832	\$ 522,090	\$ -	\$ -	\$ -	\$ 522,090
Salaries	82,977	22,128	11,064	33,192	116,169	91,096	24,293	12,146	36,439	127,535
Payroll taxes	6,348	1,693	846	2,539	8,887	7,009	1,869	934	2,803	9,812
Employee benefits	15,313	4,083	2,042	6,125	21,438	12,591	3,358	1,679	5,037	17,628
Professional fees	23,837	-	-	-	23,837	19,146	-	10,595	10,595	29,741
Office expense	1,621	1,273	1,620	2,893	4,514	4,010	3,150	4,009	7,159	11,169
Information technology expense	4,897	-	-	-	4,897	6,424	-	-	-	6,424
Occupancy	21,198	2,854	-	2,854	24,052	25,988	3,499	-	3,499	29,487
Travel	5,499	836	-	836	6,335	8,730	-	-	-	8,730
Conference and Meeting Expense	3,092	-	-	-	3,092	549	-	-	-	549
Bank and credit card charges	2,064	-	-	-	2,064	1,877	-	-	-	1,877
Depreciation	-	1,068	-	1,068	1,068	-	2,302	-	2,302	2,302
Other expenses	5,832	7,939	71,786	79,725	85,557	43,405	4,074	54,290	58,364	101,769
Totals	<u>\$ 785,510</u>	<u>\$ 41,874</u>	<u>\$ 87,358</u>	<u>\$ 129,232</u>	<u>\$ 914,742</u>	<u>\$ 742,915</u>	<u>\$ 42,545</u>	<u>\$ 83,653</u>	<u>\$ 126,198</u>	<u>\$ 869,113</u>

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

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NATURE OF BUSINESS

Kids in Need of Development, Education, and Relief (the “Organization” or “Kinder USA”) is an organization which was incorporated in January 2002 under the laws of the State of Texas. The Organization is classified as a nonprofit organization under Internal Revenue Code Section 501 (c) 3. The Organization is considered a public charity under Section 170 of the Internal Revenue Code. The Organization's mission is to improve the lives of Palestinian children and other children in crisis through development and emergency relief. The Organization funds programs in Turkey, Lebanon, Gaza, the West Bank, and Pakistan.

The Organization focuses its mission in three areas: (a) Education and Health (b) Nutrition, and (c) Emergency Relief. The Organization funds the following programs in these areas:

(a) Education and Health:

- (i) The Organization supports a school for refugee children hiring teachers and tutors; provides psychosocial support to children through educational and play therapy;
- (ii) The organization conducts weight and height assessments for referrals and as part of a nutritional development program;
- (iii) The Organization supports the youth through theatrical psycho-cultural support.

(b) Nutrition:

- (i) The Organization supports kindergartens through delivery of nutritional lunch prepared by women cooperatives,
- (ii) The Organization works with small scale farmers and women cooperatives for the production of fresh fruits, vegetables, dairy, poultry for distribution with partner organizations in the West Bank and Gaza,
- (iii) The organization provides classes in proper nutrition and food preparation classes to mothers.

(c) Emergency Relief:

- (i) The Organization partners with local organizations to provide food, shelter, and medical care to children and families affected by natural and man-made disasters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements of the Organization were prepared using the accrual basis of accounting. Material amounts of goods and services are recorded as assets or expenses at the time the liabilities arise, which is normally when title to the goods pass or when the services are received. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

Reporting

In order to comply with accounting principles generally accepted in the United States of America, the Organization must prepare its external financial statements in accordance with guidance issued by the Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205-45 *Not-for-profit Organizations – Presentation of Financial Statements*, which requires that not-for-profit organizations provide a statement of financial position, a statement of activities and cash flows. It requires reporting amounts for the Organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in the Organization's net assets in statement of activities; reporting the change in its cash and cash equivalents in a statement of cash flows.

This Statement also requires classification of the Organization's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – (1) donor-restricted, which are composed of assets restricted by the donor as to time, usage and access for donor-specific purposes, and until certain conditions are satisfied, (2) unrestricted, which are donations not restricted by the donor as to time, access or usage - be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities. The Organization has adopted the requirements of Financial Accounting Standards Update 2016-14.

Allocation of expenses

Management calculates allocation of general expenses to specific programs, fundraising, and administration, utilizing an estimate of time spent by management in these areas. Direct program expenses are allocated directly to associated programs. Compensation is allocated to specific programs based upon an estimate of time spent on each program. Depreciation is allocated based upon usage of assets for each program.

Financial Instruments

The Organization's financial instruments are cash and cash equivalents, accounts receivable and accounts payable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based upon their short-term nature. The recorded values of notes payable and long-term debt approximate their fair values, as interest approximates market rates.