

KID POWER, INC.

**Financial Statements
Together with Independent Auditors' Report**

For the Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kid Power, Inc.:

We have audited the accompanying financial statements of Kid Power, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2015 and 2014, the related statements of activities 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 misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Kid Power, Inc. as of June 30, 2015 and 2014, 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.

Stout, Causey, & Horning, P.A.

October 15, 2015

KID POWER, INC.

Statements of Financial Position

<i>As of June 30,</i>	<i>2015</i>	<i>2014</i>
Assets		
Current Assets		
Cash	\$ 33,232	\$ 67,434
Restricted cash	10,000	10,000
Grants and other contributions receivable	159,761	108,273
Total Current Assets	202,993	185,707
Property and Equipment, net	12,111	7,075
Total Assets	\$ 215,104	\$ 192,782
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 3,017	\$ 7,489
Note payable, current portion	-	5,463
Deferred revenue	-	33,721
Total Current Liabilities	3,017	46,673
Total Liabilities	3,017	46,673
Commitments (Note 8)		
Net Assets		
Unrestricted	164,187	127,359
Temporarily restricted	47,900	18,750
Total Net Assets	212,087	146,109
Total Liabilities and Net Assets	\$ 215,104	\$ 192,782

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

KID POWER, INC.

Statement of Activities For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains and Other Support			
Contributions			
Federal government grants	\$ 395,228	\$ -	\$ 395,228
Local government grants	229,691	29,150	258,841
Foundation grants	196,347	8,750	205,097
Corporate contributions - in kind goods	129,945	-	129,945
Individual contributions	29,096	-	29,096
Corporate contributions	3,128	-	3,128
Other Revenue			
Earned revenue	8,368	-	8,368
Other event revenue	2,958	-	2,958
Campaign revenue	2,347	-	2,347
Reimbursed expenses	879	-	879
Net Assets Released from Restrictions			
Restrictions satisfied	8,750	(8,750)	-
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Total Revenues, Gains and Other Support	1,006,737	29,150	1,035,887
Expenses			
Program Services			
Salaries	463,363	-	463,363
Professional services	156,296	-	156,296
Payroll taxes	38,949	-	38,949
Books, equipment and supplies	35,238	-	35,238
Transportation	30,782	-	30,782
Rent	29,744	-	29,744
Employee benefits	25,297	-	25,297
Printing and publications	6,583	-	6,583
Insurance	4,298	-	4,298
Professional development	3,367	-	3,367
Food	1,619	-	1,619
Other program expenses	29,303	-	29,303
Supporting Services			
Salaries	45,438	-	45,438
General and administrative	52,782	-	52,782
Interest expense	402	-	402
Fundraising Expenses			
Salaries	38,089	-	38,089
General fundraising	8,359	-	8,359
<hr/>			
Total Expenses	969,909	-	969,909
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Change in Net Assets	36,828	29,150	65,978
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Net Assets, beginning of year	127,359	18,750	146,109
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Net Assets, end of year	\$ 164,187	\$ 47,900	\$ 212,087

The accompanying notes are an integral part of this financial statement.

KID POWER, INC.

Statement of Activities For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Contributions			
Federal government grants	\$ 301,677	\$ -	\$ 301,677
Foundation grants	181,940	8,750	190,690
Corporate contributions - in kind goods	154,263	-	154,263
Local government grants	153,971	-	153,971
Individual contributions	27,993	-	27,993
Corporate contributions	15,084	-	15,084
Other Revenue			
Other event revenue	15,857	-	15,857
Earned revenue	5,850	-	5,850
Campaign revenue	2,907	-	2,907
Reimbursed expenses	1,410	-	1,410
Net Assets Released from Restrictions			
Restrictions satisfied	35,875	(35,875)	-
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Total Revenues, Gains, and Other Support	896,827	(27,125)	869,702
Expenses			
Program Services			
Salaries	355,026	-	355,026
Professional services	161,629	-	161,629
Books, equipment and supplies	36,513	-	36,513
Payroll taxes	28,863	-	28,863
Other program expenses	27,443	-	27,443
Rent	20,740	-	20,740
Transportation	19,871	-	19,871
Employee benefits	14,452	-	14,452
Food	8,234	-	8,234
Printing and publications	5,646	-	5,646
Professional development	4,921	-	4,921
Insurance	4,404	-	4,404
Supporting Services			
General and administrative	39,172	-	39,172
Salaries	32,993	-	32,993
Interest expense	687	-	687
Fundraising Expenses			
Salaries	26,313	-	26,313
General fundraising	11,347	-	11,347
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Total Expenses	798,254	-	798,254
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Change in Net Assets	98,573	(27,125)	71,448
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Net Assets, beginning of year	28,786	45,875	74,661
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Net Assets, end of year	\$ 127,359	\$ 18,750	\$ 146,109

The accompanying notes are an integral part of this financial statement.

KID POWER, INC.

Statements of Cash Flows

<i>For the Years Ended June 30,</i>	<i>2015</i>	<i>2014</i>
Cash Flows from Operating Activities		
Change in net assets	\$ 65,978	\$ 71,448
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	5,355	3,509
Bad debt expense	8,035	-
Changes in operating assets and liabilities:		
Grants and other contributions receivable	(59,523)	(25,040)
Accounts payable and accrued expenses	(4,472)	(2,050)
Deferred revenue	(33,721)	14,024
Net Cash (Used in) Provided by Operating Activities	(18,348)	61,891
Cash Flows from Investing Activities		
Purchases of property and equipment	(10,391)	(2,995)
Net Cash Used in Investing Activities	(10,391)	(2,995)
Cash Flows from Financing Activities		
Repayments on notes payable	(5,463)	(7,280)
Repayments to related parties	-	(14,000)
Net Cash Used in Financing Activities	(5,463)	(21,280)
Net (Decrease) Increase in Cash	(34,202)	37,616
Cash, beginning of year	67,434	29,818
Cash, end of year	\$ 33,232	\$ 67,434
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	\$ 402	\$ 518

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

KID POWER, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Organization

Kid Power, Inc. (the Organization) provides academic, civic, nutritional, and service-learning opportunities for 425 youth (ages 7-18) in underserved neighborhoods in the District of Columbia (Wards 1, 2, 4, 6, 7, and 8) in after school and summer programs. Kid Power inspires youth leadership by promoting academic advancement, physical and emotional wellness, and positive civic engagement in underserved communities throughout the District of Columbia. In the Academic Power Hour, students participate in homework help and engaging, hands-on activities that align with the Common Core Standards. In the Citizenship Project, students and their mentors use a literacy-building and civic engagement curriculum to study the building blocks of citizenship and implement community action projects. In VeggieTime, students study nutrition and the environment, operate citywide gardens, participate in cooking classes, introduce fresh produce into their homes, sell produce at markets, and implement nutritional service projects.

Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of any contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Support and Expenses

Grants and other contributions received and unconditional promises to give are measured at their fair value and are reported as an increase in net assets. In accordance with the provisions of Accounting Standards Codification 958, *Not-for-Profit Entities* (ASC 958), the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Unrestricted Net Assets

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

**Notes to the Financial Statements
For the Years Ended June 30, 2015 and 2014**

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Support and Expenses – cont'd.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to these stipulations. Net assets may be temporarily restricted for various purposes, such as use in future periods or use for specified purposes. 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 statements of activities as net assets released from restrictions. Any temporarily restricted resource that is received and used during the same year is considered an unrestricted resource and is reported as an unrestricted contribution.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the Organization's actions.

Donated Services and Goods

A substantial number of volunteers have donated approximately 16,569 hours and 15,338 hours to the Organization's program services and fund-raising campaigns during the years ended June 30, 2015 and 2014, respectively. These donated services are not reflected in the financial statements because the services do not require specialized skills and are not subject to objective measurement and valuation. Contributions of professional services, materials and other noncash assets are reflected in the statements of activities as revenues and expenses at their fair value at the date of receipt.

Cash

The Organization maintains substantially all of its cash with one commercial bank. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor. The Organization periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Restricted Cash

Restricted cash consists of monies that have been restricted per the requirements of a grant restriction requiring the establishment of a Board restricted emergency fund.

**Notes to the Financial Statements
For the Years Ended June 30, 2015 and 2014**

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Grants and Other Contributions Receivable

Grants and other contributions receivable are carried at the original grant or contribution amount, less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the collectability of specific grants and contributions by regularly evaluating individual donor receivables and considering a donor's financial condition, credit history, and current economic conditions. Based on management's assessment, the Organization provides for estimated uncollectable amounts through a charge to expenses and a credit to a valuation allowance. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and other contributions receivable. The Organization wrote off uncollectable contributions receivable totaling \$8,035 during the year ended June 30, 2015. The Organization did not write off any uncollectable contributions receivable during the year ended June 30, 2014.

Management has determined that grants and other contributions receivable as of June 30, 2015 and 2014 are fully collectable and that a provision for doubtful accounts is not required. Interest is not recorded on any past due balances.

Property and Equipment

Property and equipment is stated at historical cost or, if donated, at fair value on the date of the donation, less accumulated depreciation. Depreciation is recognized using the straight line method over the following estimated useful lives:

Equipment	5-7 years
Vehicles	5 years

Repairs and maintenance costs are expensed when incurred.

Valuation of Long-Lived Assets

The Organization accounts for the valuation of long-lived assets in accordance with ASC 360, *Property, Plant and Equipment*. ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. The Organization believes none of its long-lived assets were impaired as of June 30, 2015 and 2014. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. The Organization had no assets intended for disposal as of June 30, 2015. As of June 30, 2014, the Organization held a vehicle with a total original cost \$12,500 and a total net book value of \$2,708 intended for disposal. This vehicle was disposed during the year ended June 30, 2015.

KID POWER, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – cont'd.

Income Taxes

Prior to June 30, 2008, the Organization was incorporated in the State of Delaware under the name Kid Power-DC, Inc. and operated as an organization generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Effective July 1, 2008, the Organization elected to reincorporate in the District of Columbia under the name Kid Power, Inc. and secured tax exempt status under Section 501(c)(3).

Income, which is not related to exempt purposes, less applicable deductions, is subject to Federal and state corporate income taxes. Management believes the Organization has no net unrelated business income for the years ended June 30, 2015 and 2014. However, the Organization's Federal and applicable state income tax returns remain subject to examination by U.S. Federal and state authorities for the tax years 2012 through 2015.

ASC 740, *Income Taxes*, prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return as well as guidance on de-recognition, classification, interest and penalties and financial statement reporting disclosures. For these benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has considered its income tax positions, including any positions that may be considered uncertain by the relevant tax authorities in the jurisdictions in which the Organization operates. As of June 30, 2015 and 2014, the Organization had not identified any uncertain tax positions and no unrecognized tax exposures.

The Organization recognizes interest and penalties accrued on any unrecognized tax exposures as a component of income tax expense. The Organization does not have any amounts accrued relating to interest and penalties as of June 30, 2015 and 2014.

Subsequent Events

The Organization evaluated for disclosure any subsequent events through October 15, 2015, the date the financial statements were available to be issued.

2. GRANTS AND OTHER CONTRIBUTIONS RECEIVABLE

The components of grants and other contributions receivable are as follows as of June 30,:

	2015	2014
Billed receivables	\$ 159,761	\$ 80,155
Unbilled receivables	-	28,118
Grants and other contributions receivable	\$ 159,761	\$ 108,273

KID POWER, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

2. GRANTS AND OTHER CONTRIBUTIONS RECEIVABLE – cont'd.

The unbilled receivables include amounts due for grant revenues earned on cost-reimbursable grants as of year-end, but not yet billed under the terms of the grants. All billed and unbilled receivable amounts are expected to be collected during the next fiscal year.

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net, consists of the following as of June 30:

	2015	2014
Vehicles	\$ 12,500	\$ 12,500
Equipment	18,027	7,636
Total property and equipment	30,527	20,136
Less: accumulated depreciation	(18,416)	(13,061)
Property and equipment, net	\$ 12,111	\$ 7,075

Depreciation expense totaled \$5,355 and \$3,509 for the years ended June 30, 2015 and 2014, respectively.

4. LINE OF CREDIT AND NOTE PAYABLE

The Organization had a line of credit with a commercial bank (the Bank). The aggregate amount of outstanding advances under this line was limited to \$25,000. Effective February 24, 2012, this line of credit was converted to a term loan. On the date of conversion, outstanding advances totaled \$21,874. The loan bore interest at the greater of the Bank's Prime Rate plus 1.25% (4.50% as of June 30, 2015 and 2014) or 5.50% and was payable in monthly payments of \$650 commencing on March 15, 2012, with a final payment of all remaining principal and accrued interest due on February 15, 2015. This loan was secured by substantially all of the Organization's assets. The total outstanding balance on this loan totaled \$5,463 as of June 30, 2014. This loan was paid off during the year ended June 30, 2015.

5. DUE TO RELATED PARTIES

As of June 30, 2013, the Organization owed \$14,000 on short-term loans from related parties. These loans were paid off during the year ended June 30, 2014.

KID POWER, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following specific program services as of June 30,:

	2015	2014
Summer programs	\$ 37,900	\$ 8,750
Reserve funds	10,000	10,000
Total temporarily restricted net assets	\$ 47,900	\$ 18,750

7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following were released from restrictions during the years ended June 30,:

	2015	2014
Summer programs	\$ 8,750	\$ 35,875

8. COMMITMENTS

Operating Leases

The Organization rents office space under an operating lease on a month-to-month basis. The facility lease requires additional payments for certain operating expenses and insurance.

The Organization also leases a copier under the terms of a non-cancelable operating lease that expires on December 28, 2017. Future minimum lease payments under this operating lease agreement consist of the following for the years ending June 30,:

2015	\$ 3,900
2016	3,900
2017	3,900
2018	1,950
Total	\$ 13,650

Rent expense totaled \$35,144 and \$29,026 for the years ended June 30, 2015 and 2014, respectively.

Board Restricted Cash

As of June 30, 2015 and 2014, the Organization had cash reserves of \$15,000 and \$10,000, respectively, pursuant to a voluntary restricted cash reserve established by the Organization's Board of Directors.

KID POWER, INC.

Notes to the Financial Statements For the Years Ended June 30, 2015 and 2014

9. CONCENTRATION OF CREDIT RISK

For the year ended June 30, 2015 revenue from two grantors, the DC Office of the State Superintendent of Education (OSSE) and the Children and Youth Investment Trust (CYITC) represented approximately 38% and 18% of total revenues, respectively. As of June 30, 2015, grant receivables under these programs totaled \$63,745 and \$36,800, respectively.

For the year ended June 30, 2014, revenue from two grantors, the DC Office of the State Superintendent of Education (OSSE) and the Children and Youth Investment Trust (CYITC) represented approximately 35% and 19% of total revenues, respectively. As of June 30, 2014, grant receivables under these programs totaled \$60,226 and \$25,262, respectively.