

KID POWER, INC.

FINANCIAL STATEMENTS

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kid Power, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Kid Power, Inc., which comprise the statement of financial position as of June 30, 2019, 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 Kid Power, Inc., as of June 30, 2019, 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.

Adoption of New Accounting Pronouncement

As discussed in Note 1 to the financial statements, Kid Power, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Wegner CPAs LLP

Wegner CPAs, LLP
Alexandria, Virginia
December 9, 2019

KID POWER, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

CURRENT ASSETS

Cash	\$ 362,559
Accounts receivable	257,609
Grants receivable	59,354
Promises to give	<u>44,002</u>

Total current assets 723,524

Property and equipment	10,000
Accumulated depreciation	<u>(9,667)</u>

Property and equipment, net 333

Total assets **\$ 723,857**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 222
Accrued expenses	<u>4,226</u>

Total liabilities 4,448

NET ASSETS

Without donor restrictions	565,032
With donor restrictions	<u>154,377</u>

Total net assets 719,409

Total liabilities and net assets **\$ 723,857**

See accompanying notes.

KID POWER, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

REVENUES

Government grants	\$ 526,956
Contributions	719,671
Contracted services	207,013
Interest income	1,966
	1,455,606

Total revenues without donor restrictions 1,455,606

EXPENSES

Program services	
After school program	770,008
Summer leadership program	165,125
Supporting activities	
Management and general	207,009
Fundraising	226,917
	1,369,059

Total expenses 1,369,059

NET ASSETS RELEASED FROM RESTRICTIONS

Satisfaction of purpose restrictions	74,838
	74,838

Change in net assets without donor restrictions 161,385

CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS

Contributions	154,377
Net assets released from restrictions	
Satisfaction of purpose restrictions	(74,838)
	79,539

Change in net assets with donor restrictions 79,539

Change in net assets 240,924

Net assets at beginning of year 478,485

Net assets at end of year \$ 719,409

See accompanying notes.

KID POWER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2019

	<u>Program Services</u>		<u>Supporting Activities</u>		<u>Total Expenses</u>
	<u>After School Program</u>	<u>Summer Leadership Program</u>	<u>Management and General</u>	<u>Fundraising</u>	
Personnel					
Wages and benefits	\$ 489,168	\$ 110,538	\$ 57,384	\$ 108,702	\$ 765,792
Payroll taxes	39,528	8,932	4,637	8,784	61,881
Total personnel	528,696	119,470	62,021	117,486	827,673
Donated strategic consulting services	-	-	76,400	76,400	152,800
Occupancy	90,623	16,682	8,660	16,405	132,370
Professional fees	52,800	3,339	39,813	4,238	100,190
Books, equipment, and supplies	52,297	8,245	474	9,652	70,668
Transportation	19,931	11,667	100	100	31,798
Office expenses	3,006	679	16,845	668	21,198
Printing and publications	10,444	2,360	-	1,140	13,944
Professional development	5,795	1,242	414	828	8,279
Insurance	4,324	1,441	2,282	-	8,047
Depreciation	2,092	-	-	-	2,092
Total expenses	\$ 770,008	\$ 165,125	\$ 207,009	\$ 226,917	\$ 1,369,059

See accompanying notes.

KID POWER, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 240,924
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	2,092
(Increase) decrease in assets	
Accounts receivable	(182,220)
Grants receivable	(4,948)
Promises to give	(6,417)
Prepaid expenses	1,532
Decrease in liabilities	
Accrued expenses	<u>4,235</u>
Change in cash	55,198
Cash at beginning of year	<u>307,361</u>
Cash at end of year	<u><u>\$ 362,559</u></u>

See accompanying notes.

KID POWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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) through after school and summer programs. The Organization inspires youth leadership by promoting academic advancement, physical and emotional wellness, and positive civic engagement in underserved communities throughout the District of Columbia. The Organization is primarily supported by government grants and contributions.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounts and Grants Receivables

The Organization considers all accounts and grants receivables to be fully collectible. Accordingly, no allowance for doubtful accounts has been established. If accounts become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Property and Equipment

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost, or if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Contributions

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Government Grants

Many of the Organization's programs are funded by grants from various government agencies. Revenue from these grants is based upon the actual cost of providing services up to the maximum amount specified. Revenue is recognized when the Organization has incurred expenditures in accordance with the grant requirements. Costs are allocated to these grants in accordance with established procedures and are subject to audit by various government agencies. The effect, if any, such audits could have on the financial statements has not been determined.

KID POWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization also receives a substantial amount of volunteer services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel and office expenses, which are allocated on the basis of estimates of time and effort. Occupancy is allocated on the basis of estimates of square footage. The following program services and supporting activities are included in the accompanying financial statements:

After school program—The Organization's after school programs operate for three hours per day, Monday through Friday for 38 weeks. Core after school programs include: 1) Academic Power Hour: students participate in homework help and engage in hands-on activities aligned to the Common Core Standards, but implemented through small group instruction; 2) The Citizenship Project: using a literacy-building and civic engagement curriculum, students study U.S. history and the building blocks of citizenship and implement community action projects; and 3) VeggieTime: students study nutrition and the environment, operate citywide gardens, participate in healthy cooking classes, sell produce at markets, and implement nutrition and environmental service projects.

Summer leadership program—In the Organization's daily five week summer leadership academy, students engage in academic, enrichment, and recreational activities. Each morning, they rotate through three 45 minute classes (STEM, English language arts, and citizenship) taught by contracted public school teachers. Students are broken down into small groups and work with high school and college mentors to reach individual academic and social goals. In the afternoons, students participate in hands-on activities aligned to the Organization's VeggieTime curriculum. They participate in STEM garden lessons and healthy cooking classes with produce from their own garden. Students also engage in entrepreneurial and workforce preparedness experience by creating a food product to sell at local farmers' markets.

Management and general—Management and general activities relate to the overall direction of the Organization and include the functions necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of the Organization, and perform other administrative functions.

Fundraising—Fundraising activities relate to soliciting contributions from individuals, foundations, government agencies, and others, and other activities that involve inducing potential donors to contribute assets, services, or time to the Organization.

KID POWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Adoption of New Accounting Pronouncement

The Organization adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Date of Management's Review

Management has evaluated subsequent events through December 9, 2019, the date which the financial statements were available to be issued.

NOTE 2 – CONCENTRATIONS OF CREDIT RISK

The Organization maintains cash balances at one financial institution located in the Washington, D.C. area. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019, the Organization's uninsured cash balance was \$122,553.

NOTE 3 – NET ASSETS

The Organization's board of directors has designated net assets without donor restrictions of \$233,327 as a cash reserve at June 30, 2019.

Net assets with donor restrictions are restricted for the following purposes:

After School Program	\$ 82,651
Summer Leadership Program	<u>71,726</u>
Net assets with donor restrictions	<u><u>\$ 154,377</u></u>

KID POWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 – CONTRIBUTIONS

Contributions with and without donor restrictions for the year ended June 30, 2019 consisted of the following:

Donated services and materials	\$ 312,763
United Way grants	225,000
Foundation grants	243,000
Other individuals and corporate grants	<u>93,285</u>
Total contributions with and without donor restrictions	<u><u>\$ 874,048</u></u>

NOTE 5 – DONATED SERVICES

The Organization received donated strategic consulting services for fundraising and management planning to support organizational sustainability valued at \$152,800 for the year ended June 30, 2019. This was allocated equally between management and general and fundraising on the statement of functional expenses.

The Organization also received donated faculty services valued at \$33,780 for the year ended June 30, 2019. This was included in professional fees and allocated to the after school program function on the statement of functional expenses.

NOTE 6 – OPERATING LEASES

The Organization leases office space under an operating lease agreement that requires monthly payments of \$350 for utilities and expires in December 2030, which includes two five-year extensions periods. The lessor has committed to in-kind contributions for the entire term of the lease and all extension periods that is calculated based on the consumer price index each year. This commitment is conditioned upon the Organization maintaining its tax-exempt status and compliance with the lease terms. The Organization leases program office space under a month-to-month lease agreement that requires monthly payments of \$1,400. Finally, the Organization leases office equipment under an operating leases that requires monthly payments of \$387 and expires in February 2022. Rent expense for the year ended June 30, 2019 was \$26,097.

Future minimum lease payments under operating leases that have remaining terms in excess of one year for the years ending June 30 are:

2020	\$ 8,844
2021	8,844
2022	7,103
2023	4,200
2024	4,200
Thereafter	<u>27,300</u>
Total	<u><u>\$ 60,491</u></u>

KID POWER, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 – LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets as of the date of the statement of financial position reduced by amounts not available for expenditures within one year of the date of the statement financial position because of board designations or donor-imposed restrictions:

Cash	\$	362,559
Accounts receivable		257,609
Grants receivable		59,354
Promises to give		<u>44,002</u>
Financial assets at year-end		723,524
Less those unavailable for general expenditures within one year due to:		
Board designated cash reserve		(233,327)
Restricted by donor with purpose restrictions		<u>(154,377)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>335,820</u></u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 – ACQUISITION OF MENTORS, INC.

On May 31, 2019, the Organization announced its intention to combine with Mentors, Inc., following determination by the Organization's Board of Directors that the combination would be in the furtherance of the Organization's tax-exempt purposes and in the best interests of the communities served by the Organization. As of August 6, 2019, Mentors, Inc. was acquired by Kid Power, Inc. with the Organization assuming all known and unknown assets and liabilities of Mentors, Inc. The Organizations assumed assets of \$35,368 and no known liabilities at the date of acquisition.