KID POWER, INC.

Financial Statements
Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015

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STOUT, CAUSEY & HORNING
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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, 2016 and 2015, 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 misstatement, 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, 2016 and 2015, 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.

February 1, 2017

Main | 703-287-5959 Toll Free | 800-832-3008 Fax | 703-287-5999
Address | 7900 Westpark Drive, Suite A150, Tysons Corner, VA 22102 Visit | www.scandh.com

KID POWER, INC.

Statements of Financial Position

As of June 30,		*2016*		*2015*
Assets				
Current Assets				
Cash	$	82,543	$	33,232
Restricted cash		-		10,000
Grants and other contributions receivable		190,043		159,761
Accounts receivable		4,286		-
Total Current Assets		276,872		202,993
Property and Equipment, net		8,588		12,111
Total Assets	$	285,460	$	215,104
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	735	$	3,017
Total Current Liabilities		735		3,017
Total Liabilities		735		3,017
Commitments (Note 7)				
Net Assets				
Unrestricted		244,725		164,187
Temporarily restricted		40,000		47,900
Total Net Assets		284,725		212,087
Total Liabilities and Net Assets	$	285,460	$	215,104

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

KID POWER, INC.

Statement of Activities
For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, and Other Support			
Contributions			
Federal government grants	$ 467,529	$ -	$ 467,529
Local government grants	215,052	40,000	255,052
Foundation grants	163,942	-	163,942
In-kind contributions	100,798	-	100,798
Individual contributions	28,034	-	28,034
Corporate contributions	12,470	-	12,470
Other Revenue			
Earned revenue	4,847	-	4,847
Other event revenue	5,851	-	5,851
Campaign revenue	1,343	-	1,343
Reimbursed expenses	822	-	822
Net Assets Released from Restrictions			
Restrictions satisfied	47,900	(47,900)	-
Total Revenues, Gains, and Other Support	1,048,588	(7,900)	1,040,688
Expenses			
Program Services			
Salaries	464,671	-	464,671
Professional services	118,720	-	118,720
Payroll taxes	34,522	-	34,522
Books, equipment, and supplies	34,057	-	34,057
Rent	31,746	-	31,746
Transportation	31,382	-	31,382
Employee benefits	17,713	-	17,713
Printing and publications	7,084	-	7,084
Professional development	6,172	-	6,172
Insurance	4,709	-	4,709
Food	354	-	354
Other program expenses	34,117	-	34,117
Supporting Services			
Salaries	56,141	-	56,141
General and administrative	69,539	-	69,539
Interest expense	172	-	172
Fundraising Expenses			
Salaries	37,232	-	37,232
General fundraising	19,719	-	19,719
Total Expenses	968,050	-	968,050
Change in Net Assets	80,538	(7,900)	72,638
Net Assets, beginning of year	164,187	47,900	212,087
Net Assets, end of year	$ 244,725	$ 40,000	$ 284,725

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

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
In-kind contributions	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)	-
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
Total Expenses	969,909	-	969,909
Change in Net Assets	36,828	29,150	65,978
Net Assets, beginning of year	127,359	18,750	146,109
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.

Statements of Cash Flows

For the Years Ended June 30,		*2016*		*2015*
Cash Flows from Operating Activities				
Change in net assets	$	72,638	$	65,978
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Depreciation expense		3,523		5,355
Bad debt expense		1,967		8,035
Changes in operating assets and liabilities:				
Grants and other contributions receivable		(32,249)		(59,523)
Accounts receivable		(4,286)		-
Accounts payable and accrued expenses		(2,282)		(4,472)
Deferred revenue		-		(33,721)
Net Cash Provided by (Used in) Operating Activities		39,311		(18,348)
Cash Flows from Investing Activities				
Release of restricted cash		10,000		-
Purchases of property and equipment		-		(10,391)
Net Cash Provided by (Used in) Investing Activities		10,000		(10,391)
Cash Flows from Financing Activities				
Repayments on note payable		-		(5,463)
Net Cash Used in Financing Activities		-		(5,463)
Net Increase (Decrease) in Cash		49,311		(34,202)
Cash, beginning of year		33,232		67,434
Cash, end of year	$	82,543	$	33,232
Supplemental Disclosure of Cash Flow Information				
Cash paid for interest	$	172	$	402

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

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. At the Summer Leadership Academy, students participate in advanced academic, nutritional, service-learning, and recreational activities.

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.

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 11,438 hours and 15,338 hours to the Organization's program services and fund-raising campaigns during the years ended June 30, 2016 and 2015, 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 values 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. This requirement was fulfilled during the year ended June 30, 2016.

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 $1,967 and $8,035 during the years ended June 30, 2016 and 2015, respectively.

Management has determined that grants and other contributions receivable as of June 30, 2016 and 2015 are fully collectable and that a provision for doubtful accounts is not required. Interest is not recorded on any past due balances.

Accounts Receivable

Accounts receivable are carried at the original invoice 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 accounts by regularly evaluating the members and considering their financial condition, credit history, and current economic conditions. Based on management's assessment, the Center provides for estimated uncollectible amounts through a charge to expenses and a credit to a valuation allowance. Balances that remain outstanding after the Center has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management has determined that accounts receivable as of June 30, 2016 and 2015 are fully collectible 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.

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

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, 2016 and 2015. Assets to be disposed are reportable at the lower of the carrying amount or fair value, less costs to sell. As of June 30, 2016 and 2015, there were no assets held for disposal and the Organization does not have any assets intended for disposal.

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, 2016 and 2015. 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 2013 through 2016.

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, 2016 and 2015, 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, 2016 and 2015.

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

Recently Issued Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities* which is effective for fiscal years beginning after December 15, 2017. The primary impacts of ASU 2016-14 are as follows:

a) Net Asset Classification: The three categories of net assets will be condensed to two categories. Unrestricted Net Assets will be reported as Net Assets Without Donor Restrictions and Temporarily or Permanently Restricted Net Assets will be reported as Net Assets With Donor Restrictions. Not-for-profit organizations may choose to disaggregate net assets further within the two categories and will still be required to track donor restrictions internally (restricted by time, by purpose, for perpetuity, etc.).

b) Board-Designated Net Assets: Not-for-profit organizations will need to disclose the amount, purpose, and type of board designations either on the face of the financial statements or in the notes to the financial statements. Board-designated net assets remain a subgroup of net assets without donor restrictions.

c) Underwater Endowment Assets: Although the underwater calculation remains unchanged, instead of classifying the underwater portion against unrestricted net assets, underwater endowment assets are reported against Net Assets With Donor Restrictions. Certain additional disclosures are required such as any board policy or actions taken regarding appropriations from such funds.

d) Cash Flow Statement: Not-for-profit organizations will still have the option of presenting operating cash flows using the direct method or the indirect method. If the direct method is chosen, the indirect reconciliation will no longer be required.

e) Expenses: Expenses will be required to be presented both by function and by nature on the face of the financial statements or in the notes to the financial statements. A qualitative disclosure about how costs are allocated by function will also be required. External and internal direct investment expenses will be netted against investment return on the statement of activities. Disclosure of investment return components will no longer be required.

f) Liquidity and Availability: The ASU will require (1) quantitative disclosure about availability of financial assets to meet cash needs for general expenditures within one year of the balance sheet date, and (2) qualitative disclosure about liquidity, presented in the notes, including information about liquidity risk and how the liquid available resources are managed.

Management has chosen not to adopt ASU 2016-14 early, but will assess the impact on future financial statements.

Subsequent Events

The Organization evaluated for disclosure any subsequent events through February 1, 2017, 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,:

	2016	2015
Billed receivables	$ 172,728	$ 159,761
Unbilled receivables	17,315	-
Grants and other contributions receivable	$ 190,043	$ 159,761

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:

	2016	2015
Vehicles	$ 12,500	$ 12,500
Equipment	18,027	18,027
Total property and equipment	30,527	30,527
Less: accumulated depreciation	(21,939)	(18,416)
Property and equipment, net	$ 8,588	$ 12,111

Depreciation expense totaled $3,523 and $5,355 for the years ended June 30, 2016 and 2015, respectively.

4. NOTE PAYABLE

The Organization had a term note with a commercial bank with a balance of $5,463 as of June 30, 2014. This note was paid off during the year ended June 30, 2015.

5. TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Summer programs	$ 40,000	$ 37,900
Reserve funds	-	10,000
Total temporarily restricted net assets	$ 40,000	$ 47,900

6. 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,:

	2016	2015
Summer programs	$ 37,900	$ 8,750
Reserve funds	10,000	-
Net assets released from restrictions	$ 47,900	$ 8,750

7. COMMITMENTS

Operating Leases

The Organization rented office space under an operating lease on a month-to-month basis that was terminated effective December 31, 2015. The Organization continues to rent space for program use under this lease. The facility lease requires additional payments for certain operating expenses and insurance.

Effective January 1, 2016, the Organization entered into a new non-cancelable operating lease agreement for office space, expiring on December 31, 2020. The new lease is subject to annual rent increases, based on the Consumer Price Index, and includes payments of $300 monthly for common area maintenance costs. The lessor has committed to in-kind contributions, for the entire term of the lease, and all extension periods, in which the total annual rent payment, after the in-kind contribution of the lessor, shall not exceed $50 per year.

The Organization also leases a copier under the terms of a non-cancelable operating lease that expires on December 28, 2017.

7. COMMITMENTS – cont'd.

Operating Leases – cont'd.

Future minimum lease payments are as follows for the years ending June 30,:

	Gross Rental	In-kind Contribution	Net Rental
2017	$ 82,500	$ (74,950)	$ 7,550
2018	80,550	(74,950)	5,600
2019	78,600	(74,950)	3,650
2020	78,600	(74,950)	3,650
2021	78,600	(74,950)	3,650
Total	$ 398,850	$ (374,750)	$ 24,100

Rent expense, net of in-kind contributions, totaled $29,640 and $34,644 for the years ended June 30, 2016 and 2015, respectively.

Board Designated Cash Reserve

As of June 30, 2016 and 2015, the Organization had cash reserves of $30,018 and $10,000, respectively, pursuant to a voluntary restricted cash reserve established by the Organization's Board of Directors.

8. CONCENTRATION OF CREDIT RISK

For the year ended June 30, 2016 revenue from two grantors, the DC Office of the State Superintendent of Education (OSSE) and the Children and Youth Investment Trust (CYITC) represented approximately 48% and 14% of total revenues, respectively. As of June 30, 2016, grant receivables under these programs totaled $105,487 and $72,800, respectively.

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.