

**Audited Financial Statements**



**December 31, 2016**

**Quigley & Miron**

**Kidsave International, Inc.**  
**Audited Financial Statements**  
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**December 31, 2016**

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## Independent Auditor's Report

Board of Directors  
**Kidsave International, Inc.**  
Culver City, California

We have audited the accompanying financial statements of Kidsave International, Inc. (Kidsave), a nonprofit organization, which comprise the statement of financial position as of December 31, 2016, 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 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 of 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.

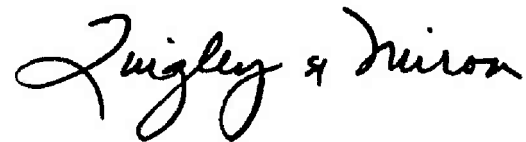
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kidsave International, Inc. as of December 31, 2016, and the changes in its net assets and cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited Kidsave International, Inc.'s December 31, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Zwigley & Duvion". The signature is written in a cursive, flowing style.

Los Angeles, California  
May 8, 2017

**Kidsave International, Inc.**  
**Statement of Financial Position**  
**December 31, 2016**  
**(with comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents—Note 3	\$ 571,284	\$ 708,000
Investments—Note 4	73,876	
Contributions and grants receivable—Note 6	60,500	15,250
Accounts receivable	1,763	1,386
Prepaid expenses	11,402	1,107
Security deposits	10,853	30,917
<b>Total Current Assets</b>	<b>729,678</b>	<b>756,660</b>
<b>Non-Current Assets</b>		
Contributions and grants receivable	80,000	
Property and equipment, net—Note 7	168	897
<b>Total Non-Current Assets</b>	<b>80,168</b>	<b>897</b>
<b>Total Assets</b>	<b>\$ 809,846</b>	<b>\$ 757,557</b>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 70,018	\$ 64,476
Deferred revenue	51,984	12,595
<b>Total Liabilities</b>	<b>122,002</b>	<b>77,071</b>
<b>Net Assets</b>		
Unrestricted	487,255	448,684
Temporarily restricted—Note 10	200,589	231,802
<b>Total Net Assets</b>	<b>687,844</b>	<b>680,486</b>
<b>Total Net Assets and Liabilities</b>	<b>\$ 809,846</b>	<b>\$ 757,557</b>

See notes to financial statements.

**Kidsave International, Inc.**  
**Statement of Activities**  
**Year Ended December 31, 2016**  
**(with comparative totals for 2015)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Support and Revenues</b>				
Contributions and grants	\$ 1,239,772	\$ 648,463	\$ 1,888,235	\$ 1,878,199
Government contracts	206,150		206,150	299,967
In-kind contributions				
—Note 13	127,306		127,306	103,650
Interest and dividends	53		53	479
Loss on Lake Show investment	(23,999)		(23,999)	
Miscellaneous income	1,483		1,483	3,154
Net assets released from restrictions	679,676	(679,676)		
<b>Total Support and Revenues</b>	<b>2,230,441</b>	<b>(31,213)</b>	<b>2,199,228</b>	<b>2,285,449</b>
<b>Expenses</b>				
Program services	1,895,497		1,895,497	1,944,645
Management and general	170,115		170,115	179,729
Fundraising	126,258		126,258	123,344
<b>Total Expenses</b>	<b>2,191,870</b>		<b>2,191,870</b>	<b>2,247,718</b>
<b>Change in Net Assets</b>	<b>38,571</b>	<b>(31,213)</b>	<b>7,358</b>	<b>37,731</b>
<b>Net Assets at Beginning of Year</b>	<b>448,684</b>	<b>231,802</b>	<b>680,486</b>	<b>642,755</b>
<b>Net Assets at End of Year</b>	<b>\$ 487,255</b>	<b>\$ 200,589</b>	<b>\$ 687,844</b>	<b>\$ 680,486</b>

See notes to financial statements.

Kidsave International, Inc.  
Statement of Functional Expenses  
Year Ended December 31, 2016  
(with comparative totals for 2015)

Expenses	Program Services							Support			2016 Expenses	2015 Expenses	
	Summer Miracles	Weekend Miracles	Russian Programs	Colombian Programs	Sierra Leone	Permanency Program	Advocacy	Total Program	Management and General	Fundraising			Total Support
Salaries	\$ 110,712	\$ 140,972	\$ 136,608	\$ 4,455	\$ 5,195	\$ 180,858	\$ 61,624	\$ 640,424	\$ 64,947	\$ 33,087	\$ 98,034	\$ 738,458	\$ 770,852
Employee benefits	14,914	26,425	34,911	287	551	23,283	9,795	110,166	16,803	4,435	21,238	131,404	135,767
Payroll taxes	8,369	10,488	5,806	310	378	11,491	4,503	41,345	9,694	2,765	12,459	53,804	57,817
Advertising	12,378	67					97	12,542		24	24	12,566	20,259
Bank charges	3,864	4,983	3,387	36	93	5,362	10,984	28,709	2,180	3,773	5,953	34,662	34,762
Conference and meetings	2,807	7,850	6,196	127	112	10,047	81,219	108,358	387	20,545	20,932	129,290	184,863
Contractors	87,937	33,077	24,162	155,917	13,387	12,311	36,308	363,099	4,318	21,269	25,587	388,686	411,434
Depreciation and amortization	104	164	81	2	3	162	63	579	121	29	150	729	1,118
Dues and subscriptions	1,505	936	711	5	7	1,093	166	4,423	181	1,604	1,785	6,208	7,655
Equipment rental and maintenance	19,364	14,537	10,159	282	355	32,573	7,742	85,012	6,404	10,697	17,101	102,113	104,464
Foreign exchange loss (gain)	(706)		45	(112)				(773)				(773)	(15,922)
Grants made	13,416		56,780	34,613	27,926			132,735				132,735	58,995
Insurance	1,261	2,300	1,186	39	127	1,722	1,228	7,863	456	197	653	8,516	23,096
License, taxes and fees	1,511	1,559	644	20	5	1,850	304	5,893	873	963	1,836	7,729	7,981
Miscellaneous	4,427	690	115	810		4,000	6,880	16,922		2,020	2,020	18,942	12,574
Photography and audio visual	25					1,524	17,039	18,588		4,260	4,260	22,848	8,561
Postage and shipping	791	1,111	441	10	15	954	2,690	6,012	597	2,247	2,844	8,856	6,845
Printing and publications	777	1,532	4,529	5	14	449	7,577	14,883	331	2,210	2,541	17,424	16,162
Professional development	49	48	20			38	22	177	12	10	22	199	100
Professional fees	18,418	10,683	6,834	194	192	10,616	4,193	51,130	50,228	1,975	52,203	103,333	123,148
Rent	11,630	18,753	9,402	434	274	17,608	6,208	64,309	8,792	3,206	11,998	76,307	82,940
Supplies	3,536	6,264	5,029	107	111	6,943	34,354	56,344	1,689	8,939	10,628	66,972	48,687
Telephone	2,818	3,251	4,185	46	51	4,542	1,052	15,945	1,608	496	2,104	18,049	18,897
Training and recruitment	471	9,434	1,911			65		11,881	6	2	8	11,889	23,371
Translation			2,500					2,500				2,500	117
Travel	49,011	12,337	26,221	1,284	31	2,008	5,539	96,431	488	1,505	1,993	98,424	103,175
<b>2016 Totals</b>	<b>\$ 369,389</b>	<b>\$ 307,461</b>	<b>\$ 341,863</b>	<b>\$ 198,871</b>	<b>\$ 48,827</b>	<b>\$ 329,499</b>	<b>\$ 299,587</b>	<b>\$ 1,895,497</b>	<b>\$ 170,115</b>	<b>\$ 126,258</b>	<b>\$ 296,373</b>	<b>\$ 2,191,870</b>	<b>\$ 2,247,718</b>
<b>2015 Totals</b>	<b>\$ 378,694</b>	<b>\$ 383,754</b>	<b>\$ 267,260</b>	<b>\$ 239,491</b>	<b>\$ 64,028</b>	<b>\$ 273,372</b>	<b>\$ 338,046</b>	<b>\$ 1,944,645</b>	<b>\$ 179,729</b>	<b>\$ 123,344</b>	<b>\$ 303,073</b>	<b>\$ 2,247,718</b>	

See notes to financial statements.

**Kidsave International, Inc.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2016**  
**(with comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 7,358	\$ 37,731
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Loss on Lake Show investment	23,999	
Depreciation and amortization	729	1,118
Changes in operating assets and liabilities:		
Contributions and grants receivable	(125,250)	142,651
Accounts receivable	(377)	1,266
Prepaid expenses	(10,295)	147
Security deposits	20,064	(19,880)
Accounts payable and accrued expenses	5,542	6,732
Deferred revenue	39,389	12,595
	<hr/>	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(38,841)</b>	<b>182,360</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of Lake Show investment	(105,000)	
Proceeds from distribution of Lake Show investment	7,125	
	<hr/>	<hr/>
<b>Net Cash Used in Investing Activities</b>	<b>(97,875)</b>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(136,716)</b>	<b>182,360</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<hr/> <b>708,000</b> <hr/>	<hr/> <b>525,640</b> <hr/>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ <u><u>571,284</u></u></b>	<b>\$ <u><u>708,000</u></u></b>
<b>Supplementary Disclosures</b>		
Interest paid	<hr/> <hr/> <b>\$</b>	<hr/> <hr/> <b>\$</b>
Income taxes paid	<hr/> <hr/> <b>\$</b>	<hr/> <hr/> <b>\$</b>

See notes to financial statements.



**Kidsave International, Inc.**  
**Notes to Financial Statements**  
**December 31, 2016**  
**(with comparative totals for 2015)**

**Note 1—Organization**

Organization—Kidsave International, Inc. (Kidsave), a nonprofit organization, was founded in 1997. Kidsave's mission is to create change in government child welfare systems so that no child is forgotten, and every child grows up in a family with love and hope for a successful future. Kidsave's innovative programs move children out of government care and into families. Kidsave operates programs locally as models, works to train governments, NGOs and child welfare professionals in program operations and expansion, and advocates for change in policies, programs and funding with governments to create more opportunities for children to grow up in family care.

Following is a summary of Kidsave's work in 2016:

*Summer Miracles*—Kidsave's *Summer Miracles* program brings orphaned children from foreign countries to the U.S. for summer visits with families who volunteer to host them in their homes. These are children (age 10 to 14) who live in orphanages and foster care, and have little or no chance of finding adoptive parents in their own countries. Families who host the children help them enjoy a rich cultural experience and, more importantly, advocate for the children, reaching out to their circles of friends, acquaintances and communities to find families interested in adoption.

In 2016, Kidsave brought 17 children from Colombia to stay with host families in the U.S. Of the 17 children who traveled, 76% (13) were matched for adoption. As of December 31, 2016, a total of 1,786 older children have participated in Kidsave's *Summer Miracles* program, and more than 80% of these children have found permanent families as a result of their participation.

Prior to the summer visit, Kidsave helped the Colombian governmental child welfare agency, Instituto Colombiano Bienestar Familiar (ICBF), identify children who were appropriate for Kidsave's *Summer Miracles* program and recruited American host families. Prior to traveling to the U.S., the children were introduced to their host families via SKYPE.

After the children returned to Colombia, Kidsave worked with each child's Defender Team (i.e., a lawyer, a psychologist and a social worker) to debrief all the participating children. They also provided support to the host families who are applying to adopt, so that relationships could continue to develop between children and families during the adoption application process.

Over the 18 years that *Summer Miracles* has been in operation, more than 50 placement agencies and nonprofits have utilized Kidsave program materials, become partners, and/or been trained to operate or support family visit programs, both in the U.S. and Europe. The government of Colombia has made Kidsave's hosting model the primary strategy for finding families for older, hard-to-place youth. Colombia promotes the hosting model among its accredited placement agencies and supports a number of adoption and nonprofit organizations to operate their own hosting programs each year, thus expanding the practice of hosting and the use of the Kidsave model, and increasing the number of older children placed in permanent families.

In 2016, Kidsave conducted a survey of the *Summer Miracles* program to assess host and adoptive family feedback about the program, whether it should continue, and how to make it sustainable.

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 1—Organization—Continued**

Survey results indicated that although the children and families faced many challenges, the clear majority of people reported the benefits of *Summer Miracles* outweigh the challenges. Kidsave is working with ICBF in Colombia to improve systems so that more children can be included in the program in 2017.

***Weekend Miracles***—*Weekend Miracles Los Angeles* is a public/private partnership, launched in October 2005, between Kidsave and the County of Los Angeles Department of Child and Family Services, which work together to help older youth in foster care (ages 9-17). These children have spent years in “the system” and are languishing with little hope for adoption or a lasting connection with a caring adult. *Weekend Miracles* provides these children with opportunities to meet people who might be willing to host, mentor or adopt them. The program provides monthly interactive events designed to make it easy and fun for participating foster youth to meet new people.

Once families and youth have met and become comfortable together, connections develop naturally and youth are matched with host families who advocate on their behalf in searching for an adoptive family, and in some cases become that family themselves. Kidsave’s goal is to make it easier for families to meet and engage with older kids who would otherwise not have an opportunity to interact with people in the community, or to be placed with mentors and adoptive families.

In 2016, sixty-one (61) older foster youth actively participated in the *Weekend Miracles* program; during the year 16 of these youth were matched with adoptive families and ten were connected to a host family. The *Weekend Miracles Los Angeles* program has served 293 Los Angeles County foster youth since October 2005; two hundred twenty-six (226) of these youth have actively participated in the program. Overall, 83% of participating youth have been matched for adoption, guardianship, or with a devoted mentor.

In 2016, Kidsave was selected as one of two Adoption Excellence Award recipients in Child Welfare/Judicial Systemic Change by the U.S. Department of Health and Human Services, Administration on Children and Families. This award is a great honor in the child welfare community. It recognizes contributions to providing permanency for children in foster care, leadership and innovation in the commitment toward rebuilding the lives of children in foster care, and those who are waiting to be adopted. We see it as recognition of Kidsave’s *Weekend Miracles* program, and anticipate that this will help propel expansion of the program.

Kidsave’s efforts to expand the *Weekend Miracles* program to other U.S. jurisdictions resulted in our first partner: The Adoption Exchange in Colorado, which launched the program in October 2016. Mecklenberg County, North Carolina will begin training staff to implement the *Weekend Miracles* program in first quarter 2017. During 2016 Kidsave also attended and spoke at regional and national child welfare conferences to share the *Weekend Miracles* model with state and local governments and other nonprofit organizations.

An independent evaluation of *Weekend Miracles* was launched by the University of California, Los Angeles (UCLA). Research design was completed in 2016 for an implementation plan in 2017.

***Russian Programs***—Kidsave’s *Malenkaya Mama (Teen Mother)* program currently operates in Russia, in the cities of St. Petersburg and Moscow. This program was designed to break the cycle of child abandonment, i.e., to keep children at risk for abandonment out of orphanages by teaching teenage

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 1—Organization—Continued**

mothers and pregnant teens — many of whom were orphans themselves — how to care for and bond with their babies.

Through the program, young mothers work with trained social workers and psychologists who assist them in establishing strong, healthy parent-child relationships. These young mothers are also taught how to obtain access to government benefits, acquire marketable skills for employment, and find housing and jobs. Kidsave also recruits mentors and matches them with the young mothers. Over 50% of program participants have adult mentors who help them develop social skills, provide support with baby care, and help them find jobs.

In 2016, a total of 51 young women and 52 babies participated in the program. From inception through December 2016, a total of 375 mothers and 392 babies have been served, and 99% of these babies are living with their moms, instead of orphanages.

Kidsave's *Strong Shoulder* program focuses on connecting older children in orphanages who will soon "age out" of government care with employees of local companies, to help them learn about potential employment options, meet adult mentors, and keep these older kids connected with adults as they leave the orphanage. In 2016 a total of 63 older children were served directly by the *Strong Shoulder* program; 116 have participated since the program was launched in 2014.

During 2016, Kidsave continued to support Childhood Keepers, an indigenous Russian organization with a focus on promoting family-based care, mentoring connections, and life skills development for older children growing up in or recently emancipated from the child welfare system in Russia. Long-term, the goal is for Childhood Keepers to take over operation and expansion of all Kidsave's programs in Russia.

Kidsave launched an online training course on how to develop community mentoring programs in Russia. Organizations in Russia that participated in the training were invited to participate in a competition to create their own mentoring programs. Three organizations in Russia won awards for their programs. In September 2016 representatives from these three organizations visited Los Angeles and participated in best practices training for mentoring. Upon their return to Russia, they were honored at the U.S. Embassy; then all three organizations launched mentoring programs for orphaned children.

**Colombian Programs**—Kidsave's *Family Visit* program supports the Colombian government's priority of family inclusion for children in government protection. Kidsave continued to provide support to the Kidsave Colombia Foundation (KCF) in 2016. A total of 660 children participated in the Family Visit Model/Super Amigos Program and 263 children were matched with a Super Amigo (an individual or a family). The children visit with their Super Amigos regularly on weekends and holidays; some of the children live full-time with their Super Amigo families.

KCF trained the staff of Instituto Colombiano Bienestar Familiar to operate the Family Visit Model (via Colombia's *Super Amigos* program) in nine regions of Colombia. A total of 303 professionals were trained to operate the Super Amigos program.

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 1—Organization—Continued**

During 2016, KCF continued to operate the *Familia Activa* program in Colombia; a total of 500 families participated during the year. The goal of *Familia Activa* is to help families in crisis improve their parenting and communication skills. Families are taught to deal with conflict using conversation instead of aggressive behavior, thereby reducing instances of domestic violence, solidifying family structures that would otherwise often end in loss and abandonment.

**Sierra Leone**—Kidsave's *Sierra Leone Programme* (Programme) moves children out of orphanages and into the homes of host families and whenever possible, reunites these children with extended family members. In 2016, Kidsave established a new partnership for the Programme with the Federation for Integrated Development (FID). Twenty-two (22) children, who were languishing in orphanages since their parents died of Ebola two and a half years ago, were reunited with extended family members. Children who could not be reunified with extended family are participating in family visits with local families that were recruited by our new partner, FID. These host families then work with FID to find the children permanent families. The Programme provides funding for microloans for host families, which enables the families to improve their businesses, and to be financially able to care for additional children in their homes. Since 2010, Kidsave has helped more than 370 children move into families in Sierra Leone. In 2016, Kidsave also launched an evaluation of the program to assess its impact.

**Support for Permanency Initiatives**—As a voice for global change, Kidsave works to build awareness among the public and in Congress about the challenges that children in government care face, and possible ways to help them.

In 2016, Kidsave continued its efforts to increase support for the U.S. Action Plan for Children in Adversity, and served on the Steering Committee of the Children in Adversity Policy Partnership. A focal point was encouraging USAID's focus on six priority countries. Kidsave supported the initial planning of the priority initiative in Cambodia.

In 2016, Kidsave created a partnership with One Hope, a nonprofit in Ukraine, to plan a training course in corporate mentoring to child welfare professionals in Livov and Kiev, which will take place in early 2017.

In 2016, Kidsave was active in several public-private sector committees that address permanency for Los Angeles County foster youth: the LA County Adoption Consortium - a collaborative dedicated to educating stakeholders on new legislation, County policies and issues affecting permanency; All Children All Families - a committee that addresses recruitment and other issues related to LGBTQ youth and families; and the Permanency Collaboration Committee - a partnership between Kidsave, DCFS of LA County Probation Department, working to improve permanency outcomes for probation youth. Kidsave also participated in the 2016 DCFS Annual System Improvement Plan (SIP) Engagement Conference, where key stakeholders came together to provide input, feedback, solutions and experience to enhance and improve DCFS policies, practices and outcomes.

**iCount**—After working with a software application (app) created by a pro bono partner to count children served and track program outcomes, Kidsave found that the partnership did not extend to making the changes that would be required for the app to function properly in the field. Consequently, Kidsave created its own app, iCount. Through iCount, social workers will be able to enter data about children served in a handheld device or via a desktop computer. As 2016 closed, the iCount app was under review.

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 1—Organization—Continued**

*Advocacy*—Kidsave’s website, blog and social media posts focused on sharing information about children in need of families in ways that were intended to create engagement and support for the children through hosting, volunteering, donating, or adopting.

Kidsave conducted a golf tournament and a gala in Los Angeles, and a Fourth of July Celebration in the District of Columbia, to advocate among groups of business leaders and other influential community members about the importance of children growing up in families. To increase awareness of the plight of children without families, Kidsave provided information about children who need families and children who have been helped by Kidsave’s programs at its fundraisers.

**Note 2—Summary of Significant Accounting Policies**

Financial Statement Presentation—The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Kidsave recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. The net assets of Kidsave and changes therein are classified and reported as follows:

Unrestricted net assets—Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of Kidsave.

Temporarily restricted net assets—Net assets subject to donor-imposed stipulations that may or will be met either by actions of Kidsave and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Permanently restricted net assets—Net assets for which the donor has stipulated that the principal be maintained into perpetuity. Generally, the donors of these assets permit Kidsave to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2016 and 2015, Kidsave had no permanently restricted net assets.

Income Taxes—No provision has been made for federal and state income taxes because Kidsave is exempt from such taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state regulations. In addition, the Internal Revenue Service has determined that Kidsave is not a private foundation within the meaning of Section 509(a) of the Code.

Accounting standards require an organization to evaluate its tax positions and provide for a liability for any positions that would not be considered “more likely than not” to be upheld under a tax authority examination. Management has evaluated its tax positions and has concluded that a provision for a tax liability is not necessary at December 31, 2016. Generally, Kidsave’s information returns remain open for examination for a period of three (federal) and three or four (states) years from the date of filing.

Cash and Cash Equivalents—For purposes of the statement of cash flows, Kidsave considers all highly liquid investments available for current use with a maturity of three months or less when purchased to be cash equivalents.

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 2—Summary of Significant Accounting Policies—Continued**

Investments—Investments are stated at fair value. Income and gain or losses (including investments bought, sold and held during the year) are reflected in the statement of activities and reported as unrestricted income unless use of the earnings is restricted by the donor. Investments received through gifts are recorded at their estimated fair value at the date of donation.

Contributions and Grants Receivable—Contributions and grants receivable consist primarily of amounts due from donors that were not received by Kidsave at year-end. At December 31, 2016, grants receivable include pledges totaling \$120,000 from 3 donors to provide unrestricted support over the next 3 years. Kidsave's management reviews the collectability of contributions receivable on a timely basis. No reserve for doubtful accounts has been established as management believes all amounts are collectible.

Property and Equipment—Kidsave capitalizes all computer equipment of \$750 and above and all other property acquisitions of \$1,000 and above. Property is recorded at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation and amortization is provided on the straight-line basis over the estimated useful life of the asset.

Deferred Revenue—Deferred revenue at December 31, 2016 consists of proceeds from a raffle which was held subsequent to December 31, 2016. The receipts were recorded as a liability at December 31, 2016 and subsequently recognized as revenue in 2017 upon the drawing being held. Deferred revenue at December 31, 2015 consists of advance receipts on a government contract that was earned during the year ended December 31, 2015.

Concentrations of Credit Risk—Financial instruments which potentially subject Kidsave to concentrations of credit risk consist of cash and cash equivalents, investments in non-traded investment funds and receivables. Kidsave maintains its domestic cash and cash equivalents at a high quality financial institution and a large broker-dealer. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000; in the normal course of business, Kidsave's cash and cash equivalent balances may exceed the FDIC insurance limit. Kidsave has uninsured cash balances in foreign countries totaling \$31,776. Receivables are due from individuals and a governmental entity well-known to Kidsave with excellent payment histories.

Kidsave's management has assessed the credit risk associated with its domestic deposits and receivables held at December 31, 2016 and has determined that an allowance for potential losses due to credit risk is not necessary. Management has determined that the credit risk of the deposits in foreign countries is not material to the financial statements, therefore an allowance for potential losses due to credit risk is also considered unnecessary.

Kidsave is subject to credit risk to the extent that the investment managers of the underlying private investment fund are unable to fulfill their obligations according to their organizational documents. Kidsave is subject to the market and credit risk of those investments held or sold short by the private investment company. Due to the nature of these types of investments, the above-described risks are limited to Kidsave's investment balances and unfunded commitments to private investment funds. Kidsave's management has assessed the credit risk associated with the investment in private investment

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 2—Summary of Significant Accounting Policies—Continued**

fund held at December 31, 2016 and has determined that an allowance for potential losses due to credit risk is not necessary.

Government Contracts—Revenues from government contracts are reported as increases in unrestricted net assets as allowable expenditures under such agreements are incurred. The amounts expended in excess of reimbursements are reported as grants receivable. Amounts received in excess of amounts expended are recorded as deferred revenue.

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 Kidsave. Such recorded donated services are discussed in Note 11 following. Kidsave also makes extensive use of volunteers in the conduct of its programs which do not meet the aforementioned recognition criteria; these services include weekend and summer hosting, event planning, communications and other essential program services and amounted to over 30,000 hours during the year ended December 31, 2016.

Functional Expenses—General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of Kidsave. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

Advertising Costs—Advertising costs are expensed as incurred and amounted to \$12,567 and \$20,259 for the years ended December 31, 2016 and 2015.

Comparative Totals for 2015—The accompanying financial statements include certain prior-year summarized comparative financial information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Kidsave's audited financial statements for the year ended December 31, 2015, from which the summarized information was derived.

Use of Estimates—The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassifications—Certain 2015 amounts have been reclassified to conform with the 2016 financial statement presentation.

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 3—Foreign Offices**

Kidsave has offices in Russia and Colombia. The only significant asset in each country is cash. As of December 31, 2016 and 2015, the total cash held in Russia was approximately \$24,000 and \$30,000, respectively. The total cash held in Colombia at December 31, 2016 and 2015 was approximately \$6,000 and \$9,000, respectively. In both countries, management is aware of and monitors potential risks that may occur to U.S. organizations operating in foreign countries due to changes in government leadership or government policies regarding foreign entities. Based on this process, Kidsave has determined that, while the likelihood or probability of such occurrences is difficult to predict, the impact on the overall Kidsave organization would not be material.

**Note 4—Investment in Lake Show 220 LLC**

During the year ended December 31, 2016, Kidsave invested \$105,000 in Lake Show 220, LLC, (LLC), a non-traded real estate investment fund. Kidsave's ownership percentage is 2.5%. The investment may require additional commitments by Kidsave, but that amount has not been determined as of December 31, 2016. The LLC purchased a commercial building located at 220 Lake Drive, Newark, DE for \$10,800,000, of which \$6,600,000 was financed through Goldman Sachs. For fair value measurement purposes the investment is considered to be Level 3, as defined in Note 4.

Following is a table of the Lake Show 220 LLC investment activity for the year ended December 31, 2016:

<b>Balance at January 1, 2016</b>	\$
Purchase of Lake Show investment	105,000
Distributions received	(7,125)
Income (loss)	(23,999)
	<hr/>
<b>Balance at December 31, 2016</b>	<b><u><u>\$ 73,876</u></u></b>

**Note 5—Fair Value Measurements**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Quoted market prices in active markets for identical assets or liabilities. Level 1 assets include equity securities and mutual funds valued at the closing price reported on the active market on which the individual securities are traded. The Organization had no Level 1 assets at December 31, 2016 and 2015.

Level 2—Observable market-based inputs, either directly or indirectly, but are other than quoted prices in actively traded markets. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable inputs that can be corroborated by observable market data.



**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 5—Fair Value Measurements—Continued**

Kidsave’s Level 2 assets at December 31, 2016 and 2015 consist of certificates of deposit with a fair value of \$117,214 and \$100,279, respectively, and are included within the balance of cash and cash equivalents since their respective maturities are three months or less.

Level 3—Unobservable inputs that are supported by little or no market activity which are significant to the fair value of the asset or liability. Unobservable inputs reflect the best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date. Kidsave’s Level 3 assets at December 31, 2016 consist of an investment in a non-traded real estate investment fund which is further described in Note 3. Kidsave had no Level 3 assets or liabilities at December 31, 2015.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination for which category within the fair value hierarchy is appropriate is based on the lowest level input that is significant to the fair value measurement in its entirety.

**Note 6—Contributions and Grants Receivable**

Following is a table of expected future payments of contributions and grants receivable at December 31, 2016:

<u>Year Ending December 31,</u>	
2017	\$ 60,500
2018	40,000
2019	40,000
<b>Total</b>	<b><u>\$ 140,500</u></b>

**Note 7—Property and Equipment, Net**

Net property and equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 10,584	\$ 10,584
Less accumulated depreciation	(10,416)	(9,687)
<b>Net</b>	<b><u>\$ 168</u></b>	<b><u>\$ 897</u></b>

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 8—Operating Leases**

Kidsave leases office space in two domestic cities, Washington, D.C. and Culver City, California, and two foreign cities, Moscow, Russia and Bogotá, Colombia, with various lease terms. Kidsave also leases office equipment under several lease agreements. Minimum future lease payments under these leases as of December 31, 2016, are as follows:

<u>Year Ending December 31,</u>		
2017		\$ 58,256
2018		51,714
2019		25,857
	<b>Total</b>	<b><u>\$ 135,827</u></b>

**Note 9—Line of Credit**

At December 31, 2016, Kidsave had an available \$75,000 revolving line of credit from a bank, bearing interest at the prime rate as published in the Wall Street Journal payable monthly (3.75% at December 31, 2016), and expiring on April 1, 2017. The credit facility is secured by cash. No amounts were outstanding under the line of credit at December 31, 2016 and 2015. Subsequent to year-end, Kidsave renewed the line of credit under the same terms with a maturity date of April 1, 2018.

**Note 10—Temporarily Restricted Net Assets**

A rollforward of temporarily restricted net asset activity for the year ended December 31, 2016 is as follows:

	<u>Balance at December 31, 2015</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance at December 31, 2016</u>
Summer Miracles	\$ 51,687	\$ 227,967	\$ (246,880)	\$ 32,774
Weekend Miracles	62,568	165,957	(178,324)	50,201
Russian Miracles	64,545	195,072	(172,091)	87,526
Colombian Programs	12,000	5,220	(17,220)	
Sierra Leone	41,002	31,769	(42,683)	30,088
Permanency Program		22,478	(22,478)	
<b>Totals</b>	<b><u>\$ 231,802</u></b>	<b><u>\$ 648,463</u></b>	<b><u>\$ (679,676)</u></b>	<b><u>\$ 200,589</u></b>

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 10—Temporarily Restricted Net Assets—Continued**

A rollforward of temporarily restricted net asset activity for the year ended December 31, 2015 is as follows:

	<b>Balance at December 31, 2014</b>	<b>Contributions</b>	<b>Releases</b>	<b>Balance at December 31, 2015</b>
Summer Miracles	\$ 176,953	\$ 101,212	\$ (226,478)	\$ 51,687
Weekend Miracles	98,945	164,403	(200,780)	62,568
Russian Miracles	127,227	105,687	(168,369)	64,545
Colombian Programs	3,938	14,378	(6,316)	12,000
Sierra Leone		105,030	(64,028)	41,002
Permanency Program		261	(261)	
<b>Totals</b>	<b>\$ 407,063</b>	<b>\$ 490,971</b>	<b>\$ (666,232)</b>	<b>\$ 231,802</b>

**Note 11—Contingencies**

Grants require the fulfillment of certain conditions as set forth in the instrument of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, Kidsave deems the contingency remote, since it has made its best efforts to comply in all material respects with the provisions of each grant.

**Note 12—Retirement Plan**

Effective January 1, 2008, Kidsave adopted a 401(k) Savings Plan (the Plan). The Plan is a defined contribution plan covering all eligible full-time employees who have completed one year of service and have attained age 21. Participants may elect to make voluntary contributions to the Plan. Kidsave will make a safe harbor matching contribution of the lesser of 100% of a participant's aggregate deferral contribution for the entire Plan year, or 4% of eligible compensation for the Plan year.

Kidsave may also make additional discretionary contributions which vest over a period of six years. Contributions made by Kidsave were approximately \$17,300 and \$18,100 for the years ended December 31, 2016 and 2015, respectively.

**Kidsave International, Inc.**  
**Notes to Financial Statements—Continued**

**Note 13—In-Kind Contributions**

For the years ended December 31, 2016 and 2015, in-kind contributions included the services of program coordinators, as well as legal and other professional services. The values of these in-kind contributions are recorded as support and expenses in the statements of activities and functional expenses, and are summarized by program as follows:

	<u>2016</u>	<u>2015</u>
Summer Miracles	\$ 109,806	\$ 80,150
Weekend Miracles	17,500	17,500
Permanency Program		5,700
Management and general		300
<b>Totals</b>	<b><u>\$ 127,306</u></b>	<b><u>\$ 103,650</u></b>

In-kind expenses consisted of the following:

	<u>2016</u>	<u>2015</u>
Contracted services	\$ 78,750	\$ 78,750
Travel costs	37,400	
Professional fees	11,156	24,900
<b>Totals</b>	<b><u>\$ 127,306</u></b>	<b><u>\$ 103,650</u></b>

**Note 14—Joint Cost Allocation**

Kidsave incurred joint costs in 2016 and 2015 for informational materials and special events that included fundraising appeals. The costs were allocated as follows:

	<u>2016</u>	<u>2015</u>
Advocacy	\$ 299,587	\$ 338,046
Fundraising	74,897	84,378
<b>Totals</b>	<b><u>\$ 374,484</u></b>	<b><u>\$ 422,424</u></b>

**Note 15—Subsequent Events**

Management evaluated all other activities of Kidsave through May 8, 2017, which is the date the financial statements were available to be issued, and concluded that no other material subsequent events have occurred that would require adjustment to the financial statements or disclosure in the notes to the financial statements.