

Audited Financial Statements



December 31, 2017

Quigley & Miron

Kidsave International, Inc.
Audited Financial Statements
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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, 2017, 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 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.

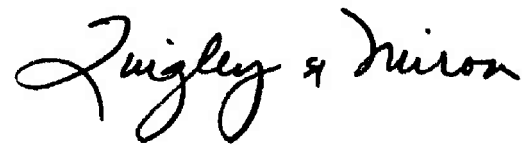
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 8, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 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 "Ziegler & Miron". The signature is written in a cursive, flowing style.

Los Angeles, California
July 30, 2018

Kidsave International, Inc.
Statement of Financial Position
December 31, 2017
(with comparative totals for 2016)

Assets	<u>2017</u>	<u>2016</u>
Current Assets		
Cash and cash equivalents—Note 3	\$ 566,495	\$ 571,284
Investments—Note 4	69,922	73,876
Contributions and grants receivable—Note 5	249,490	60,500
Accounts receivable		1,763
Prepaid expenses	23,635	11,402
Security deposits	5,092	10,853
Total Current Assets	914,634	729,678
Non-Current Assets		
Contributions and grants receivable—Note 5	149,003	80,000
Property and equipment, net—Note 6		168
Total Non-Current Assets	149,003	80,168
Total Assets	\$ 1,063,637	\$ 809,846
 Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 59,762	\$ 70,018
Deferred revenue	37,900	51,984
Total Liabilities	97,662	122,002
Net Assets		
Unrestricted	385,677	487,255
Temporarily restricted—Note 9	580,298	200,589
Total Net Assets	965,975	687,844
Total Net Assets and Liabilities	\$ 1,063,637	\$ 809,846

See notes to financial statements.

Kidsave International, Inc.
Statement of Activities
Year Ended December 31, 2017
(with comparative totals for 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and Revenues				
Contributions and grants	\$ 1,036,264	\$ 1,297,355	\$ 2,333,619	\$ 1,888,235
Government contracts	114,822		114,822	206,150
In-kind contributions				
—Note 12	212,511		212,511	127,306
Interest and dividends	290		290	53
Loss on Lake Show				
investment	(954)		(954)	(23,999)
Miscellaneous income	1,383		1,383	1,483
Net assets released from				
restrictions	917,646	(917,646)		
	<u>2,281,962</u>	<u>379,709</u>	<u>2,661,671</u>	<u>2,199,228</u>
Total Support and Revenues				
Expenses				
Program services	2,015,273		2,015,273	1,895,497
Management and general	183,981		183,981	170,115
Fundraising	184,286		184,286	126,258
	<u>2,383,540</u>		<u>2,383,540</u>	<u>2,191,870</u>
Total Expenses				
Change in Net Assets	<u>(101,578)</u>	<u>379,709</u>	<u>278,131</u>	<u>7,358</u>
Net Assets at Beginning of Year	<u>487,255</u>	<u>200,589</u>	<u>687,844</u>	<u>680,486</u>
Net Assets at End of Year	<u>\$ 385,677</u>	<u>\$ 580,298</u>	<u>\$ 965,975</u>	<u>\$ 687,844</u>

See notes to financial statements.

Kidsave International, Inc.
Statement of Functional Expenses
Year Ended December 31, 2017
(with comparative totals for 2016)

Expenses	Program Services							Support			2017 Total	2016 Total	
	Summer Miracles	Weekend Miracles	CIS Programs	Colombian Programs	Sierra Leone	Permanency Initiatives	Advocacy	Total Program	Management and General	Fundraising			Total Support
Salaries	\$ 162,570	\$ 144,156	\$ 152,343	\$ 8,662	\$ 7,789	\$ 171,746	\$ 59,354	\$ 706,620	\$ 68,497	\$ 36,970	\$ 105,467	\$ 812,087	\$ 738,458
Employee benefits	22,503	26,462	47,843	874	857	25,442	10,153	134,134	18,843	5,609	24,452	158,586	131,404
Payroll taxes	12,540	10,974	6,111	506	507	12,259	4,158	47,055	10,021	2,527	12,548	59,603	53,804
Advertising	5,902	7,529	3,414	75	207	7,764	2,295	27,186	2,459	1,103	3,562	30,748	12,566
Bank charges	4,574	4,533	3,428	583	157	4,642	9,748	27,665	2,212	6,563	8,775	36,440	34,662
Conference and meetings	6,873	15,085	2,566	10,601	44	6,328	99,386	140,883	997	25,391	26,388	167,271	129,290
Contractors	63,579	19,069	14,545	96,413	788	9,468	33,573	237,435	3,843	56,090	59,933	297,368	388,686
Depreciation and amortization	33	42	19		1	40	13	148	14	6	20	168	729
Dues and subscriptions	404	3,929	270	24	7	1,794	139	6,567	180	3,835	4,015	10,582	6,208
Equipment rental and maintenance	20,278	12,251	8,215	357	404	72,150	4,938	118,593	4,547	8,141	12,688	131,281	102,113
Foreign exchange loss (gain)				507				507				507	(773)
Grants made	19,786	300	3,327	28,010	33,365			84,788				84,788	132,735
Insurance	4,795	5,357	2,862	134	141	5,297	1,875	20,461	1,998	1,039	3,037	23,498	8,516
License, taxes and fees	733	999	819	315	62	984	320	4,232	1,082	237	1,319	5,551	7,729
Miscellaneous	8,757	5,524	108	146	11	5,615	2,691	22,852	446	1,066	1,512	24,364	18,942
Photography and audio visual	382						4,470	4,852		1,118	1,118	5,970	22,848
Postage and shipping	1,578	693	1,111	16	24	1,169	1,775	6,366	636	664	1,300	7,666	8,856
Printing and publications	1,839	3,032	156	5	1	131	5,697	10,861	41	1,816	1,857	12,718	17,424
Professional development	64	73	43	1	3	359	36	579	37	25	62	641	199
Professional fees	27,293	10,080	11,804	4,167	317	10,305	3,813	67,779	54,424	2,175	56,599	124,378	103,333
Rent	17,874	18,605	8,997	1,103	582	18,497	6,502	72,160	10,477	3,709	14,186	86,346	76,307
Supplies	4,975	9,359	3,148	792	110	8,686	35,171	62,241	1,316	24,836	26,152	88,393	66,972
Telephone	1,893	1,621	3,329	19	35	2,441	443	9,781	1,590	227	1,817	11,598	18,049
Training and recruitment	1,387	7,960	67	6,304	5	110	68	15,901	59	35	94	15,995	11,889
Translation	4,348		597	392				5,337				5,337	2,500
Travel	128,097	13,217	26,958	5,799	47	3,337	2,835	180,290	262	1,104	1,366	181,656	98,424
2017 Totals	\$ 523,057	\$ 320,850	\$ 302,080	\$ 165,805	\$ 45,464	\$ 368,564	\$ 289,453	\$ 2,015,273	\$ 183,981	\$ 184,286	\$ 368,267	\$ 2,383,540	\$ 2,191,870
2016 Totals	\$ 369,389	\$ 307,461	\$ 341,863	\$ 198,871	\$ 48,827	\$ 329,499	\$ 299,587	\$ 1,895,497	\$ 170,115	\$ 126,258	\$ 296,373	\$ 2,191,870	

See notes to financial statements.

Kidsave International, Inc.
Statement of Cash Flows
Year Ended December 31, 2017
(with comparative totals for 2016)

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 278,131	\$ 7,358
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributed stock	(37,412)	
Loss on Lake Show investment	954	23,999
Depreciation and amortization	168	729
Changes in operating assets and liabilities:		
Contributions and grants receivable	(257,993)	(125,250)
Accounts receivable	1,763	(377)
Prepaid expenses	(12,233)	(10,295)
Security deposits	5,761	20,064
Accounts payable and accrued expenses	(10,256)	5,542
Deferred revenue	(14,084)	39,389
	<u>(45,201)</u>	<u>(38,841)</u>
Net Cash Used in Operating Activities		
Cash Flows from Investing Activities		
Proceeds from sales of contributed stock	37,412	
Purchase of Lake Show investment	(6,000)	(105,000)
Proceeds from distribution of Lake Show investment	9,000	7,125
	<u>40,412</u>	<u>(97,875)</u>
Net Cash Provided by (Used in) Investing Activities		
Decrease in Cash and Cash Equivalents	(4,789)	(136,716)
Cash and Cash Equivalents at Beginning of Year	<u>571,284</u>	<u>708,000</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 566,495</u></u>	<u><u>\$ 571,284</u></u>
Supplementary Disclosures		
Interest paid	<u>\$</u>	<u>\$</u>
Income taxes paid	<u>\$</u>	<u>\$</u>

See notes to financial statements.

Kidsave International, Inc.
Notes to Financial Statements
December 31, 2017
(with comparative totals for 2016)

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 2017:

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 2017 Kidsave brought 47 children from Colombia to stay with host families in the U.S. As of December 31, 2017, of the 47 children who traveled, 85% (40 children) were matched for adoption. Since program inception in 1999, one thousand eight hundred thirty-three (1,833) older children have participated in Kidsave's Summer Miracles program; 80% of these children have found permanent families as a result of their participation.

Prior to the summer visit in 2017, 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. The summer visits were filled with events, where the children were introduced to people with an interest in adoption. Many of the children attended summer camp. They also participated in their host families' daily lives.

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. Staff also provided support to host families who applied to adopt, so that relationships could continue to develop, and the adopting families would have an understanding of what the child's needs might be.

Over the 19 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 that 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.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

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 (DCFS). Kidsave and DCFS work together to help older youth in foster care (ages 9-17) find host families, permanent families and devoted mentors. These children have spent years in “the system” and are languishing in foster care 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 for an adoptive family. In some cases, host families adopt the foster youth they host. 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 2017, seventy-three (73) older foster youth participated in the Weekend Miracles program; 15 youth exited the program with legal permanency in process (i.e., adoption or legal guardianship), and two exited the program with a life-long connection. At the end of 2017, twenty-seven (27) participating foster youth were in active hosting relationships.

Kidsave has worked in Los Angeles County since 2005, connecting older foster youth to families through its Weekend Miracles program. Since October 2005, Weekend Miracles Los Angeles has served 342 older foster youth, 263 of whom have actively participated in the program (i.e., attended three or more events). Overall, 76% of participating youth have been matched for adoption, guardianship, or with a devoted mentor.

In 2017, the Department of Social Services (DSS) in Mecklenberg County, North Carolina became a Weekend Miracles partner. In February 2017, Kidsave staff trained 150 DSS professionals in Mecklenberg County; the Mecklenburg County program was launched in October 2017.

During 2017, 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.

Commonwealth of Independent States (CIS) Programs

Russia—In 2017, Kidsave’s Malenkaya Mama (Teen Mother) program operated 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 mothers and pregnant teens — many of whom were orphans themselves — how to care for and bond with their babies.

Through the program, young mothers worked with trained social workers and psychologists who assisted them in establishing strong, healthy parent-child relationships. These young mothers were also taught how to obtain access to government benefits, acquire marketable skills for employment, and find housing and jobs. Kidsave also recruited mentors and matched them with the young mothers. In 2017, a total of 39 young women and 39 babies participated in the program. At the end of 2017, over 50% of program participants had adult mentors who helped them develop social skills, provided support with child care, and helped these young mothers find jobs.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

From the program's inception in 2001 through December 2017, a total of 414 mothers and 431 babies have been served; 99% of these babies and children 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 2017, a total of 106 older children were served directly by the Strong Shoulder program; 222 older children have participated since the program was launched in 2014.

Instead of operating offices in numerous countries globally, Kidsave is working to develop strong partnerships with nongovernmental organizations in countries worldwide. The year 2017 was the last year of operations for Kidsave's representative office in Russia. Beginning in 2018, programs will be operated by Childhood Keepers, an indigenous Russian organization that focuses on promoting family-based care, mentoring connections, and life skills development for older children growing up in or recently emancipated from Russia's child welfare system. Kidsave will continue to provide Childhood Keepers with training and support as needed, which will serve our joint commitment of finding families, mentors and life skills for older, orphaned and abandoned children in Russia.

Ukraine—In 2017, Kidsave became part of the national effort to reform the child welfare system in Ukraine by providing support to the Chief Ombudsman for Children. In conjunction with its partner One Hope, Kidsave provided training to support development of Kidsave's corporate mentoring program. Training in corporate mentoring was provided to 55 child welfare professionals in Kiev, and 30 in the city of Lvov. As a first step in launching its Family Visit Model in Ukraine, Kidsave staff provided an orientation about the Model to 30 child welfare professionals in Kiev and 25 in the city of Kherson.

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 2017 as it worked to become self-sustaining. A total of 616 children participated in the Family Visit Model/Super Amigos Program and 416 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 ICBF staff to operate the Family Visit Model (via Colombia's Super Amigos program) in nine regions of Colombia. A total of 420 professionals were trained to operate the Super Amigos program.

During 2017, KCF also operated the Mama Mentora program, assisting 600 pregnant teens and young mothers in the city of Bucaramanga, Colombia. The Mama Mentora program is based on the same model as the Malenkaya Mama program in Russia. Through the Mama Mentora 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. Many of these young mothers are also matched with mentors. 358 of these mothers had mentors in 2017.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

An additional 40 social workers from institutions/orphanages in Bogotá were trained on the UN Guidelines for Alternative Care; this training was in alliance with the Lumos Foundation.

In December 2017, Kidsave provided three days of training about placing children in LGBTQ families; 44 government and child welfare professions in Colombia attended.

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. Kidsave works with its partner, the Federation for Integrated Development (FID). The Programme served 101 children in 2017.

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. Kidsave uses its direct service programs to demonstrate how its Family Visit Model works, and shares information about its programs with child welfare professionals, with the goal of increasing greater use of permanency for older youth.

Government and Stakeholder Education and Outreach—In 2017, Kidsave continued its efforts to increase support for the U.S. Agency for International Development to continue supporting U.S. Action Plan for Children in Adversity (Action Plan), which ended in 2017. Kidsave staff participated in a planning workshop to address what was successful about the Action Plan and how the U.S. government can improve these efforts moving forward.

In 2017, 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; and the Permanency Collaboration Committee, a partnership between Kidsave and the Department of Children and Family Services (DCFS) of L.A. County Probation Department, working to improve permanency outcomes for probation youth. Kidsave also participated in the 2017 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.

Public Education and Outreach—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, and adopting. Kidsave’s Summer Miracles communities in the New York Tri-State Area (New York, New Jersey, and Connecticut), Washington, DC Metro Area, Des Moines, Iowa, and Southern California all did significant outreach about the need for children generally, and specific children, to grow up in families.

Kidsave also uses events to educate people about: Kidsave’s mission, the need for children worldwide to live in families, and specific children who need permanent families. In 2017, Kidsave supported a golf tournament and a gala in Los Angeles, a cocktail party in New Jersey, and a gourmet dinner and gala in the District of Columbia. Kidsave staff assisted private individuals who held similar small events to raise awareness and funds.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

Kidsave Program Software, Kidsave PS (the Kidsave App)—Kidsave maintains a commitment to measuring outcomes in its direct service programs and through programs implemented by its partners. In 2017, Kidsave staff completed a buildout of the Kidsave App, and began an education process and transition to data collection on the App.

Fundraising Initiative

Kidsave Guardian Program—In 2017, Kidsave promoted a Guardian Program to major donors and individuals who have a strong commitment to Kidsave’s mission. Guardians are given the opportunity to make a multi-year pledge to Kidsave to support core operating (overhead) costs, i.e., Management and Finance, and Fundraising. In October 2017, Kidsave had Guardian funds sufficient to cover these overhead costs. This enabled Kidsave to make the claim that 100% of public funds raised for Kidsave were applied to programs in 2017.

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, 2017 and 2016, 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, 2017. 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.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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.

Recently Adopted Accounting Principle—In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update No. 2015-07 (ASU 2015-07), Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent). The amendment removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value (NAV) per share as a practical expedient. ASU 2015-07 has been adopted for the year ended December 31, 2017, however, the retrospective approach requires that an investment for which fair value is measured using NAV as a practical expedient be removed from the fair value hierarchy in all periods presented in the financial statements.

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, 2017 and 2016 consists of proceeds received before year end from raffles which were held subsequent to year end. The receipts were recorded as a liability at December 31, 2017 and 2016 and subsequently recognized as revenue in 2018 and 2017 upon the drawing being held.

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 \$7,787. Receivables are due from individuals

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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, 2017 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 fund held at December 31, 2017 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 12 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, 2017.

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 \$30,748 and \$12,567 for the years ended December 31, 2017 and 2016.

Comparative Totals for 2016—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, 2016, from which the summarized information was derived.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

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 2016 amounts have been reclassified to conform with the 2017 financial statement presentation.

Note 3—Foreign Offices

Kidsave has offices in Russia and Colombia. The only significant asset in each country is cash. As of December 31, 2017 and 2016, the total cash held in Russia was approximately \$200 and \$24,000, respectively. The total cash held in Colombia at December 31, 2017 and 2016 was approximately \$7,600 and \$6,000, 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—Investments and Fair Value Measurements

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%. An additional \$6,000 was invested during the year ended December 31, 2017. The investment may require additional commitments by Kidsave, but that amount has not been determined as of December 31, 2017. 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. The property is 100% leased, with leases in place through December 31, 2024. Long term plan is to hold through 2024 (end of the lease period) or sell when the market conditions favorably dictate. Kidsave also receives a monthly payment of \$1,125 from the investment.

In determining the fair value of investments, Kidsave utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Kidsave determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are characterized in one of the following levels:

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.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 4—Investments and Fair Value Measurements—Continued

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.

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, 2017 and 2016 consist of an investment in a non-traded real estate investment fund, described above, totaling \$69,922 and \$73,876, respectively.

Kidsave may utilize a practical expedient for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value. The practical expedient used by Kidsave to value private investments is the Net Asset Value (NAV) per share, or its equivalent. In some instances, the NAV may not equal the fair value that would be calculated under fair value accounting standards. Kidsave had no assets or liabilities classified at NAV as a practical expedient during the years ended December 31, 2017 and 2016.

Following is a table of the Lake Show 220 LLC investment activity for the years ended December 31, 2017:

Balance at January 1, 2016	\$	
Purchase of Lake Show investment		105,000
Distributions received		(7,125)
Income (loss)		(23,999)
		<hr/>
Balance at December 31, 2016	\$	<u>73,876</u>
Purchase of Lake Show investment		6,000
Distributions received		(9,000)
Income (loss)		(954)
		<hr/>
Balance at December 31, 2017	\$	<u>69,922</u>

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 5—Contributions and Grants Receivable

Following is a table of expected future payments of contributions and grants receivable at December 31, 2017:

<u>Year Ending December 31,</u>		
2018		\$ 249,490
2019		130,000
2020		24,583
2021		15,000
	Total Gross Receivable	\$ 419,073
Discount at 1%		(20,580)
	Net Receivable	<u>\$ 398,493</u>

Note 6—Property and Equipment, Net

Net property and equipment consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 10,584	\$ 10,584
Less accumulated depreciation	(10,584)	(10,416)
Net	<u>\$</u>	<u>\$ 168</u>

Note 7—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, 2017, are as follows:

<u>Year Ending December 31,</u>		
2018		\$ 51,714
2019		25,857
	Total	<u>\$ 77,571</u>

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 8—Line of Credit

At December 31, 2017, 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 (4% at December 31, 2017), and expiring on April 1, 2018. The credit facility is secured by cash. No amounts were outstanding under the line of credit at December 31, 2017 and 2016. Subsequent to year-end, Kidsave renewed the line of credit under the same terms with a maturity date of April 1, 2019.

Note 9—Temporarily Restricted Net Assets

A rollforward of temporarily restricted net asset activity for the year ended December 31, 2017 is as follows:

	Balance at December 31, 2016	Contributions	Releases	Balance at December 31, 2017
Summer Miracles	\$ 32,774	\$ 419,822	\$ (436,901)	\$ 15,695
Weekend Miracles	50,201	171,872	(174,616)	47,457
Russian Miracles	87,526	217,728	(189,323)	115,931
Colombian Programs		6,310	(6,310)	
Sierra Leone	30,088	31,987	(45,463)	16,612
Permanency Program		65,033	(65,033)	
Pledges receivable		384,603		384,603
Totals	\$ 200,589	\$ 1,297,355	\$ (917,646)	\$ 580,298

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

	Balance at December 31, 2015	Contributions	Releases	Balance at December 31, 2016
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)	
Totals	\$ 231,802	\$ 648,463	\$ (679,676)	\$ 200,589

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 10—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 11—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 \$15,000 and \$17,300 for the years ended December 31, 2017 and 2016, respectively.

Note 12—In-Kind Contributions

For the years ended December 31, 2017 and 2016, 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>2017</u>	<u>2016</u>
Summer Miracles	\$ 195,011	\$ 109,806
Weekend Miracles	17,500	17,500
Totals	<u>\$ 212,511</u>	<u>\$ 127,306</u>

In-kind expenses consisted of the following:

	<u>2017</u>	<u>2016</u>
Contractors	\$ 78,750	\$ 78,750
Travel	115,761	37,400
Professional fees	18,000	11,156
Totals	<u>\$ 212,511</u>	<u>\$ 127,306</u>

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 13—Joint Cost Allocation

Kidsave incurred joint costs in 2017 and 2016 for informational materials and special events that included fundraising appeals. The costs were allocated as follows:

	<u>2017</u>	<u>2016</u>
Advocacy	\$ 289,453	\$ 299,587
Fundraising	72,363	74,987
Totals	<u>\$ 361,816</u>	<u>\$ 374,574</u>

Note 14—Recent Accounting Pronouncements

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. ASU No. 2016-02 is effective for Kidsave in 2020; early adoption is permitted. Kidsave is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

In August 2016, FASB issued ASU No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, which is intended to improve how a not-for-profit entity classifies its net assets, as well as the information it presents in its financial statements about its liquidity and availability of resources, expenses and investment returns, and cash flows. The guidance replaces the three classes of net assets currently presented on the statement of financial position with two new classes of net assets, which are based on the existence or absence of donor-imposed restrictions. ASU No. 2016-14 includes specific disclosure requirements intended to improve a financial statement user's ability to assess an entity's available financial resources, along with its management of liquidity and liquidity risk. The guidance requires all not-for-profit entities to present expenses by both their natural and functional classification in a single location in the financial statements. ASU No. 2016-14 is effective for Kidsave in 2018, although early adoption is permitted. Kidsave is currently evaluating the impact that the adoption of ASU 2016-02 will have on the financial statements.

Note 15—Subsequent Events

Management evaluated all other activities of Kidsave through July 30, 2018, 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.