

Audited Financial Statements



December 31, 2018

Quigley & Miron

Kidsave International, Inc.
Audited Financial Statements
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Independent Auditor's Report

Board of Trustees
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, 2018, 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.

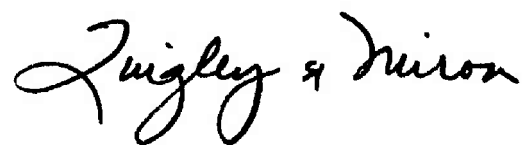
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 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 & Niron". The signature is written in a cursive, flowing style.

Los Angeles, California
May 1, 2019

Kidsave International, Inc.
Statement of Financial Position
December 31, 2018
(with comparative totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Assets				
Current Assets				
Cash and cash equivalents				
—Note 4	\$ 411,602	\$ 264,314	675,916	\$ 566,495
Investments—Note 5	60,197		60,197	69,922
Contributions and grants				
receivable—Note 6	73,775	209,770	283,545	249,490
Accounts receivable	259		259	
Prepaid expenses	13,104		13,104	23,635
Security deposits	6,842		6,842	5,092
Total Current Assets	565,779	474,084	1,039,863	914,634
Non-Current Assets				
Contributions and grants				
receivable—Note 6		117,919	117,919	149,003
Total Non-Current Assets		117,919	117,919	149,003
Total Assets	\$ 565,779	\$ 592,003	\$ 1,157,782	\$ 1,063,637
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and				
accrued expenses	\$ 106,468		\$ 106,468	\$ 59,762
Deferred revenue				37,900
Total Liabilities	106,468		106,468	97,662
Net Assets				
Without donor restrictions	459,311		459,311	385,677
With donor restrictions				
—Note 10				
Purpose-restricted		264,314	264,314	195,695
Time-restricted		327,689	327,689	384,603
Total Net Assets	459,311	592,003	1,051,314	965,975
Total Net Assets and Liabilities	\$ 565,779	\$ 592,003	\$ 1,157,782	\$ 1,063,637

See notes to financial statements.

Kidsave International, Inc.
Statement of Activities
Year Ended December 31, 2018
(with comparative totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018 Total</u>	<u>2017 Total</u>
Operating Activities				
Support and Revenues				
Contributions and grants	\$ 1,248,676	\$ 1,088,739	\$ 2,337,415	\$ 2,333,619
Government contracts				114,822
In-kind contributions				
—Note 13	116,974		116,974	212,511
Interest and dividends	60		60	290
Miscellaneous income	1,729		1,729	1,383
Net assets released from restrictions	1,077,034	(1,077,034)		
Total Support and Revenues	2,444,473	11,705	2,456,178	2,662,625
Expenses				
Program services	2,009,981		2,009,981	2,015,273
Management and general	188,825		188,825	183,981
Fundraising	176,933		176,933	184,286
Total Expenses	2,375,739		2,375,739	2,383,540
Change in Net Assets from Operating Activities	68,734	11,705	80,439	279,085
Nonoperating Activities				
Income (loss) on Lake Show investment—Note 5	4,900		4,900	(954)
Total Nonoperating Activities	4,900		4,900	(954)
Change in Net Assets	73,634	11,705	85,339	278,131
Net Assets at Beginning of Year	385,677	580,298	965,975	687,844
Net Assets at End of Year	\$ 459,311	\$ 592,003	\$ 1,051,314	\$ 965,975

See notes to financial statements.

Kidsave International, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018
(with comparative totals for 2017)

Expenses	Program Services								Support			2018 Total	2017 Total
	Summer Miracles	Weekend Miracles	CIS Programs	Colombian Programs	Africa Programs	Permanency Initiatives	Public Education	Total Program	Management and General	Fundraising	Total Support		
Salaries	\$ 111,109	\$ 227,785	\$ 59,727	\$ 4,684	\$ 6,490	\$ 180,268	\$ 76,494	\$ 666,557	\$ 54,610	\$ 44,442	\$ 99,052	\$ 765,609	\$ 812,087
Employee benefits	17,923	36,383	4,214	320	890	24,528	9,401	93,659	20,191	4,916	25,107	118,766	158,586
Payroll taxes	8,631	17,847	4,491	356	492	13,335	5,213	50,365	9,296	3,425	12,721	63,086	59,603
Advertising	6,117	11,141	21	1	8	9,978	109	27,375	281	475	756	28,131	30,748
Bank charges	4,087	7,204	2,146	628	167	4,654	2,080	20,966	2,094	1,050	3,144	24,110	36,440
Conference and meetings	8,033	7,839	388	1,885	53	5,986	85,707	109,891	2,883	21,734	24,617	134,508	167,271
Contractors	72,745	56,686	41,312	143,320	98	12,256	22,889	349,306	6,157	48,541	54,698	404,004	297,368
Depreciation and amortization													168
Dues and subscriptions	343	1,944	213	11	28	2,430	222	5,191	(490)	6,249	5,759	10,950	10,582
Equipment rental and maintenance	3,654	20,097	5,020	215	380	78,972	5,191	113,529	8,897	11,588	20,485	134,014	131,281
Foreign exchange loss (gain)													507
Grants made	22,170			15,135	24,761			62,066				62,066	84,788
Insurance	2,603	5,832	1,553	63	155	3,789	1,631	15,626	1,441	1,096	2,537	18,163	23,498
License, taxes and fees	348	1,373	362	6	22	968	338	3,417	526	217	743	4,160	5,551
Miscellaneous	7,576	6,969	176	(98)	89	3,778	5,911	24,401	1,128	1,499	2,627	27,028	24,364
Photography and audio visual							3,484	3,484		871	871	4,355	5,970
Postage and shipping	714	1,367	1,085	7	24	6,333	568	10,098	367	395	762	10,860	7,666
Printing and publications	167	3,523	49	3,228	5	1,019	4,730	12,721	269	1,197	1,466	14,187	12,718
Professional development		380		(1)		2,859		3,238		105	105	3,343	641
Professional fees	37,220	13,620	3,628	3,099	310	9,228	4,047	71,152	55,703	2,335	58,038	129,190	124,378
Rent	13,438	26,604	6,763	423	497	17,297	7,527	72,549	11,966	3,679	15,645	88,194	86,346
Supplies	4,868	11,984	2,059	1,145	175	4,839	26,746	51,816	(179)	21,069	20,890	72,706	88,393
Telephone	964	1,009	1,470	7	96	1,589	125	5,260	8,823	81	8,904	14,164	11,598
Training and recruitment	683	6,772	169	4	10	425	162	8,225	433	165	598	8,823	15,995
Translation	6,425			504				6,929				6,929	5,337
Travel	141,182	25,017	37,247	4,791	511	7,831	5,581	222,160	4,429	1,804	6,233	228,393	181,656
2018 Totals	\$ 471,000	\$ 491,376	\$ 172,093	\$ 179,733	\$ 35,261	\$ 392,362	\$ 268,156	\$ 2,009,981	\$ 188,825	\$ 176,933	\$ 365,758	\$ 2,375,739	\$ 2,383,540
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	

See notes to financial statements.

Kidsave International, Inc.
Statement of Cash Flows
Year Ended December 31, 2018
(with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 85,339	\$ 278,131
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributed stock		(37,412)
(Gain) loss on Lake Show investment	(4,900)	954
Depreciation and amortization		168
Changes in operating assets and liabilities:		
Contributions and grants receivable	(2,971)	(257,993)
Accounts receivable	(259)	1,763
Prepaid expenses	10,531	(12,233)
Security deposits	(1,750)	5,761
Accounts payable and accrued expenses	46,706	(10,256)
Deferred revenue	(37,900)	(14,084)
	<u>94,796</u>	<u>(45,201)</u>
Net Cash Provided by (Used in) Operating Activities	94,796	(45,201)
Cash Flows from Investing Activities		
Proceeds from sales of contributed stock		37,412
Purchase of Lake Show investment		(6,000)
Proceeds from distribution of Lake Show investment	14,625	9,000
	<u>14,625</u>	<u>40,412</u>
Net Cash Provided by Investing Activities	14,625	40,412
Increase (Decrease) in Cash and Cash Equivalents	109,421	(4,789)
Cash and Cash Equivalents at Beginning of Year	<u>566,495</u>	<u>571,284</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 675,916</u></u>	<u><u>\$ 566,495</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, 2018
(with comparative totals for 2017)

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 2018:

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 who 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 2018, Kidsave brought 50 children from Colombia to stay with host families in the U.S. As of December 31, 2018, of the children who traveled, 76% (38 children) were matched for adoption. Since program inception in 1999, one thousand eight hundred eighty-three (1,883) older children have participated in Kidsave's *Summer Miracles* program; nearly 80% of these children have found permanent families as a result of their participation.

Prior to the summer visit in 2018, 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 understand what the child's needs might be.

Over the 20 years that *Summer Miracles* has been in operation, more than 65 placement agencies and nonprofits have operated summer hosting visits. The government of Colombia has incorporated the premise of Kidsave's hosting model, family visits for orphaned youth, as its primary strategy for finding families for older, hard-to-place youth.

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

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

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 2018, one hundred sixteen (116) older foster youth were served by the *Los Angeles Weekend Miracles* program; 13 youth exited the program with legal permanency in process (i.e., adoption or legal guardianship), and five exited the program with a life-long connection. At the end of 2018, sixteen (16) 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 390 older foster youth, 293 of whom have actively participated in the program (i.e., attended three or more events). Overall, 75% of participating youth have been matched for adoption, guardianship, or with a devoted mentor.

In 2018, Kidsave targeted Texas and California as states in need of more families for older foster youth. A Kidsave representative was hired in Texas and began fundraising and building awareness among state child welfare officials, judges, residential treatment centers, child placement agencies, and potential faith-based partners to support a *Weekend Miracles* program in Harris County. Three Texans also joined the Kidsave Board of Trustees to support the effort. Kidsave staff also met with California state child welfare officials and presented the *Weekend Miracles* program to the California Child Welfare Directors Association in Sacramento, conducting online orientations to build awareness about what it takes to operate a *Weekend Miracles* program and the potential results.

International Programs

Commonwealth of Independent States (CIS) Programs

Russia—Instead of operating offices in numerous countries globally, Kidsave has developed strong partnerships with nongovernmental organizations in countries worldwide. In 2018, Childhood Keepers operated Kidsave’s programs in Russia and Kidsave completed the work of closing our representative office there. Childhood Keepers is 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 continues to provide Childhood Keepers with training and support as needed, which serves our joint commitment of finding families, mentors and life skills for older orphaned and abandoned children in Russia.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

In 2018, Kidsave supported Childhood Keepers' operating the *Malenkaya Mama (Teen Mother)* program in 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 2018, a total of 40 young women and their babies participated in the program.

From the program's inception in 2001 through December 2018, a total of 460 mothers and 475 babies have been served.

In 2018, Kidsave also supported Childhood Keepers' operation of Kidsave's *Strong Shoulder* program, which 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 2018, a total of 60 older children were served directly by the *Strong Shoulder* program; more than 300 older children have participated since the program was launched in 2014.

Ukraine—In 2018, Kidsave continued to participate in Ukraine's national effort to reform its child welfare system by providing ongoing support to the Chief Ombudsman for Children. As part of the reform effort, Kidsave is implementing a pilot program with local non-governmental (NGO) partners My Home and Sunrise of Dreams in the southern regions of Kherson and Mykolaiv to test its Family Visit Model to assist 40 orphaned children, (ages 7 to 14). Kidsave signed Memos of Understanding with partners, adapted the model to Ukrainian conditions, and designed the pilot plan in 2018. The pilot will be rolled out in 2019.

In 2017, Kidsave co-founded the National Mentoring Association in Ukraine to connect older, at-risk youth with caring adult mentors. In 2018, two hundred thirty (230) youth were trained in financial and social skills, 100 youth were assessed and counseled for future job training, 100 professionals were trained in corporate mentoring, and 90 professionals were trained to implement Kidsave's Family Visit Model.

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), which, as part of our multi-year plan, became independent of Kidsave in 2018 and changed its name to Fundación Apego. As a result of the independence of Kidsave Colombia Foundation, Kidsave changed the legal representation of Kidsave Colombia to Daniel Garcia/ VGCD Abogados/Colombia.

Through KCF/Apego a total of 489 children participated in the *Family Visit Model/Super Amigos* program and 412 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.

Kidsave International, Inc.

Notes to Financial Statements—Continued

Note 1—Organization—Continued

Apego trained ICBF staff to operate the Family Visit Model (via Colombia's *Super Amigos* program) in 17 regions of Colombia. A total of 439 professionals were trained to operate the *Super Amigos* program.

During 2018, Apego evolved its *Mama Mentora* program to a pilot project in Ciudad Bolivar, Colombia with Javeriana University. In 2018, ten pregnant teens participated and ten mentors were trained. Twelve (12) local organizations partnered with Apego in promoting the *Mama Mentora* program. 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.

Africa Programs

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). In 2018, the Programme served 165 children orphaned by Ebola. FID worked with children in two orphanages and worked to identify family members or extended family, who knew the children and were willing to reintegrate them back into the community. Kidsave provided a grant to FID for a small loan program to 22 families who took in children and were in financial need. FID worked with social workers and volunteer para-social workers to regularly visit the families and help them work through any challenges.

Tanzania – Kidsave signed a Memorandum of Understanding with Open University of Tanzania and began working on strategies for engaging the government and child welfare workers to support deinstitutionalization. A series of short courses were conceived as a tool for engagement and dialogue, but lack of government support of deinstitutionalization halted progress.

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 2018, Kidsave continued its efforts to increase support for the focus of the U.S. Agency for International Development in children growing up in families. In 2018, USAID was updating the U.S. Action Plan for Children in Adversity (Action Plan). Kidsave staff commented on a draft of a new plan and participated in a meeting discussing the proposed guidelines which are due to be released in 2019.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 1—Organization—Continued

In 2018, 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. In Texas, Kidsave was active with the Region 6 Foster Care Stakeholder Collaborative, the Texas Alliance of Child and Family Services, the Greater Houston Mentoring Alliance, the Greater Houston Area Women’s Chamber of Commerce, the Texas State Bar’s Child Abuse and Neglect Committee, and the Child Welfare section of the Texas State Bar.

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, Coral Gables, Florida, Chicago, Illinois, Minneapolis, Minnesota 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 2018, Kidsave supported a golf tournament and a gala in Los Angeles, a cocktail party in New Jersey, and a gala in the District of Columbia. Kidsave staff assisted private individuals who held similar small events to raise awareness and funds.

Fundraising Initiatives

Kidsave Guardian Program—In 2018, Kidsave continued to promote 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, so that 100% of publicly donated funds can be allocated directly to programs. In 2018, Kidsave received support from 17 Guardians.

Chief Development Officer—As part of Kidsave’s plan for future leadership transition, Kidsave conducted a search for a Chief Development Officer. Stanley Baratta was hired at the end of November.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies

Financial Statement Presentation—In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Kidsave has adopted ASU 2016-14 for the year ended December 31, 2018 and has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

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:

Net assets without donor restrictions—Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in performing the primary objectives of Kidsave. These net assets may be used at the discretion of Kidsave’s management and the board of trustees.

Net assets with donor restrictions—Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; such restrictions that may or will be met either by actions of Kidsave and/or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. Generally, the donors of such assets permit Kidsave to use all or part of the income earned on related investments for general or specific purposes.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of Operations—The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of Kidsave’s program services, and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

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, 2018. 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.

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. At December 31, 2018, a reserve of \$17,500 was established to address potentially uncollectible receivable balances.

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 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 subsequently recognized as revenue in 2018 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. 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, 2018 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 International, Inc.
Notes to Financial Statements—Continued

Note 2—Summary of Significant Accounting Policies—Continued

Kidsave's management has assessed the credit risk associated with the investment in private investment fund held at December 31, 2018 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 13 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, 2018.

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. Depreciation and amortization, occupancy are allocated on the basis of square footage. Salaries and wages, benefits, and payroll taxes are allocated on the basis of estimates of time and effort. All other functional expenses are charged directly to programs.

Advertising Costs—Advertising costs are expensed as incurred and amounted to \$28,131 and \$30,748 for the years ended December 31, 2018 and 2017.

Comparative Totals for 2017—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, 2017, 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 2017 amounts have been reclassified to conform with the 2018 financial statement presentation.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 3—Availability and Liquidity

Kidsave's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$593,935). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Kidsave has a \$75,000 line of credit available to meet cash flow needs.

The following represents the availability and liquidity of Kidsave's financial assets at December 31, 2018 and 2017 to cover operating expenses for the next fiscal year:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 675,916	\$ 566,495
Investments	60,197	69,922
Contributions and grants receivable, current portion	283,545	249,490
Accounts receivable	259	
	<u>1,019,917</u>	<u>885,907</u>
Total Financial Assets		
Less amounts not available to be used within one year:		
Net assets with donor restrictions	(264,314)	(195,695)
	<u>(264,314)</u>	<u>(195,695)</u>
	<u>755,603</u>	<u>690,212</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 755,603</u>	<u>\$ 690,212</u>

Note 4—Foreign Offices

Kidsave has offices in Russia and Colombia. The only significant asset in each country is cash. As of December 31, 2018 and 2017, the total cash held in Russia was approximately \$0 and \$200, respectively. The total cash held in Colombia at December 31, 2018 and 2017 was approximately \$0 and \$7,600, 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 5—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, 2107. The investment may require additional commitments by Kidsave, but that amount has not been determined as of December 31, 2018. 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.

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 5—Investments and Fair Value Measurements—Continued

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.

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, 2018 and 2017 consist of an investment in a non-traded real estate investment fund, described above, totaling \$60,197 and \$69,922, 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, 2018 and 2017.

Following is a table of the Lake Show 220 LLC investment activity for the years ended December 31, 2018:

Balance at January 1, 2017	\$ 73,876
Purchase of Lake Show investment	6,000
Distributions received	(9,000)
Income (loss)	(954)
Balance at December 31, 2017	<u>\$ 69,922</u>
Distributions received	(14,625)
Income (loss)	4,900
Balance at December 31, 2018	<u>\$ 60,197</u>

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 6—Contributions and Grants Receivable

Following is a table of expected future payments of contributions and grants receivable at December 31, 2018:

<u>Year Ending December 31,</u>		
2019		\$ 301,045
2020		80,000
2021		20,000
2022		5,000
2023		5,000
Thereafter		10,000
	Total Gross Receivable	\$ 421,045
Discount at 1%		(2,081)
Allowance for doubtful accounts		(17,500)
	Net Receivable	\$ 401,464

Note 7—Property and Equipment, Net

Net property and equipment consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Furniture and equipment	\$ 10,584	\$ 10,584
Less accumulated depreciation	(10,584)	(10,584)
	Net \$	\$

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, 2018, are as follows:

<u>Year Ending December 31,</u>		
2019		\$ 25,857
	Total	\$ 25,857

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 9—Line of Credit

At December 31, 2018, 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, 2018), and expiring on April 1, 2019. The credit facility is secured by cash. No amounts were outstanding under the line of credit at December 31, 2018 and 2017. Subsequent to year-end, Kidsave is in the process of finalizing renewing the line of credit, increasing the availability of the revolving line to \$200,000. Interest will be at Prime +1.5% and the maturity date will be May 15, 2020.

Note 10—Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2018 are restricted for the following purposes or periods:

	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose:		
Summer Miracles	\$ 89,805	\$ 15,695
Weekend Miracles	92,847	47,457
Russian Miracles	65,499	115,931
Permanency initiatives	8,459	
Africa programs	7,704	16,612
Subject to time restrictions:		
Contributions and grants receivable	327,689	384,603
Totals	<u>\$ 592,003</u>	<u>\$ 580,298</u>

Net assets released from donor restrictions for the years ended December 31, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Satisfaction of purpose restrictions		
Summer Miracles	\$ 309,902	\$ 436,901
Weekend Miracles	345,165	174,616
Russian Miracles	129,761	189,323
Columbian programs	103,445	6,310
Africa programs	21,384	45,463
Permanency initiatives	4,684	65,033
Satisfaction of time restrictions	162,693	
	<u>\$ 1,077,034</u>	<u>\$ 917,646</u>

Kidsave International, Inc.
Notes to Financial Statements—Continued

Note 10—Net Assets with Donor Restrictions—Continued

A rollforward of net assets with donor restrictions activity for the year ended December 31, 2018 is as follows:

	Balance at December 31, 2017	Contributions	Releases	Balance at December 31, 2018
Summer Miracles	\$ 15,695	\$ 384,012	\$ (309,902)	\$ 89,805
Weekend Miracles	47,457	390,555	(345,165)	92,847
Russian Miracles	115,931	79,329	(129,761)	65,499
Colombian programs		103,445	(103,445)	
Permanency initiatives		13,143	(4,684)	8,459
Africa programs	16,612	12,476	(21,384)	7,704
Contributions and grants receivable	384,603	105,779	(162,693)	327,689
Totals	\$ 580,298	\$ 1,088,739	\$ (1,077,034)	\$ 592,003

A rollforward of net assets with donor restrictions 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)	
Permanency initiatives		65,033	(65,033)	
Africa programs	30,088	31,987	(45,463)	16,612
Contributions and grants receivable		384,603		384,603
Totals	\$ 200,589	\$ 1,297,355	\$ (917,646)	\$ 580,298

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.

Kidsave International, Inc.
Notes to Financial Statements—Continued

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 \$13,900 and \$15,000 for the years ended December 31, 2018 and 2017, respectively.

Note 13—In-Kind Contributions

For the years ended December 31, 2018 and 2017, 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>2018</u>	<u>2017</u>
Summer Miracles	\$ 92,125	\$ 195,011
Weekend Miracles	17,500	17,500
General and administrative	7,349	
Totals	<u>\$ 116,974</u>	<u>\$ 212,511</u>

In-kind expenses consisted of the following:

	<u>2018</u>	<u>2017</u>
Contractors	\$ 78,750	\$ 78,750
Travel		115,761
Telephone	7,349	
Professional fees	30,875	18,000
Totals	<u>\$ 116,974</u>	<u>\$ 212,511</u>

Note 14—Joint Cost Allocation

Kidsave incurred joint costs in 2018 and 2017 for informational materials and special events that included fundraising appeals. The costs were allocated as follows:

	<u>2018</u>	<u>2017</u>
Public education	\$ 268,156	\$ 289,453
Fundraising	67,039	72,363
Totals	<u>\$ 335,195</u>	<u>\$ 361,816</u>

Kidsave International, Inc.

Notes to Financial Statements—Continued

Note 15—Recent Accounting Pronouncements

Leases—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 nonprofit organizations with fiscal years beginning after December 15, 2019; early adoption is permitted. Kidsave is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial statements.

Restricted Cash—In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. ASU 2016-18 clarifies how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The guidance requires entities to present the change in restricted cash and restricted cash equivalents with cash and cash equivalents to reconcile amounts on the balance sheet to the statement of cash flows. Entities will be required to disclose the nature of the restrictions, as well as reconcile the totals in the statement of cash flows to cash, cash equivalents, restricted cash, and restricted cash equivalents on the balance sheet when these are shown in more than one line item. ASU 2016-18 is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. Kidsave is currently evaluating the impact that the adoption of ASU 2016-18 will have on its financial statements.

Contributions—In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies the definition of an exchange transaction. As a result, not-for-profit entities (NFPs) will account for most federal grants as donor-restricted conditional contributions rather than as exchange transactions (the prevalent practice today). An accommodation (“simultaneous release” option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today. Donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements. No new disclosures are required. ASU 2018-08 is effective for resource recipients with fiscal years beginning after December 15, 2018, and for resource providers with fiscal years beginning after December 15, 2019; early adoption is permitted. Kidsave is currently evaluating the impact that the adoption of ASU 2018-08 will have on its financial statements.

Note 16—Subsequent Events

Management evaluated all other activities of Kidsave through May 1, 2019, 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.