

H.I.S. K.I.D.S. Inc.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2017**

H.I.S. K.I.D.S. Inc.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
H.I.S. K.I.D.S, Inc.
Highland, IL

We have audited the accompanying financial statements of H.I.S. K.I.D.S. Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 H.I.S. K.I.D.S. Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fick, Eggemeyer & Williamson, CPA's
St. Louis Missouri
June 13, 2019

H.I.S. K.I.D.S. Inc.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 38,562
Prepaid expenses	<u>1,362</u>
Total current assets	<u>39,924</u>

NONCURRENT ASSETS

Property and equipment, net of accumulated depreciation	<u>171,946</u>
Total noncurrent assets	<u>171,946</u>

Total assets	<u><u>\$ 211,870</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 427
Salaries and payroll taxes payable	5,035
Notes payable, current	<u>68,115</u>
Total current liabilities	<u>73,577</u>

NONCURRENT LIABILITIES

Notes payable, less current maturities	<u>16,510</u>
Total noncurrent liabilities	<u>16,510</u>

Total liabilities	<u>90,087</u>
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NET ASSETS

Unrestricted	121,783
Temporarily restricted	-
Permanently restricted	<u>-</u>
Total net assets	<u>121,783</u>

Total liabilities and net assets	<u><u>\$ 211,870</u></u>
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See accompanying notes and independent auditors' report

H.I.S. K.I.D.S. Inc.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
SUPPORT AND REVENUE				
Grant revenue	\$ 3,000	\$ -	\$ -	\$ 3,000
Contribution revenue	133,720	-	-	133,720
Fundraising revenue	56,161	-	-	56,161
Gifts in kind	91,247	-	-	91,247
	<hr/>	<hr/>	<hr/>	<hr/>
Total support and revenue	284,128	-	-	284,128
Net assets released from restrictions	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	284,128	-	-	284,128
EXPENSES				
Program expenses	238,114	-	-	238,114
Total program expenses	238,114	-	-	238,114
	<hr/>	<hr/>	<hr/>	<hr/>
Support services				
Administration	6,846	-	-	6,846
Fundraising	24,986	-	-	24,986
Total support services	31,832	-	-	31,832
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	269,946	-	-	269,946
Changes in net assets from operations	14,182	-	-	14,182
Net assets - beginning of year	107,601	-	-	107,601
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets - end of year	<u>\$ 121,783</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,783</u>

See accompanying notes and independent auditors' report

H.I.S. K.I.D.S. Inc.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 14,182
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	4,920
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	427
Increase (decrease) in accrued liabilities	<u>(1,147)</u>
Net cash provided by (used in) operating activities	<u>18,382</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
None	<u>-</u>
Net cash provided by (used in) investing activities	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on notes payable	<u>(7,415)</u>
Net cash provided by (used in) financing activities	<u>(7,415)</u>
Net increase (decrease) in cash and cash equivalents	10,967
Cash and cash equivalents - beginning of year	<u>28,957</u>
Cash and cash equivalents - end of year	<u>\$ 39,924</u>
Supplemental cash flow information:	
Cash paid during the year for interest	\$ 4,137

See accompanying notes and independent auditors' report

H.I.S. K.I.D.S. Inc.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

H.I.S. K.I.D.S. Inc. (“the Organization”) which stands for “Happiness is Serving Kids in Distress Situations”, is a non-profit organization incorporated in the State of Illinois in 1984 as a tax exempt entity under the Internal Revenue Code Section 501(c)(3). The organization’s exempt purpose is to provide physical, emotional, and spiritual support to families who have children receiving treatment in hospitals in the St. Louis, Missouri and the Sarasota, Florida areas for serious or terminal diseases. The activities of the organization include but are not limited to providing transportation, housing, emotional support to the families and children.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Organization’s financial statement presentation complies with the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted Net Assets - represent resources over which the Board of Directors has unlimited discretionary control to carry out the activities of the Organization in accordance with the Articles of Incorporation and By-Laws.

Temporarily Restricted Net Assets - represent resources whose use is limited by donor-imposed restrictions that will be met either by actions of the Organization or by the passage of time. The Organization presently has no temporarily restricted net assets.

Permanently Restricted Net Assets - are subject to donor-imposed stipulations that the net assets be retained and invested permanently. The Organization presently has no permanently restricted net assets.

Contribution Recognition

Contributions, including unconditional promises to give, are recognized when received by the organization. All contributions received are reported as increases in unrestricted assets unless restricted by the donor. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions or grants are recognized. All other donor-restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

H.I.S. K.I.D.S. Inc.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of services is provided for performance grants.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2014. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2017, no amounts have been recognized for uncertain tax positions. The Organization's tax returns filed prior to 2015 are closed.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are recorded at cost, or in the case of donated assets, at their estimated fair market value on the date of donation. Depreciation of property and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives of 5 to 40 years have been used, depending on the type of assets. Expenditures for repairs and maintenance are expensed as incurred. Depreciation expense for the year ended December 31, 2017 was \$4,920.

NOTE 2 – OPERATING LEASES

On September 19, 2013 the Organization signed a lease with Konica Minolta for a copier. The minimum lease payment is \$717 per month with a term of 60 months.

Future minimum lease payments for the year ending December 31, 2018 was \$6,453.

Operating lease payments totaled \$9,372 for the year ended December 31, 2017.

H.I.S. K.I.D.S. Inc.
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2017

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of support, revenue, and expenses. Accordingly, certain costs have been allocated between programs, administration, and fund raising. The allocation method used was established by the organization. Many expenses were based on square footage, while others were based on management's determination. In 2008, a study was conducted, and the allocation percentages were determined at that time.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

Building and Improvements	\$	196,805
Furniture and Equipment		22,068
Vehicles		48,619
Total property and equipment		267,492
Accumulated depreciation		(125,546)
Land		30,000
Property and equipment, net	\$	171,946

NOTE 5 – NOTES PAYABLE

On April 15, 2013 the organization entered into a loan agreement with First National Bank of Staunton. The purpose of the loan was to refinance the mortgage on the building at 908 Laurel Street, purchased in 2005. The loan accrues interest at a fixed rate of 4.75%. The loan is set to mature on April 15, 2018 and the balance at December 31, 2017 was \$65,906.

There is an additional loan at First National Bank of Staunton that was entered into on September 14, 2015 with a fixed interest rate of 4.90%. The loan matures in September 2020, and the balance at December 31, 2017 was \$18,719.

Future maturities of notes payable are as follows:

For the years ending December 31,	2018	\$	68,115
	2019		2,302
	2020		14,208
	Total	\$	84,625

NOTE 6 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 13, 2019, the date the financial statements were available to be issued, and noted no reportable events.

H.I.S. K.I.D.S. Inc.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services	Administration	Fundraising	Total
Auto	\$ 1,056	\$ 69	\$ 195	\$ 1,320
Bank charges	1,194	78	221	1,492
Depreciation	3,936	246	738	4,920
Dues and subscriptions	188	12	35	235
Employee benefits	10,008	626	1,877	12,510
Fundraising	-	-	4,790	4,790
In kind - facilities	12,600	-	-	12,600
In kind - program supplies	70,900	-	-	70,900
In kind - services	7,747	-	-	7,747
Insurance	2,478	155	465	3,097
Interest	3,310	207	621	4,137
Miscellaneous	-	105	-	105
Office equipment rent	9,368	586	1,757	11,710
Payroll taxes	4,455	278	836	5,570
Postage	891	56	167	1,114
Professional fees	2,972	186	557	3,715
Program expenses - camp rental	23,096	-	-	23,096
Program expenses - supplies	16,025	-	-	16,025
Salaries	58,241	3,640	10,920	72,801
Supplies	3,857	241	722	4,820
Telephone	2,313	145	434	2,891
Utilities	3,481	218	653	4,351
Total	<u>\$ 238,114</u>	<u>\$ 6,846</u>	<u>\$ 24,986</u>	<u>\$ 269,946</u>

See accompanying notes and independent auditors' report