

**KIDS AROUND THE WORLD, INC.**

**Financial Statements  
and  
Independent Auditor's Report**

December 31, 2018 and 2017

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Kids Around The World, Inc.  
Rockford, Illinois

We have audited the accompanying financial statements of Kids Around The World, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2018 and 2017, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audits 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.

Board of Directors  
Kids Around the World, Inc.

We believe 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 Kids Around The World, Inc. as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note R to the financial statements, in 2018 the Organization adopted, on a retrospective basis, Accounting Standards Update (ASU) No. 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

**SIEPERT & CO., LLP.**

Beloit, Wisconsin  
March \_\_, 2019

**KIDS AROUND THE WORLD, INC.**  
**Statements of Financial Position**  
December 31, 2018 and 2017

<b>ASSETS</b>	<u>2018</u>	<u>2017</u>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 76,968	\$ 224,068
Investments	80,673	126,806
Accounts receivable	59,287	19,693
Inventories	1,521,718	1,060,486
Prepaid expenses	52,531	15,810
Restricted cash	-	44,151
Total current assets	<u>1,791,177</u>	<u>1,491,014</u>
<b>Other Assets:</b>		
Property and equipment, net	<u>40,569</u>	<u>51,566</u>
Total Assets	<u>\$ 1,831,746</u>	<u>\$ 1,542,580</u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 53,028	\$ 40,639
Accrued payroll	9,313	9,313
Lease payable, current portion	1,518	1,383
Total current liabilities	<u>63,859</u>	<u>51,335</u>
<b>Long-Term Liabilities:</b>		
Lease payable	<u>2,865</u>	<u>4,383</u>
Total liabilities	<u>66,724</u>	<u>55,718</u>
<b>Net Assets:</b>		
Without donor restrictions-		
Board designated - endowment	-	52,000
Undesignated	1,765,022	1,390,711
Total without donor restrictions	<u>1,765,022</u>	<u>1,442,711</u>
With donor restrictions	<u>-</u>	<u>44,151</u>
Total net assets	<u>1,765,022</u>	<u>1,486,862</u>
Total Liabilities and Net Assets	<u>\$ 1,831,746</u>	<u>\$ 1,542,580</u>

The accompanying notes are an integral part of this statement.

**KIDS AROUND THE WORLD, INC.**

**Statements of Activities**

For the years ended December 31, 2018 and 2017

<b>Changes in Net Assets Without Donor Restrictions:</b>	<u>2018</u>	<u>2017</u>
Revenue and support-		
Contributions	\$ 1,156,650	\$ 1,214,781
In-kind contributions	1,518,333	1,049,368
Program revenue and support-		
Playground	1,342,887	1,271,247
Food	1,337,203	1,213,427
KIDStory	95,819	100,163
Investment return, net	(6,118)	1,886
Loss on disposal of assets	(525)	-
Net assets released from purpose restrictions	44,151	-
Total revenue and support without donor restrictions	<u>5,488,400</u>	<u>4,850,872</u>
<b>Expenses:</b>		
Program activities	4,598,263	4,429,082
Supporting services-		
Management and general	354,388	248,088
Fundraising	213,438	201,335
Total expenses	<u>5,166,089</u>	<u>4,878,505</u>
Change in Net Assets Without Donor Restrictions	<u>322,311</u>	<u>(27,633)</u>
<b>Changes in Net Assets With Donor Restrictions:</b>		
Contributions	-	44,151
Net assets released from purpose restrictions	(44,151)	-
Change in Net Assets With Donor Restrictions	<u>(44,151)</u>	<u>44,151</u>
Change in Net Assets	278,160	16,518
Net Assets, Beginning of Year	<u>1,486,862</u>	<u>1,470,344</u>
Net Assets, End of Year	<u>\$ 1,765,022</u>	<u>\$ 1,486,862</u>

The accompanying notes are an integral part of this statement.

**KIDS AROUND THE WORLD, INC.****Statement of Functional Expenses**

For the year ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 2,757,487	\$ -	\$ -	\$ 2,757,487
Officer's compensation	129,729	26,100	21,358	177,187
Other salaries and wages	885,630	66,075	85,602	1,037,307
Other employee benefits	300,248	15,224	32,924	348,396
Payroll taxes	62,352	5,661	6,568	74,581
Professional fees	-	135,360	-	135,360
Supplies	9,222	18,722	-	27,944
Telephone	14,141	4,040	2,020	20,201
Rent	20,033	20,313	-	40,346
Utilities	11,958	3,679	2,760	18,397
Printing and postage	1,151	-	128	1,279
Travel	361,790	3,692	3,691	369,173
Depreciation	6,396	6,396	3,199	15,991
Insurance	25,038	25,037	-	50,075
Fundraising	-	-	55,188	55,188
Miscellaneous	13,088	24,089	-	37,177
Total Expenses	<u>\$ 4,598,263</u>	<u>\$ 354,388</u>	<u>\$ 213,438</u>	<u>\$ 5,166,089</u>

The accompanying notes are an integral part of this statement.

**KIDS AROUND THE WORLD, INC.****Statement of Functional Expenses**

For the year ended December 31, 2017

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 2,638,338	\$ -	\$ -	\$ 2,638,338
Officer's compensation	120,712	29,588	14,920	165,220
Other salaries and wages	765,326	53,819	70,472	889,617
Other employee benefits	271,057	14,601	31,219	316,877
Payroll taxes	53,869	5,066	5,194	64,129
Professional fees	-	47,637	-	47,637
Supplies	8,210	16,669	-	24,879
Telephone	19,662	5,618	2,809	28,089
Rent	40,592	3,775	2,831	47,198
Utilities	10,976	3,377	2,533	16,886
Printing and postage	9,879	-	1,098	10,977
Travel	430,686	4,395	4,394	439,475
Depreciation	8,298	8,298	4,148	20,744
Insurance	34,396	34,395	-	68,791
Fundraising	-	-	61,717	61,717
Bad debt expense	-	3,770	-	3,770
Miscellaneous	17,081	17,080	-	34,161
Total Expenses	<u>\$ 4,429,082</u>	<u>\$ 248,088</u>	<u>\$ 201,335</u>	<u>\$ 4,878,505</u>

The accompanying notes are an integral part of this statement.



**KIDS AROUND THE WORLD, INC.****Statements of Cash Flows**

For the years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 278,160	\$ 16,518
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	15,991	20,744
Loss on disposition of assets	525	-
Increase (decrease) due to changes in assets and liabilities:		
Accounts receivable	(39,594)	47,497
Inventories	(461,232)	(37,847)
Prepaid expenses	(36,721)	4,651
Accounts payable	12,389	(38,173)
Net cash from operating activities	<u>(230,482)</u>	<u>13,390</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(250,474)	(126,806)
Proceeds from sale of investments	296,607	-
Payments on capital lease	(1,383)	(1,260)
Purchase of property and equipment	(5,519)	(7,526)
Net cash from investing activities	<u>39,231</u>	<u>(135,592)</u>
Net change in cash and cash equivalents	(191,251)	(122,202)
Cash and cash equivalents, beginning of year	<u>268,219</u>	<u>390,421</u>
Cash and cash equivalents, end of year	<u>\$ 76,968</u>	<u>\$ 268,219</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 481</u>	<u>\$ 602</u>

The accompanying notes are an integral part of this statement.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities

Kids Around the World, Inc. (the Organization) is a nonprofit corporation organized in February 1995, under the laws of the State of Illinois for the purpose of building playgrounds for, and giving other humanitarian aid to, children around the world and providing training and resources for those who work with children. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) and 170(b)(1)(A)(vi) of the Internal Revenue Code and qualifies donors for the charitable contributions deduction.

Basis of Accounting

The Organization maintains its records and prepares its financial statements on the accrual basis of accounting.

Classification of Net Assets

Net assets and revenues, support, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statements of Activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation the assets be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are reflected within investment return, net.

Inventories

Inventories consist of new and used playgrounds and related equipment, supplies purchased for future projects, KIDStory sets and materials, and food for children's programs. Inventories are carried at the lower of cost or market.

Promises to Give

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

Property and Equipment

Property and equipment is recorded at cost, or if donated, at estimated fair value at the date of the donation. Such donations are reported as support without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization follows the practice of capitalizing property and equipment with a cost, or fair value if donated, of \$500 or more. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Leasehold Improvements	7-40 years
Equipment	3-10 years
Vehicle	5 years

Contributed Services and Non-cash Gifts

The Organization recognizes the value of donated services in the financial statements when the services create or enhance a non-financial asset or are considered specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Many individuals, including administrative personnel, have made significant contributions of their time and services to advance the Organization's program and objectives. The value of these services has not been recorded. They do not meet the definition for recognition under generally accepted accounting principles.

In-kind contributions recorded by the Organization at December 31 consist of the following:

	<u>2018</u>	<u>2017</u>
Payroll services	\$ 5,434	\$ 5,313
Playgrounds	788,977	802,795
Vitamins	665,222	-
Storage	18,000	26,000
Clothing	-	173,260
Other	<u>40,700</u>	<u>42,000</u>
	<u>\$1,518,333</u>	<u>\$1,049,368</u>

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated between program services and supporting services based on the Organization's analysis of personnel time and management's actual and estimated allocation of expense.

General and administrative expenses include those expenses not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

The Organization expenses advertising costs as incurred. Advertising costs were \$0 in 2018 and 2017.

Estimates

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

NOTE B LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs. Financial assets in excess of daily cash requirements are invested in money market funds, and other short-term investments. The Organization receives support without donor restrictions; such support has historically funded annual programs and supporting service needs, together with investment income without donor restrictions. The Organization projects revenue through fundraising and special events, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all administrative and general expenses, fundraising expenses and commitments expected to be paid in the subsequent year to be general expenditures.

As of December 31, the following tables show the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

	<u>2018</u>	<u>2017</u>
Financial assets at yearend:		
Cash and cash equivalents	\$ 76,968	\$ 268,219
Investments	80,673	126,806
Accounts receivable	59,587	19,693
Inventories	1,521,718	1,060,486
Current liabilities	(63,859)	(51,335)
Board designated	<u>-</u>	<u>(52,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,675,087</u>	<u>\$ 1,371,869</u>

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE C CHANGE IN CLASSIFICATION

In conjunction with the adoption of ASU 2016-14, certain amounts in the 2017 financial statements have been reclassified to be consistent with the 2018 presentation. These reclassifications had no effect on 2017 total assets, liabilities, net assets or change in net assets.

NOTE D INVESTMENTS

At December 31 investments consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</u>
<u>2018</u>			
Cash and equivalents	\$ 68,956	\$ 68,956	\$ -
Bond funds	<u>13,086</u>	<u>11,717</u>	<u>(1,369)</u>
	<u>\$ 82,042</u>	<u>\$ 80,673</u>	<u>\$ (1,369)</u>
<u>2017</u>			
Cash and equivalents	\$ 108,329	\$ 108,329	\$ -
Bond funds	<u>18,710</u>	<u>18,477</u>	<u>(233)</u>
	<u>\$ 127,039</u>	<u>\$ 126,806</u>	<u>\$ (233)</u>

Investments in securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible changes in the value of investment securities will occur in the near term and such changes could be material in amount.

NOTE E INVENTORIES

At December 31 inventories consist of the following:

	<u>2018</u>	<u>2017</u>
Playgrounds	\$1,102,650	\$ 957,150
KIDStory sets and materials	12,501	17,158
Food	<u>406,567</u>	<u>86,178</u>
	<u>\$1,521,718</u>	<u>\$1,060,486</u>

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE F** PROPERTY AND EQUIPMENT

At December 31 property and equipment consists of the following:

	2018	2017
Vehicles	\$ 38,342	\$ 40,342
Leasehold improvements	9,200	9,200
Equipment	85,073	95,743
	132,615	145,285
Accumulated depreciation	(92,046)	(93,719)
	<u>\$ 40,569</u>	<u>\$ 51,566</u>

**NOTE G** LEASE COMMITMENTS

As of December 31, 2018, the Organization has three separate leases for facilities, which are non-cancelable.

The Organization entered into a non-cancelable lease for offices that commenced on April 1, 2012 and expired March 31, 2014. On April 1, 2014 the lease was extended to March 31, 2016, later extended to March 31, 2018 and again extended to March 31, 2021. The monthly rent payment was \$3,093 through March, 2018. Effective April, 2018, the monthly rent payment is \$3,387.

The Organization entered into a non-cancelable lease for office and storage space that commenced on March 1, 2016 and expired on February 28, 2017. On March 1, 2017, the lease was extended to February 28, 2018, but payments in the same amount have continued. The lease provides that the lessee pay its pro rata share of property taxes. The rent is \$4,125 per month.

The Organization entered into a non-cancelable lease for warehouse space that commenced on September 26, 2018 and expires September 25, 2019. The rent is \$600 per month.

Total minimum lease commitments under non-cancelable leases, excluding common area maintenance, as of December 31, 2018 are as follows:

2019	\$ 47,367
2020	43,731
2021	11,043
	<u>\$102,141</u>

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE G LEASE COMMITMENTS (Continued)

Total rent and common area maintenance charged to expense for the years ended December 31, 2018 and 2017 was \$112,115 and \$111,700, respectively.

NOTE H CAPITAL LEASE

In 2016 the Organization leased a copier. The original cost of this copier was \$7,420 and is being amortized. The total amortization expense as of December 31, 2018 and 2017, is \$4,040 and \$2,688, which is included together with depreciation expense. The terms of the lease provide for monthly payments of \$227 through August 2021 with a purchase option of fair market value at termination. The monthly payment covers basic maintenance of the copier which is excluded from the capital lease portion below. The Organization has recorded this as a capital lease. Future minimum payments under the lease are:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,518	\$ 344	\$ 1,862
2020	1,664	198	1,862
2021	<u>1,201</u>	<u>42</u>	<u>1,243</u>
	<u>\$ 4,383</u>	<u>\$ 584</u>	<u>\$ 4,967</u>

NOTE I PROFIT SHARING PLAN

Effective February 1, 2013, the Organization established a 401(k) profit sharing plan that covers substantially all full time employees who have attained age 21 and three consecutive months of service. The plan provides for matching contributions by the Organization equal to a discretionary percentage, to be determined by the Organization, of the employees' elective deferrals. The employees' elective deferrals are 100% vested at all times. The Organization's matching contributions vest over 6 years, except they are 100% vested if the employee is over the Normal Retirement Age or dies or becomes disabled. Matching contributions charged to expense were \$10,804 and \$13,815 for the years ended December 31, 2018 and 2017, respectively. Plan administration fees charged to expense were \$5,136 and \$0 for the years ended December 31, 2018 and 2017, respectively.

NOTE J INCOME TAXES

The Organization has been determined by the Internal Revenue Service to be exempt from Federal income tax under 501 (a) as described under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established. The Organization files informational returns with the United States, Illinois and California. The Organization's



**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE J INCOME TAXES (Continued)

informational returns for fiscal years subsequent to 2014 are open, by statute, for review by authorities. At December 31, 2018 there are no ongoing audits or unresolved disputes with the various tax authorities the Organization currently files or has filed with.

NOTE K BOARD DESIGNATED NET ASSETS

Board designated amounts for an endowment were \$0 and \$52,000 at December 31, 2018 and 2017, respectively.

NOTE L NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions, which consisted of contributions restricted for youth career development, were \$0 and \$44,151 at December 31, 2018 and 2017, respectively.

NOTE M SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through March \_\_, 2019, the date these financial statements were available for issuance, and determined there were no significant non-recognized events through that date.

NOTE N RELATED PARTY TRANSACTIONS

During the years ending December 31, the Organization contracted for services with companies that were owned by or employed members of the Board of Directors. The amounts paid for these services are as follows:

	<u>2018</u>	<u>2017</u>
Lundstrom Insurance	\$ 13,770	\$ 14,400
Deeper Impressions	1,025	-
Prudential Insurance	<u>7,312</u>	<u>7,312</u>
	<u>\$ 22,107</u>	<u>\$ 21,712</u>

NOTE O FAIR VALUE MEASUREMENTS

The Accounting Standards Codification for fair value measurements established a framework for measuring fair value. The framework provides a hierarchy for ranking the quality and reliability of the information used to determine fair values, with level 1 being given the highest

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE O FAIR VALUE MEASUREMENTS (Continued)

priority and level 3 the lowest priority. The three levels of the fair value hierarchy are described as follows:

- Level 1 – Quoted market prices in active markets for identical assets and liabilities.
- Level 2 – Observable market based inputs or observable inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data.

At December 31, 2018 and 2017, the Money Market funds totaling \$68,956 and \$108,329, respectively, were valued at cost and the Mutual Funds totaling \$11,717 and \$18,477, respectively, were valued at the net asset value (NAV) of the shares held by the Organization. Both Money Market funds and Mutual Funds were valued based on Level 1 inputs.

NOTE P ENDOWMENT

The Organization's Board designated endowment of \$52,000 in 2017 was to provide an additional source of support for the Organization's activities. As required by generally accepted accounting principles, net assets associated with endowments are classified and reported based on the existence or absence of original donor-imposed restrictions. In 2018 the Board removed the designation and eliminated the Board designated endowment. The Organization has no endowments with donor-imposed restrictions.

NOTE Q NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued a number of new pronouncements that will affect the accounting for nonprofit organizations. They are:

- Accounting Standards Update (ASU) 2014-09 *Revenue from Contracts with Customers*. This will amend revenue recognition to a more principle based accounting. It will be effective for the Organization's year ending December 31, 2019.
- ASU 2016-02 *Leases*. This will amend the treatment of operating leases by lessees by requiring them to be recorded on the Statement of Financial Position as an asset and a liability. It will be effective for the Organization's year ending December 31, 2020.

Management is in the process of reviewing its records to ensure the Organization is prepared to implement the new standards as required. No determination has been made as to the effect of these on the Organization's financial statements.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE R CHANGE IN ACCOUNTING PRINCIPLE

In 2018 the Organization adopted, retrospectively, ASU 2016-14 *Presentation of Financial Statements of Not-for-Profit Entities*. It amends the current net asset classification requirements to include only two classes of net assets (net assets with donor restrictions and net assets without donor restrictions) and the accounting and presentation of net assets. It also provides more clarity regarding liquidity, transparency in reporting of financial performance measures and consistency in reporting expenses by function and nature. The retrospective application of the pronouncement had no effect on 2017's total assets, total liabilities and net assets, and change in net assets.