

**KIDS IN NEED FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**KIDS IN NEED FOUNDATION**

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**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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## INDEPENDENT AUDITORS' REPORT

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Board of Directors  
**Kids In Need Foundation**  
Dayton, Ohio

We have audited the accompanying financial statements of **Kids In Need Foundation** (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities 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.

### **Auditors' 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 that 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 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.

## INDEPENDENT AUDITORS' REPORT

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### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Kids In Need Foundation** as of December 31, 2017 and 2016, 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.

### Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of program and fundraising expenses, general and administrative expenses and support and program expenses - Twin City Resource Center on pages 15 - 17 are presented for purposes of additional analysis and are 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.

*Brady, Ware & Schoenfeld, Inc.*

Dayton, Ohio  
June 1, 2018

**KIDS IN NEED FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,329,328	\$ 381,284
Pledges receivable	320,316	185,785
Inventory	6,269,567	6,638,709
Prepaid expenses	<u>50,920</u>	<u>36,752</u>
	7,970,131	7,242,530
EQUIPMENT, NET	62,342	35,112
OTHER ASSETS		
Investments	1,038,029	1,123,778
Deposits	<u>13,242</u>	<u>13,242</u>
	<u>1,051,271</u>	<u>1,137,020</u>
	<u>\$ 9,083,744</u>	<u>\$ 8,414,662</u>
<b>LIABILITIES AND NET ASSETS</b>		
CURRENT LIABILITIES		
Accounts payable - trade	\$ 843,814	\$ 231,389
Accrued expenses	157,732	130,699
Deferred rent	26,143	22,732
Deferred revenue	<u>263,559</u>	<u>80,227</u>
	1,291,248	465,047
NET ASSETS		
Unrestricted	1,442,930	1,030,482
Temporarily restricted	6,344,566	6,914,133
Permanently restricted	<u>5,000</u>	<u>5,000</u>
	<u>7,792,496</u>	<u>7,949,615</u>
	<u>\$ 9,083,744</u>	<u>\$ 8,414,662</u>

See notes to financial statements.

**KIDS IN NEED FOUNDATION**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support:				
Donations	\$ 832,243	\$ 75,000	\$ -	\$ 907,243
In-kind - merchandise	125,093,777	2,759,215	-	127,852,992
In-kind - services	7,076	-	-	7,076
Twin Cities Resource Center	403,204	-	-	403,204
Second Responder® Program	325,891	-	-	325,891
School Ready Supplies Program	2,150,807	1,418,265	-	3,569,072
Teacher Supply Box / Grants	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
Total Public Support	<u>128,952,998</u>	<u>4,252,480</u>	<u>-</u>	<u>133,205,478</u>
Revenue:				
Affiliate network revenue	14,750	-	-	14,750
Investment income	117,185	-	-	117,185
Gain on disposal of equipment	155	-	-	155
Gala recognition dinner	386,032	-	-	386,032
Summit	<u>7,201</u>	<u>-</u>	<u>-</u>	<u>7,201</u>
Total Revenue	<u>525,323</u>	<u>-</u>	<u>-</u>	<u>525,323</u>
Total Public Support and Revenue	<u>129,478,321</u>	<u>4,252,480</u>	<u>-</u>	<u>133,730,801</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Restriction satisfied by payments	<u>4,822,047</u>	<u>(4,822,047)</u>	<u>-</u>	<u>-</u>
	<u>134,300,368</u>	<u>(569,567)</u>	<u>-</u>	<u>133,730,801</u>
<b>EXPENSES</b>				
Program services	132,376,693	-	-	132,376,693
Fundraising	247,207	-	-	247,207
Supporting services:				
Wages and benefits	1,063,325	-	-	1,063,325
General and administrative	170,172	-	-	170,172
Board and committee meetings	<u>30,523</u>	<u>-</u>	<u>-</u>	<u>30,523</u>
Total Expenses	<u>133,887,920</u>	<u>-</u>	<u>-</u>	<u>133,887,920</u>
<b>CHANGE IN NET ASSETS</b>	412,448	(569,567)	-	(157,119)
<b>NET ASSETS</b>				
Beginning of year	<u>1,030,482</u>	<u>6,914,133</u>	<u>5,000</u>	<u>7,949,615</u>
End of year	<u>\$ 1,442,930</u>	<u>\$ 6,344,566</u>	<u>\$ 5,000</u>	<u>\$ 7,792,496</u>

See notes to financial statements.

**KIDS IN NEED FOUNDATION**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED DECEMBER 31, 2016**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public Support:				
Donations	\$ 566,615	\$ 180,000	\$ -	\$ 746,615
In-kind - merchandise	118,713,464	3,478,577	-	122,192,041
In-kind - services	3,664	-	-	3,664
Twin Cities Resource Center	531,186	-	-	531,186
Second Responder® Program	121,049	-	-	121,049
School Ready Supplies Program	692,630	95,424	-	788,054
Teacher Supply Box / Grants	201,840	-	-	201,840
	<u>120,830,448</u>	<u>3,754,001</u>	<u>-</u>	<u>124,584,449</u>
Total Public Support				
	<u>120,830,448</u>	<u>3,754,001</u>	<u>-</u>	<u>124,584,449</u>
Revenue:				
Affiliate network revenue	13,000	-	-	13,000
Investment income	75,898	-	-	75,898
Loss on disposal of equipment	(355)	-	-	(355)
Gala recognition dinner	268,206	-	-	268,206
Summit	27,775	-	-	27,775
	<u>384,524</u>	<u>-</u>	<u>-</u>	<u>384,524</u>
Total Revenue				
	<u>384,524</u>	<u>-</u>	<u>-</u>	<u>384,524</u>
Total Public Support and Revenue	<u>121,214,972</u>	<u>3,754,001</u>	<u>-</u>	<u>124,968,973</u>
<b>NET ASSETS RELEASED FROM RESTRICTIONS</b>				
Restriction satisfied by payments	<u>2,982,397</u>	<u>(2,982,397)</u>	<u>-</u>	<u>-</u>
	<u>124,197,369</u>	<u>771,604</u>	<u>-</u>	<u>124,968,973</u>
<b>EXPENSES</b>				
Program services	123,026,831	-	-	123,026,831
Fundraising	220,997	-	-	220,997
Supporting services:				
Wages and benefits	959,988	-	-	959,988
General and administrative	126,448	-	-	126,448
Board and committee meetings	33,135	-	-	33,135
	<u>124,367,399</u>	<u>-</u>	<u>-</u>	<u>124,367,399</u>
Total Expenses				
	<u>124,367,399</u>	<u>-</u>	<u>-</u>	<u>124,367,399</u>
<b>CHANGE IN NET ASSETS</b>	(170,030)	771,604	-	601,574
<b>NET ASSETS</b>				
Beginning of year	<u>1,200,512</u>	<u>6,142,529</u>	<u>5,000</u>	<u>7,348,041</u>
End of year	<u>\$ 1,030,482</u>	<u>\$ 6,914,133</u>	<u>\$ 5,000</u>	<u>\$ 7,949,615</u>

**KIDS IN NEED FOUNDATION****STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (157,119)	\$ 601,574
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	18,649	13,382
(Gain) loss on disposal of equipment	(155)	355
Unrealized (appreciation) in fair market value of investments	(53,037)	(91,792)
Realized (gain) loss on sales of investments	(39,979)	30,193
Donated inventory	(3,414,210)	(3,251,623)
Donated inventory distributed	<u>3,783,352</u>	<u>2,595,443</u>
	137,501	(102,468)
Changes in operating assets and liabilities:		
Pledges receivable	(134,531)	(79,031)
Prepaid expenses	(14,168)	(4,866)
Accounts payable - trade	612,425	102,092
Deferred rent	3,411	4,665
Accrued expenses	27,033	27,788
Deferred revenue	<u>183,332</u>	<u>79,552</u>
Net cash and cash equivalents provided by operating activities	<u>815,003</u>	<u>27,732</u>
<b>INVESTING ACTIVITIES</b>		
Purchases of equipment	(45,924)	(24,674)
Gross proceeds from sales of investments	359,138	310,758
Gross proceeds from equipment	200	200
Purchases of investments	<u>(180,373)</u>	<u>(325,017)</u>
Net cash and cash equivalents provided (used) by investing activities	<u>133,041</u>	<u>(38,733)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>948,044</b>	<b>(11,001)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>381,284</u>	<u>392,285</u>
End of year	<u>\$ 1,329,328</u>	<u>\$ 381,284</u>

See notes to financial statements.



## KIDS IN NEED FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Business - Kids In Need Foundation** (the "Foundation") is a nonprofit organization. Their mission is to ensure that every child is prepared to learn and succeed by providing free school supplies nationally to students most in need.

To avoid the closing of the Twin Cities Resource Center, the Foundation took over the operations of the Center in May 2012. The Center provides school supplies for use in the classrooms by low-income students in the Minneapolis and St. Paul school districts. Kids In Need Foundation donates to the Twin Cities Resource Center using the same process as the other network resource centers.

The Foundation's normal operations is to secure in-kind donations and distribute them to resource centers typically within the same accounting period. The resource centers are independently operated by nonprofit organizations that meet the Foundation's requirements.

**Net Asset Classification** - Accounting standards provide guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The accounting standards require disclosures about an organization's endowment funds, both donor restricted endowment funds and board designated endowment funds, whether or not the organization is subject to UPMIFA. Management has determined that the majority of the Foundation's net assets do not meet the definition of endowment under UPMIFA.

Temporarily restricted net assets consist of the remaining portion of donor-restricted endowment funds that are not classified as permanently restricted net assets. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets represent the fair value of the original gift as of the gift date and the original value of subsequent gifts to donor-restricted endowment funds.

During the years 2017 and 2016, the Foundation has reviewed the endowment funds that are subject to UPMIFA and determined that its net assets are properly classified in accordance with UPMIFA and accounting standards.

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

**Concentrations** - The Foundation's support comes primarily from corporate and foundation contributions. For the year 2017 48%, of the Foundation's cash support was provided by a major donor. This was a one-time restricted cash donation to purchase product. During 2016, the Foundation did not have a major cash donor. The Foundation also receives substantial support of in-kind donations. For the years 2017 and 2016, two donors contributed 57% and 52% of the in-kind donations received by the Foundation.

## KIDS IN NEED FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

**Donated Materials and Services** - Donated materials are recorded as contributions at their estimated fair values at the date of donation. Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Foundation has recorded in-kind donations of product and services in the amount of \$127,860,068 and \$122,195,705 for the years 2017 and 2016.

**Cash and Cash Equivalents** - Interest-bearing deposits and short-term investments with original maturities of three months or less are classified as cash equivalents. Periodically during the year, the Foundation may have cash deposits in excess of federally insured limits. The Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

**Pledges Receivable** - Contributions are recognized when the donor makes a promise to give to the Foundation that is, in substance, unconditional. 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 are recognized. All other donor-restricted contributions 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.

Unconditional pledges receivable to be collected in less than one year are recorded at net realizable value. Unconditional pledges receivable to be collected beyond one year are discounted to present value.

**Inventory** - Inventory consists of in-kind school supplies and backpacks valued at fair market value on the date of the donation. The inventory is distributed through the Twin Cities Resource Center and the School Ready Supplies and Second Responder<sup>®</sup> Programs. The Center provides classroom supplies to low-income students in the Twin Cities area. Teachers shop free-of-charge at the Center. The backpacks are distributed to low-income students, too.

**Equipment** - Equipment with a cost, which is the fair value of donated equipment on the date donated, greater than \$500 is capitalized. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, ranging from five to seven years. At retirement or sale, the costs of the assets, less related accumulated depreciation, are removed from the accounts and the resulting gains and losses are included in income.

Depreciation expense for the years 2017 and 2016 was \$18,649 and \$13,382.

**Investments** - In accordance with accounting standards, investments in equity securities with readily determinable fair values and all investment in debt securities shall be measured at fair market values in the statements of financial position.

Unrealized appreciation and depreciation on investments shall be reported in the statements of activities as increases or decreases in support and revenue unless their use is restricted by explicit donor stipulations or by law.

**KIDS IN NEED FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Affiliate Network Revenue** - The Foundation recognizes affiliate network revenue as the funds are received for membership dues. These dues are from those affiliate member organizations joining the Foundation's National Network of Kids In Need Resource Centers.

**Advertising Expense** - Advertising costs are expensed as incurred. Advertising and promotion expense was \$116,142 and \$89,389 for the years 2017 and 2016.

**Tax-Exempt Status** - The Foundation is operated as a nonprofit organization and is tax exempt under IRS Code Section 501(c)(3). Accordingly, no provision for income tax is presented in these financial statements.

**Accounting for Uncertainty in Income Taxes** - Accounting standards require the evaluation of tax positions taken, or expected to be taken, in the course of preparing the Foundation's tax returns, to determine whether the tax position may be recognized in the financial statements only when it is "more-likely-than-not" the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based upon the technical merits and consideration of all available information. Once the recognition threshold is met, the portion of the tax benefit that is recorded represents the largest amount of tax benefit that is greater than 50 percent likely to be realized upon settlement with a taxing authority. Based on its review, management does not believe the Foundation has taken any material uncertain tax positions, including any position that would place the Foundation's exempt status in jeopardy as of December 31, 2017.

**Subsequent Events** - In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition or disclosure through June 1, 2018, the date the financial statements were available to be issued.

**NOTE 2 - PLEDGES RECEIVABLE**

Pledges receivable at December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
Less than one year	<u>\$ 320,316</u>	<u>\$ 185,785</u>

**NOTE 3 - EQUIPMENT**

	<u>2017</u>	<u>2016</u>
Furniture and equipment	\$ 51,850	\$ 21,216
Computer equipment	<u>89,798</u>	<u>77,360</u>
Total equipment	141,648	98,576
Less accumulated depreciation	<u>79,306</u>	<u>63,464</u>
Net equipment	<u>\$ 62,342</u>	<u>\$ 35,112</u>

**KIDS IN NEED FOUNDATION**

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

**NOTE 4 - INVESTMENTS**

The following tables reflect the cost and estimated fair values of debt and equity securities held at December 31, 2017 and 2016. In addition, gross unrealized appreciation and unrealized depreciation are disclosed as of December 31, 2017 and 2016.

	<b>2017</b>			
	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Estimated Fair Values</u>
Equity mutual funds	\$ 855,631	\$ 105,781	\$ (619)	\$ 960,793
Money market fund	<u>77,236</u>	<u>-</u>	<u>-</u>	<u>77,236</u>
	<u>\$ 932,867</u>	<u>\$ 105,781</u>	<u>\$ (619)</u>	<u>\$ 1,038,029</u>
	<b>2016</b>			
	<u>Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Estimated Fair Values</u>
Equity mutual funds	\$ 997,639	\$ 56,851	\$ (4,726)	\$ 1,049,764
Money market fund	<u>74,014</u>	<u>-</u>	<u>-</u>	<u>74,014</u>
	<u>\$ 1,071,653</u>	<u>\$ 56,851</u>	<u>\$ (4,726)</u>	<u>\$ 1,123,778</u>

The following is a summary of investment income for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 34,127	\$ 25,110
Investment and administrative fees	(9,958)	(10,811)
Realized gain (loss)	39,979	(30,193)
Unrealized appreciation	<u>53,037</u>	<u>91,792</u>
	<u>\$ 117,185</u>	<u>\$ 75,898</u>

**NOTE 5 - FAIR VALUE MEASUREMENTS**

All assets have been valued using a market approach based on quoted market prices. The Foundation uses valuation techniques in a consistent manner from year-to-year.



## KIDS IN NEED FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### NOTE 7 - ENDOWMENT FUNDS AND NET ASSETS

The Foundation's permanently restricted net assets as of December 31, 2017 and 2016, are not held in a separate endowment fund, but are part of the Foundation's total cash and investment portfolio. At the end of each year, an allocation is made to an unrestricted net asset account for gains or losses from the permanently restricted fund. For the years 2017 and 2016, \$10 and \$6 in net gains were allocated to the fund's unrestricted balance. Upon approval of expenditures, amounts are considered to be appropriated for expenditure.

The Foundation's investment policy states that assets should be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The objectives of this Foundation are to maximize long-term returns consistent with the prudent levels of risk. Investment returns are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the Foundation. In establishing the investment objectives of the Foundation, the Committee has taken into account the time horizon available for investments, the nature of the Foundation's cash flows and liabilities, and other factors that affect the Foundation's risk tolerance. Accordingly, the investment balanced approach that emphasizes a stable and substantial source of current income and some capital appreciation over the long-term.

#### NOTE 8 - OPERATING LEASES

The Foundation leases office space under an operating lease agreement. In December 2013, the Foundation renegotiated this lease for less space for an annual rent of \$16,800 for the lease term of March 2014 through February 2015. The lease was converted to a month-to-month lease starting March 2016. Monthly rent was \$1,000 per month from March 2015 through February 2016. The monthly rent decreased to \$750 starting March 2016.

The Foundation moved locations for the Twin Cities Resource Center. The lease is an operating lease that started in October 2014 and expires November 2024. The lease has an option to renew for an additional five years. Terms of the lease include tenant inducements, which are abatements to the rental amounts due along with a graduated rent schedule. Tenant abatements of \$10,587 pertained to the first two months of rent. The Foundation is recognizing rent expense on a straight line basis so that the graduated rent and benefits of the abatement are spread evenly over the initial lease term. Deferred rent at December 31, 2017 and 2016 was \$26,143 and \$22,732. The Foundation is responsible for "operating expenses" for all interior maintenance and repairs, taxes, and insurance. These expenses are added to the monthly lease payment. A portion of this lease, \$17,242 is allocated to general and administrative expenses for the year 2017.

The Foundation leases office equipment under an operating lease agreement for a monthly payment of \$211, which expires July 2020.

Rent expense on these leases was \$72,292 for the years 2017 and 2016.

## KIDS IN NEED FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### NOTE 8 - OPERATING LEASES - continued

Future minimum lease payments over the next five years and beyond are as follows:

2018	\$	72,292
2019		72,292
2020		71,235
2021		69,756
2022		69,756
Beyond		122,072

#### NOTE 9 - PENSION AND EMPLOYEE SAVINGS PLAN

The Foundation adopted an individual retirement account plan in July 2008 that covers substantially all employees. The covered employees may contribute up to the annual allowable amount as set by the IRS. The Foundation is required to match 100% of its covered employees' elective contributions up to elective contributions of 3% of gross compensation. The expenses related to this plan for the years 2017 and 2016 were \$30,389 and \$26,982.

#### NOTE 10 - PROGRAM EXPENSE RATIO

For both years 2017 and 2016, 98% of the support and revenue received has been expended for the educational programs that the Foundation supports.

#### NOTE 11 - BOARD-DESIGNATED NET ASSETS

During 2004, the Foundation established an endowment fund. The fund was started with a transfer of \$10,000 from the Foundation. The intent of the fund is to obtain outside donations and further board designated amounts to obtain an initial amount of \$50,000 and to use the earnings on the endowment to aid in the general operations of the Foundation. During 2004, the endowment fund received a permanently restricted donation from an outside donor in the amount of \$5,000. This amount is being shown on the Statements of Financial Position as a permanently restricted item.

The value of the endowment account included in the investments amounted to \$28,202 and \$24,515 as of December 31, 2017 and 2016.

#### NOTE 12 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statements:

***Kids In Need National Network of Resource Centers*** - The National Network includes affiliate free stores where teachers can obtain free school supplies for students whose families are unable to purchase what the students need to participate in classroom activities. The Foundation receives cash to support the procurement of product, as well as in-kind donations of excess inventory, unsellable, returned or slightly damaged merchandise, outdated product, etc. These items are then distributed from the various resource centers to teachers who give them to their students in need of the supplies.

## KIDS IN NEED FOUNDATION

### NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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#### NOTE 12 - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES - continued

**Teacher Supply Box Program** - Focuses on core mission of providing essential school supplies to the classrooms of children most in need. Successful applicants receive two large boxes containing a predetermined assortment of core items with a retail value of approximately \$500.

**School Ready Supplies Program** - The Foundation seeks sponsors to provide school supplies to children in need. Under this program, the Foundation provides backpacks containing school supplies for children in need. These school supplies are shipped to various schools and approved charities.

**Second Responder<sup>®</sup> Program** - The Foundation provides free school supplies to students who have been affected by a natural disaster, such as a tornado, hurricane, wildfire, or flood, to facilitate their recovery from the trauma of their experiences and help them resume their normal routines.

**Twin Cities Resource Center** - In 2012, the Foundation took over the operations of a resource center in Minneapolis, MN. The Resource Center provides school supplies for use in the classrooms by low-income students in the Minneapolis and St. Paul school districts. Teachers shop free-of-charge at the Center. From January 1, 2013 through December 31, 2017, the Twin Cities Resource Center served 107 schools with a total of 4,241 eligible teachers who were invited to shop for free supplies. Each teacher who shopped selected an average of \$432 worth of free school supplies per visit.

**Summit** - The Foundation has an annual conference which offers the staff and volunteers of the Resource Centers in the National Network and other free stores for teachers across the U.S. an opportunity to share best practices and participate in training sessions related to fundraising, merchandising, inventory management, store design, marketing, and other areas of operation.

#### NOTE 13 - SUBSEQUENT EVENT

On January 1, 2018 Kids in Need Foundation, an Ohio nonprofit corporation, merged with Kids in Need Foundation MN merger Co., a Minnesota nonprofit corporation. The name of the surviving corporation will be "Kids in Need Foundation". The mission and purpose of the surviving nonprofit corporation has not changed.



**KIDS IN NEED FOUNDATION**

**SCHEDULES OF PROGRAM AND FUNDRAISING EXPENSES**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
<b>PROGRAMS</b>		
Materials-in-kind - Kids In Need	<b>\$ 120,022,640</b>	\$ 118,602,260
Resource Center - Kids In Need	<b>324,806</b>	200,469
Teacher Supply Box / Grants	<b>122,536</b>	164,727
Twin Cities Resource Center	<b>534,066</b>	651,530
Twin Cities Resource Center - materials-in-kind distributed	<b>4,386,135</b>	2,595,443
Other programs	<b>152,358</b>	142,653
Resource Center - Summit	<b>25,631</b>	24,155
School Ready Supplies Program	<b>3,896,324</b>	585,866
Second Responder® Program	<b><u>2,912,197</u></b>	<u>59,728</u>
	<b><u>\$ 132,376,693</u></b>	<b><u>\$ 123,026,831</u></b>
<b>FUNDRAISING</b>		
General fundraising	<b>\$ 116,142</b>	\$ 89,389
Gala recognition dinner	<b>126,515</b>	122,901
Grant writer	<b><u>4,550</u></b>	<u>8,707</u>
	<b><u>\$ 247,207</u></b>	<b><u>\$ 220,997</u></b>

**KIDS IN NEED FOUNDATION**

**SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES**

**YEARS ENDED DECEMBER 31, 2017 AND 2016**

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	<u>2017</u>	<u>2016</u>
Rent	\$ 26,258	\$ 9,500
Office supplies/postage	7,260	9,667
Dues and subscriptions	170	402
Accounting and legal	47,665	31,589
Depreciation	15,496	11,392
Payroll service	2,836	3,359
Investment/credit card fees	8,233	9,211
Bad debt expense	2,500	-
Technology support	39,935	33,005
Equipment lease and maintenance	3,960	4,250
Telephone	10,612	8,781
Insurance	5,106	4,594
Relocation expenses	<u>141</u>	<u>698</u>
	<u>\$ 170,172</u>	<u>\$ 126,448</u>

**KIDS IN NEED FOUNDATION****SCHEDULES OF SUPPORT AND PROGRAM EXPENSES - TWIN CITIES RESOURCE CENTER****YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b>PUBLIC SUPPORT</b>		
Donations	\$ 226,149	\$ 333,386
In-kind - merchandise	2,759,215	3,621,007
In-kind - services	<u>177,055</u>	<u>197,755</u>
Total Public Support	<u>3,162,419</u>	<u>4,152,148</u>
<b>EXPENSES - PROGRAM</b>		
Materials-in-kind distributed	2,074,435	2,595,443
Materials-in-kind inventory valuation adjustment	2,311,700	-
Wages, taxes and benefits	270,360	208,214
Backpack giveaway	37,081	52,857
Special project	7,056	143,620
Rent	118,920	140,577
Equipment lease and maintenance	6,756	6,829
Freight	25,789	45,508
Utilities	15,429	13,483
Depreciation	3,153	1,990
Telephone and Internet	7,817	7,859
Office supplies	9,458	6,117
Cleaning	5,216	5,176
Purchased goods	16,182	-
Dues and memberships	1,778	540
Printing/marketing	4,282	14,130
Committee meetings	606	803
Travel - staff	2,627	1,726
Volunteer expenses	548	531
Accounting	<u>868</u>	<u>824</u>
	4,920,061	3,246,227
<b>EXPENSES - FUNDRAISING</b>		
General fundraising	<u>140</u>	<u>746</u>
Total Expenses	<u>4,920,201</u>	<u>3,246,973</u>
<b>INCOME (LOSS) FROM OPERATIONS BEFORE GENERAL AND ADMINISTRATIVE EXPENSES - TWIN CITIES RESOURCE CENTER</b>	<u>\$ (1,757,782)</u>	<u>\$ 905,175</u>