

KICKSTART KIDS

Financial Statements
and Independent Auditors' Report
for the years ended June 30, 2021 and 2020

KICKSTART KIDS

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Independent Auditors' Report

To the Board of Directors of
KICKSTART KIDS:

We have audited the accompanying financial statements of **KICKSTART KIDS**, which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

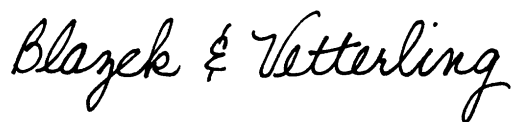
Management's Responsibility for the Financial Statements – Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance 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 our audits 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 **KICKSTART KIDS** as of June 30, 2021 and 2020 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.



November 19, 2021

KICKSTART KIDS

Statements of Financial Position as of June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents (<i>Note 4</i>)	\$ 2,720,283	\$ 2,261,494
Contributions receivable (<i>Note 8</i>)	203,250	563,012
Prepaid expenses and other assets	160,014	161,275
Property, net (<i>Note 5</i>)	<u>168,083</u>	<u>140,229</u>
TOTAL ASSETS	<u>\$ 3,251,630</u>	<u>\$ 3,126,010</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and other liabilities	\$ 41,408	\$ 49,740
Pension liability		3,320
Deferred revenue – service contract and program fees	38,343	
Refundable advance – fundraising events	19,370	71,177
Refundable advance – Paycheck Protection Program (<i>Note 3</i>)	<u></u>	<u>823,000</u>
Total liabilities	<u>99,121</u>	<u>947,237</u>
Net assets:		
Without donor restrictions	2,536,017	1,392,225
With donor restrictions (<i>Note 6</i>)	<u>616,492</u>	<u>786,548</u>
Total net assets	<u>3,152,509</u>	<u>2,178,773</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,251,630</u>	<u>\$ 3,126,010</u>

See accompanying notes to financial statements.

KICKSTART KIDS

Statement of Activities for the year ended June 30, 2021

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
REVENUE:			
Service contract fees (<i>Note 8</i>)	\$ 3,914,500		\$ 3,914,500
Contributions:			
Government grant		\$ 823,000	823,000
Other (<i>Note 7</i>)	787,293	255,382	1,042,675
Fundraising events	431,121		431,121
Cost of direct benefits provided to donors	(27,959)		(27,959)
Program fees and other income	<u>282,621</u>	<u> </u>	<u>282,621</u>
Total revenue	5,387,576	1,078,382	6,465,958
Net assets released from restrictions:			
Satisfaction of program restrictions	1,218,438	(1,218,438)	
Release of time restriction	<u>30,000</u>	<u>(30,000)</u>	<u> </u>
Total	<u>6,636,014</u>	<u>(170,056)</u>	<u>6,465,958</u>
EXPENSES:			
Program services – karate instruction	4,598,151		4,598,151
Management and general	406,735		406,735
Fundraising	<u>487,336</u>	<u> </u>	<u>487,336</u>
Total expenses	<u>5,492,222</u>	<u> </u>	<u>5,492,222</u>
CHANGES IN NET ASSETS	1,143,792	(170,056)	973,736
Net assets, beginning of year, as restated (<i>Note 2</i>)	<u>1,392,225</u>	<u>786,548</u>	<u>2,178,773</u>
Net assets, end of year	<u>\$ 2,536,017</u>	<u>\$ 616,492</u>	<u>\$ 3,152,509</u>

See accompanying notes to financial statements.

KICKSTART KIDS

Statement of Activities for the year ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS (AS RESTATED)	WITH DONOR RESTRICTIONS (AS RESTATED)	TOTAL
REVENUE:			
Service contract fees (Note 8)	\$ 3,920,000		\$ 3,920,000
Contributions (Note 7)	312,483	\$ 684,242	996,725
Fundraising events	908,676		908,676
Cost of sales related to fundraising events	(81,089)		(81,089)
Program fees and other income	<u>519,161</u>		<u>519,161</u>
Total revenue	5,579,231	684,242	6,263,473
Net assets released from restrictions:			
Satisfaction of program restrictions	614,488	(614,488)	
Release of time restriction	<u>20,000</u>	<u>(20,000)</u>	
Total	<u>6,213,719</u>	<u>49,754</u>	<u>6,263,473</u>
EXPENSES:			
Program services – karate instruction	5,248,884		5,248,884
Management and general	463,396		463,396
Fundraising	<u>545,244</u>		<u>545,244</u>
Total expenses	<u>6,257,524</u>		<u>6,257,524</u>
CHANGES IN NET ASSETS	(43,805)	49,754	5,949
Net assets, beginning of year	<u>1,436,030</u>	<u>736,794</u>	<u>2,172,824</u>
Net assets, end of year, as restated (Note 2)	<u>\$ 1,392,225</u>	<u>\$ 786,548</u>	<u>\$ 2,178,773</u>

See accompanying notes to financial statements.

KICKSTART KIDS

Statements of Cash Flows for the years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 973,736	\$ 5,949
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	31,958	17,487
Changes in operating assets and liabilities:		
Service contracts receivable		87,065
Contributions receivable	359,762	(117,011)
Prepaid expenses and other assets	1,261	(71,295)
Accounts payable and other liabilities	(8,332)	4,761
Pension liability	(3,320)	(72,405)
Deferred revenue – service contract and program fees	38,343	
Refundable advance – fundraising events	(51,807)	67,142
Refundable advance – Paycheck Protection Program	<u>(823,000)</u>	<u>823,000</u>
Net cash provided by operating activities	<u>518,601</u>	<u>744,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property	<u>(59,812)</u>	<u>(76,867)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	458,789	667,826
Cash and cash equivalents, beginning of year	<u>2,261,494</u>	<u>1,593,668</u>
Cash and cash equivalents, end of year	<u>\$ 2,720,283</u>	<u>\$ 2,261,494</u>

See accompanying notes to financial statements.

KICKSTART KIDS

Statement of Functional Expenses for the year ended June 30, 2021

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 3,494,677	\$ 207,633	\$ 238,679	\$ 3,940,989
Payroll related costs	719,722	38,578	45,042	803,342
Professional fees	16,719	98,565	116,682	231,966
Occupancy	97,508	16,501	36,003	150,012
Insurance	78,670	4,674	5,373	88,717
Uniforms	68,406			68,406
Office expenses and supplies	17,546	18,453	14,650	50,649
Belts	34,294			34,294
Depreciation	31,958			31,958
Meetings and conferences	592		15,777	16,369
Gear	16,189			16,189
Travel	13,555	1,169	989	15,713
School expenses and supplies	6,710			6,710
Other	<u>1,605</u>	<u>21,162</u>	<u>14,141</u>	<u>36,908</u>
Total expenses	<u>\$ 4,598,151</u>	<u>\$ 406,735</u>	<u>\$ 487,336</u>	5,492,222
Cost of direct benefits provided to donors				<u>27,959</u>
Total				<u>\$ 5,520,181</u>

See accompanying notes to financial statements.

KICKSTART KIDS

Statement of Functional Expenses for the year ended June 30, 2020

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Salaries	\$ 3,665,510	\$ 211,370	\$ 243,773	\$ 4,120,653
Payroll related costs	1,012,328	58,376	67,324	1,138,028
Professional fees	95,381	112,385	105,406	313,172
Occupancy	100,508	22,502	27,002	150,012
Insurance	74,318	8,636		82,954
Uniforms	117,183			117,183
Office expenses and supplies	24,018	13,032	27,108	64,158
Belts	24,864			24,864
Depreciation	11,366	1,924	4,197	17,487
Meetings and conferences	3,339	1,818	15,278	20,435
Gear	42,097			42,097
Travel	26,889	2,327	11,297	40,513
School expenses and supplies	18,516		12,042	30,558
Awards	20,577		8,954	29,531
Other	<u>11,990</u>	<u>31,026</u>	<u>22,863</u>	<u>65,879</u>
Total expenses	<u>\$ 5,248,884</u>	<u>\$ 463,396</u>	<u>\$ 545,244</u>	6,257,524
Cost of sales related to fundraising events				<u>81,089</u>
Total				<u>\$ 6,338,613</u>

See accompanying notes to financial statements.

KICKSTART KIDS

Notes to Financial Statements for the years ended June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – Kick Drugs Out Of America Foundation does business as **KICKSTART KIDS** and was incorporated in Washington, D.C. in 1990. **KICKSTART KIDS'** primary objective is to teach discipline and promote self-esteem through the instruction of karate to children in and around Houston, Dallas, Galveston, and various other Texas cities.

Federal income tax status – **KICKSTART KIDS** is exempt from federal income tax under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(1) and §170(b)(1)(A)(vi).

Cash and cash equivalents include bank deposits and highly liquid financial instruments with original maturities of three months or less.

Contributions receivable that are expected to be collected within one year are reported at net realizable value. Amounts expected to be collected in more than one year are discounted, if material, to estimate the present value of future cash flows. At June 30, 2021, contributions receivable are due to be received as follows: \$83,250 within one year, \$100,000 in one to five years, and \$20,000 in six to ten years.

Property is reported at cost if purchased or at fair value at the date of gift if donated. **KICKSTART KIDS'** policy is to capitalize property purchases over \$2,500. Depreciation is provided on a straight-line basis over estimated useful lives of 5 to 10 years.

Net asset classification – Net assets, revenue, gains, and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* are not subject to donor-imposed restrictions even though their use may be limited in other respects such as by contract or board designation.
- *Net assets with donor restrictions* are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both.

Service contract fees and program fees

Service contract fees are derived from providing karate instruction programs to schools and are recognized ratably over time as those services are provided. Service contract fees are recognized at the amount of consideration **KICKSTART KIDS** expects to be entitled to in exchange for those services. All performance obligations related to service contract fees are satisfied within the academic year of the schools which is contained within the fiscal year. Service contract fees are due within 30 days of initiation of the schools' operating budget for the academic year, all of which are due within the fiscal year. Service contract fees are earned serving schools in North, Southeast, and Central Texas. The nature of these services does not give rise to any variable considerations, warranties or other related obligations. Accounts receivable from service contract fees were \$0 at June 30, 2021 and 2020, and \$87,065 at June 30, 2019. Deferred revenue from service contract fees was \$31,250 at June 30, 2021. There was no deferred revenue from service contract fees at June 30, 2020 and 2019.

Program fees are derived from registration fees, uniforms and merchandise purchased by the students, and tournament fees related to the karate instruction program. Program fees are recognized at the point in time the services are provided to the students. Program fees are recognized at the amount of consideration **KICKSTART KIDS** expects to be entitled to in exchange for those services. All performance obligations related to program fees are satisfied within the academic year of the schools which is contained within the fiscal year. Program fees are due when the goods and services are provided to the students. There are no contract assets resulting from program fees at June 30, 2021, 2020 or 2019. Deferred revenue from program fees was \$7,093 at June 30, 2021. There were no deferred revenue from program fees at June 30, 2020 and 2019.

Contributions are recognized as revenue at fair value when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as *with donor restrictions*. Conditional contributions are subject to one or more barriers that must be overcome before **KICKSTART KIDS** is entitled to receive or retain funding. Conditional contributions are recognized in the same manner when the conditions have been met. Funding received before conditions are met is reported as a refundable advance.

Fundraising events revenue is the total amount paid by sponsors and attendees of an event and includes elements of both contributions and exchange transactions. Fundraising events revenue is recognized when the event occurs. Cost of direct benefits provided to donors represents the cost of goods and services provided to attendees of the fundraising events.

Contributed materials, use of facilities and services are recognized as revenue at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used or when the service is provided. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Functional allocation of expenses – Expenses are reported by their functional classification. Program services are the direct conduct or supervision of activities that fulfill the purposes for which the organization exists. Fundraising activities include the solicitation of contributions of money, securities, materials, facilities, other assets, and time. Management and general activities are not directly identifiable with specific program or fundraising activities. Expenses that are attributable to more than one activity are allocated among the activities benefitted. Salaries and related costs are allocated on the basis of estimated time and effort expended. Depreciation and occupancy costs are allocated based on usage of related facilities.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

Recent financial accounting pronouncement – Accounting Standards Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, will require contributed nonfinancial assets to be presented as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and will require disclosure about the measurement and use of types of contributed nonfinancial assets. The ASU will be effective for fiscal years beginning after June 15, 2021 and requires retrospective application. **KICKSTART KIDS** will adopt this ASU in fiscal year 2022.

NOTE 2 – RESTATEMENT OF BEGINNING NET ASSETS

During 2021, **KICKSTART KIDS** restated their financial statements for the year ended June 30, 2020 to recognize contributions for a multi-year pledge committed in 2020 and to properly report net assets based on donor restrictions. The effect of the restatement on previously reported net assets was to decrease *net assets without donor restrictions* by \$170,000, increase *net assets with donor restrictions* by \$270,000, and increase the changes in net assets by \$100,000 as of and for the year ended June 30, 2020.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of June 30 comprise the following:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 2,720,283	\$ 2,261,494
Contributions receivable	<u>203,250</u>	<u>563,012</u>
Total financial assets	2,923,533	2,824,506
Less financial assets not available for general expenditure:		
Board-designated operating reserve	(522,272)	(522,085)
Purpose and time restricted net assets not expected to be satisfied in the coming year	<u>(311,467)</u>	<u>(500,947)</u>
Total financial assets available for general expenditure	<u>\$ 2,089,794</u>	<u>\$ 1,801,474</u>

For purposes of analyzing resources available to meet general expenditures over a 12-month period, **KICKSTART KIDS** considers all expenditures related to its ongoing karate instruction activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

KICKSTART KIDS is substantially supported by service contract fees, contributions, and fundraising events revenue, and regularly monitors liquidity required to meet its operating needs. In March 2020, a national emergency was declared due to the COVID-19 pandemic. **KICKSTART KIDS** responded by conducting instruction classes and fundraising events using on-line platforms. However, karate tournaments and the golf tournament event were cancelled.

KICKSTART KIDS received a \$823,000 Paycheck Protection Program (PPP) loan through the Small Business Administration in April 2020. PPP loan principal and interest may be forgiven, in whole or in part, if **KICKSTART KIDS** meets eligibility requirements and uses the loan to fund qualified payroll and other eligible costs. In February 2021, **KICKSTART KIDS** was notified that the PPP loan had been forgiven and recognized it as a government grant contribution.

KICKSTART KIDS' Board of Directors has designated a portion of its resources without donor restrictions as an operating reserve. Although **KICKSTART KIDS** does not intend to spend from the board-designated funds, amounts from the board-designated funds could be made available, if necessary.

NOTE 4 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2021</u>	<u>2020</u>
Bank deposits	\$ 1,422,012	\$ 1,314,620
Money market mutual funds	<u>1,298,271</u>	<u>946,874</u>
Total cash and cash equivalents	<u>\$ 2,720,283</u>	<u>\$ 2,261,494</u>

Bank deposits exceed the federally insured limit per depositor per institution.

NOTE 5 – PROPERTY

Property consists of the following:

	<u>2021</u>	<u>2020</u>
Furniture, equipment and software	\$ 212,418	\$ 152,606
Vehicles	48,311	48,311
Leasehold improvements	<u>3,627</u>	<u>3,627</u>
Total property, at cost	264,356	204,544
Accumulated depreciation	<u>(96,273)</u>	<u>(64,315)</u>
Property, net	<u>\$ 168,083</u>	<u>\$ 140,229</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted as follows:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose:		
Digital community website	\$ 411,957	\$ 500,948
Karate programs in Fort Bend County	50,000	100,000
Technology and branding awareness upgrades	12,935	14,000
Scholarships	1,600	1,600
Subject to passage of time	<u>140,000</u>	<u>170,000</u>
Total net assets with donor restrictions	<u>\$ 616,492</u>	<u>\$ 786,548</u>

NOTE 7 – IN-KIND CONTRIBUTIONS

KICKSTART KIDS recognized the following in-kind contributions and expenses during the year ended June 30, 2021:

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Office space	\$ 97,508	\$ 16,501	\$ 36,003	\$ 150,012
Professional services		<u>32,053</u>		<u>32,053</u>
Total in-kind contributions	<u>\$ 97,508</u>	<u>\$ 48,554</u>	<u>\$ 36,003</u>	<u>\$ 182,065</u>

KICKSTART KIDS recognized the following in-kind contributions and expenses during the year ended June 30, 2020:

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUNDRAISING</u>	<u>TOTAL</u>
Office space	\$ 97,508	\$ 16,501	\$ 36,003	\$ 150,012
Professional services	<u> </u>	<u>29,674</u>	<u>3,000</u>	<u>32,674</u>
Total in-kind contributions	<u>\$ 97,508</u>	<u>\$ 46,175</u>	<u>\$ 39,003</u>	<u>\$ 182,686</u>

NOTE 8 – CONCENTRATIONS

Service contract fees from four school districts represent approximately 67% and 68% of **KICKSTART KIDS'** total fees in 2021 and 2020, respectively. Approximately 93% of **KICKSTART KIDS'** total contributions receivable balance was from three donors at June 30, 2021. Approximately 93% of **KICKSTART KIDS'** total contributions receivable balance was from four donors at June 30, 2020.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 19, 2021, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.