

**FOUNDATION FOR POSITIVELY KIDS  
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**FOUNDATION FOR POSITIVELY KIDS  
FINANCIAL STATEMENTS  
JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Foundation for Positively Kids

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Foundation for Positively Kids, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foundation for Positively Kids as of June 30, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Barlow, Douglas & Hall, CPAs*

August 8, 2017  
Henderson, Nevada

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**JUNE 30, 2016**

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**ASSETS**

**Current Assets:**

Cash	\$ 49,687
Accounts receivable	368,813
Prepaid expenses and other	12,741

**Total current assets** 431,241

**Property and Equipment, Net** 601,974

**Other Assets:**

Capitalized bond costs	167,173
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**Total Assets** \$ 1,200,388

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Accounts payable	\$ 66,910
Accrued expenses	290,791
Line of credit payable	187,566
Current portion of capital lease obligations	12,426
Current portion of long-term debt	-

**Total current liabilities** 557,693

**Long-Term Capital Lease Obligations** 24,345

**Total liabilities** 582,038

**Net Assets:**

Unrestricted	487,214
Temporarily restricted	131,136

**Total net assets** 618,350

**Total Liabilities and Net Assets** \$ 1,200,388

*See accompanying notes and independent auditors' report.*

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Changes in unrestricted net assets:**

**Support**

Contributions	\$ 73,880
Special events, net	164,038
<b>Total unrestricted support</b>	<u>237,918</u>

**Revenue**

Grants - federal	578,711
Grants - state and local	428,517
Grants - private	85,736
Net patient services revenue	3,261,271
Other	3,830
<b>Total unrestricted revenue</b>	<u>4,358,065</u>

<b>Total unrestricted support and revenue</b>	<u>4,595,983</u>
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**Functional expenses**

Program services	4,066,189
Fundraising	136,802
Management and general	591,493
<b>Total functional expenses</b>	<u>4,794,484</u>

<b>Change in unrestricted net assets</b>	<u>(198,501)</u>
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**Changes in temporarily restricted net assets:**

Contributions	-
Net assets released from restrictions	(67,264)
<b>Change in temporarily restricted net assets</b>	<u>(67,264)</u>

<b>Change in net assets</b>	(265,765)
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<b>Net assets, beginning of year</b>	<u>884,115</u>
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<b>Net assets, end of year</b>	<u>\$ 618,350</u>
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*See accompanying notes and independent auditors' report.*

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	<b>Total</b>
Advertising	\$ 8,765	\$ 12,078	\$ 6,996	\$ 27,839
Auto expenses	(72)	-	(5,760)	(5,832)
Bank charges	1,951	5,066	5,069	12,086
Computer and internet	46,946	499	17,814	65,259
Consulting	3,750	1,875	26,875	32,500
Contract labor	513,197	-	7,226	520,423
Contributions	23,000	-	-	23,000
Dues and subscriptions	525	350	1,254	2,129
Education and training	150	285	3,272	3,707
Equipment rental	11,459	11,472	2,051	24,982
Insurance	85,240	1,059	5,486	91,785
Interest expense	3,552	213	11,707	15,472
Licenses and permits	6,775	1,214	4,159	12,148
Meals and entertainment	232	13,027	2,643	15,902
Medical supplies	118,082	-	-	118,082
Office supplies	29,079	641	15,784	45,504
Payroll processing	6,487	142	3,161	9,790
Payroll taxes	250,386	6,628	21,220	278,234
Postage	320	284	2,285	2,889
Printing	2,046	1,079	2,898	6,023
Professional fees - accounting	12,432	3,119	34,179	49,730
Professional fees - legal	-	-	2,000	2,000
Professional fees - billing	27,939	-	84	28,023
Rent	46,574	-	24,000	70,574
Repairs and maintenance	17,869	-	491	18,360
Salaries and wages	2,711,912	77,493	380,645	3,170,050
Telephone	24,159	278	10,826	35,263
Travel	-	-	1,292	1,292
Utilities	6,840	-	-	6,840
	<u>3,959,595</u>	<u>136,802</u>	<u>587,657</u>	<u>4,684,054</u>
Depreciation	<u>106,594</u>	<u>-</u>	<u>3,836</u>	<u>110,430</u>
	<u><u>\$4,066,189</u></u>	<u><u>\$ 136,802</u></u>	<u><u>\$ 591,493</u></u>	<u><u>\$ 4,794,484</u></u>

*See accompanying notes and independent auditors' report.*

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2016**

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**Cash flows from operating activities**

Change in nets assets	\$ (265,765)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	110,430
Changes in:	
(Increase) decrease in accounts receivable	84,993
(Increase) decrease in prepaid expenses and other	1,894
Increase (decrease) in accounts payable	(85,301)
Increase (decrease) in accrued expenses	146,517
	<hr/>
Net cash provided by operating activities	<hr/> <u>(7,232)</u>

**Cash flows from Investing Activities**

Purchase of equipment	<hr/> <u>(329,715)</u>
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**Cash flows from Financing Activities**

Net borrowings from line of credit	94,514
Repayments on capital lease obligations	(11,967)
Repayments on long-term debt	(2,820)
	<hr/>
Net cash used in financing activities	<hr/> <u>79,727</u>

<b>Net increase in cash</b>	<b>(257,220)</b>
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<b>Cash, beginning of year</b>	<b>306,907</b>
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<b>Cash, end of year</b>	<b>\$ 49,687</b>
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**Supplemental disclosure of cash flow information:**

Interest paid	<hr/> <u>\$ 15,472</u> <hr/>
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*See accompanying notes and independent auditors' report.*

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities**

Foundation for Positively Kids (the Foundation) is a not-for-profit organization located in Las Vegas, Nevada. The Foundation's mission is to provide a better quality of life for medically fragile and terminally ill children (ages from birth to 18 years) rather than merely a place to exist or die. The Foundation plans to evolve into a 24-hour facility staffed by licensed pediatric professionals and will offer counseling and support for families.

**Basis of Accounting**

The accompanying financial statements have been presented in accordance with accounting principles generally accepted in the United States applicable to not-for-profit organizations. The Foundation receives the majority of its revenues from government grants and donations from the general public located mainly in southern Nevada.

**Cash**

The Foundation considers all highly liquid investments with a remaining maturity of three months or less at the time of purchase to be cash equivalents.

**Grants and Contracts Receivable**

Grants and contracts receivable result from both contracts made and grants being awarded. Management reviews the grants and contracts receivable balances in order to determine whether or not a provision for potential credit losses is necessary. As of June 30, 2016, the provision was \$0. All amounts recorded are expected to be received within one year. Accounts receivable consisted of the following at June 30, 2016:

Contracts receivable	\$ 199,649
Grants receivable	<u>169,164</u>
	368,813
Less: allowance for doubtful accounts	<u>-</u>
	<u><u>\$ 368,813</u></u>

**Contributions**

All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported in the statement of activities as temporarily restricted or permanently restricted.

Unconditional promises to give cash and other assets are reported at estimated fair value at the date the promise is received. Conditional promises to give are recognized when the conditions, as stipulated by the donor, are substantially met. The gifts are reported as either temporarily or permanently restricted support in the statement of activities 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), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions for which restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.



**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Concentration of Credit Risk**

The Foundation has concentrated its credit risk for cash held by maintaining deposits in a financial institution, which at times may exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). There was a risk of loss totaling \$0 for the year ended June 30, 2016 for the excess of the deposit liabilities reported by the banks over the amounts that would have been covered by federal insurance. The Foundation has not experienced any losses and believes it is not exposed to any significant credit risk to cash.

**Property and Equipment**

Property and equipment are stated at cost. Donated assets are recognized at their estimated fair value when received. Costs of major improvements are capitalized, while costs of normal repairs and maintenance are charged to expense as incurred. The Foundation has a capitalization policy of \$500 and a useful life of three years or more. Gains or losses on disposal of assets are recognized as incurred. The cost and related accumulated depreciation on property and equipment sold or otherwise disposed of are removed from the accounts, and any gain or loss is reported as current year revenue or expense. Estimated useful lives of property and equipment range as follows:

Buildings and improvements	5 to 40 years
Furniture, fixtures and equipment	3 to 15 years

The Foundation periodically evaluates its property and equipment and other long-lived assets for impairment in accordance with accounting principles generally accepted in the United States of America for the impairment or disposal of long-lived assets. If impairment is indicated, such impaired assets are written down to their estimated fair value. As of June 30, 2016, management determined that there was no impairment of the Foundation's long-lived assets.

Donated property and equipment as well as property and equipment purchased with restricted funds are included in unrestricted net assets unless otherwise specified by the donor.

**Impairment of Long-Lived Assets**

The Foundation accounts for impairment of long-lived assets in accordance with Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*. ASC Topic 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate the book value of the asset may not be recoverable. In accordance with ASC Topic 360, the Foundation uses an estimate of future undiscounted cash flows of the related assets over the remaining life in assessing whether the assets are recoverable.

**Compensated Absences**

The Foundation has a compensated absence policy which includes vacation. However, due to the limitations of the policy, management has not measured or accrued the expense and/or liability.

**Temporarily Restricted Net Assets**

Temporarily restricted net assets are those whose use has been limited by donors or grantors to a specific time period or purpose.

**Grant Revenue Recognition**

Grant revenue is recognized in the period received.

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Contributed Services**

A substantial number of unpaid volunteers have made significant contributions of their time to develop the Foundation's programs. The value of this contributed time is not reflected in these financial statements since it is not susceptible to objective measurement or valuation.

**Advertising**

Advertising costs are expensed the first time such advertising appears. Total advertising costs included in program services, fundraising and management and general was \$27,839 for the year ended June 30, 2016.

**Income Taxes**

The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no income tax is reflected in the accompanying financial statements. In addition, the Foundation is classified as an organization that is not a private foundation under IRC Section 509(a); therefore, donations qualify for maximum charitable contribution deduction under IRC Section 170(c) of the Code.

As of June 30, 2016, the Foundation had not identified any uncertain tax positions under ASC Topic 740, *Income Taxes*, requiring adjustments to its financial statements. In the event the Foundation were to recognize interest and penalties related to uncertain tax positions, it would be recognized in the financial statements as interest expense for interest and miscellaneous for penalties. Generally, 2013 through 2015 are open to examination by the federal and state taxing authorities. There are no income tax examinations currently in process.

**Functional Expenses**

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the services benefited.

**Use of 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 amount of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of revenues and expenses during the reporting period. Management periodically evaluates the Foundation's policies, and the estimates and assumptions related to such policies.

**NOTE 2 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2016:

Educational message service	\$	21,210
Leasehold improvements		621,410
Office equipment		289,126
Software		5,172
		<u>936,918</u>
Less: accumulated depreciation		<u>(334,944)</u>
	\$	<u><u>601,974</u></u>

Depreciation expense for the year ended June 30, 2016 was \$110,430.

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 3 – LINE OF CREDIT**

The Foundation has a line of credit agreement with a bank in the amount of \$100,000. The line bears interest at a rate of prime plus 2%. The line is reviewed annually and is due on demand. Under terms of the line of credit, the Foundation is required to maintain a specified debt service coverage ratio and debt to tangible net worth ratio, as those terms are defined. The unused portion of the line of credit at June 30, 2016, was \$X,XXX.

**NOTE 4 – CAPITAL LEASE OBLIGATIONS**

The Foundation leases its electronic medical record system (EMR) under a lease classified as a capital lease. The leased EMR system is amortized on the straight line basis over 5 years. Total accumulated amortization related to the leased equipment is \$XX,XXX at June 30, 2016. The following is a schedule showing the future minimum lease payments under the capital lease by years and the present value of the minimum lease payments as of June 30, 2016. The interest rate related to the lease obligation is 14.00% and matures in January 2017.

Year ending June 30,	
2016	\$ 30,780
2017	23,208
Total minimum lease payments	53,988
Less: Amount representing interest	(5,250)
Present value of minimum lease payments	\$ 48,738

At June 30, 2016, the present value of minimum lease payments due within one year is \$26,342.

**NOTE 5 – BUILDING LEASE**

The Foundation currently rents 2,600 square feet of building space at 3555 West Reno Avenue Suite F, Las Vegas, Nevada. The lease expired in December 2014 and is currently being leased on a month-to-month basis. The lease is with a related party (see Related Party Note 7). The lease presently requires monthly payments of \$2,000. Lease expense for the year ended June 30, 2016 totaled \$24,000.

The Foundation currently leases space from Clark County, Nevada, a political subdivision of the State of Nevada. The lease does not require payment of any rent or lease payments. However, the Foundation is required per the lease to provide primary care medical, dental and nursing services at said leased location for Clark County, Nevada.

During the period ending June 30, 2011 and June 30, 2012, the Foundation incurred leasehold improvement costs. The total leasehold improvement costs were \$289,901. The leasehold improvements except for personal property will become the property of Clark County, Nevada upon completion of the lease including renewals.

The lease is for five years with two one year renewal options.

**NOTE 6 – COMMITMENTS AND CONTINGENCIES**

The Foundation is not party to any general legal proceedings.

**NOTE 7 – RELATED PARTY TRANSACTIONS**

The Foundation leases office space from a related party. Management believes the office space rent approximates fair rental value (see Building Lease Note 5).

**FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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**NOTE 8 – BOND COSTS**

The Foundation is in the process of constructing, owning and operating a pediatric medical home, including a skilled nursing facility and related facilities expected to approximate 77,000 square feet. The Foundation made a \$10,000 non-refundable deposit on an approximately 8.5 acre site in Las Vegas, Clark County, Nevada. Additionally, the Foundation has incurred other costs including accounting, legal and engineering fees. The total costs incurred as of June 30, 2016, including the non-refundable deposit are \$167,173, of which \$167,173 was expended in prior years. These costs have been capitalized as recovery is anticipated from the new entity once formed and capitalized. If the project does not come to fruition, these costs will be expensed on abandonment.

**NOTE 9 – SUBSEQUENT EVENTS**

For the originally issued financial statements, the Foundation has evaluated subsequent events through August 8, 2017, the date which the originally issued financial statements were issued.