



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

FINANCIAL STATEMENTS

JUNE 30, 2020



**FOUNDATION FOR POSITIVELY KIDS
FINANCIAL STATEMENTS
JUNE 30, 2020**

Table of Contents

Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets.....	3
Statement of Functional Expenses.....	4
Statement of Cash Flows	5
Notes to the Financial Statements.....	6-11



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, 2020, 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, 2020, 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.

A handwritten signature in blue ink that reads 'BD & Associates CPAs, PLLC'.

BD & Associates CPAs, PLLC
February 3, 2021
Henderson, Nevada

FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2020

ASSETS

Current Assets:

Cash	\$	1,045,643
Accounts receivable		187,191
Prepaid expenses and other		17,500
Total current assets		<u>1,250,334</u>

Property and Equipment, Net

365,928

Total Assets

\$ 1,616,262

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable and accrued expenses	\$	550,681
Due to related party		44,640
Current portion of long-term debt		3,399
Total current liabilities		<u>598,720</u>

Long-Term Liabilities:

Note payable - SBA Economic Impact Disaster Loan		<u>146,501</u>
Total long-term liabilities		<u>146,501</u>
Total liabilities		<u>745,221</u>

Net Assets:

Unrestricted		871,041
Temporarily restricted		-
Total net assets		<u>871,041</u>

Total Liabilities and Net Assets

\$ 1,616,262

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, 2020

Changes in unrestricted net assets:

Support

Contributions	\$ 37,663
Special events, net	401,660
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Total unrestricted support	439,323

Revenue

PPP loan forgiveness	1,094,895
Grants - state and local	252,023
Grants - private	482,444
Net patient services revenue	4,480,969
Other	688
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Total unrestricted revenue	6,311,019

Total unrestricted support and revenue	6,750,342
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Functional expenses

Program services	5,309,403
Fundraising	134,789
Management and general	716,984
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Total functional expenses	6,161,176

Change in unrestricted net assets	589,166
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Changes in temporarily restricted net assets:

Net assets released from restrictions	-
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Change in net assets	589,166
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Net assets, beginning of year	281,875
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Net assets, end of year	\$ 871,041
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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, 2020

	Program Services	Fundraising	Management and General	Total
Advertising	\$ 37,495	\$ 5,640	\$ 3,200	\$ 46,335
Automobile expense	91,271	900	2,000	94,171
Bank charges	(159)	763	350	954
Computer and internet	37,957	1,509	10,971	50,437
Consulting	47,350	-	8,025	55,375
Contract labor	506,741	-	-	506,741
Dues and subscriptions	16,175	1,587	4,545	22,307
Employee benefits	155,923	1,039	18,389	175,351
Equipment rental	37,172	673	7,673	45,518
Insurance	51,170	64	48,670	99,904
Interest expense	-	-	14,763	14,763
Licenses and permits	9,705	-	(1,925)	7,780
Meals and entertainment	402	1,103	2,142	3,647
Medical supplies	36,586	-	144	36,730
Miscellaneous	7,840	400	12,820	21,060
Office supplies	34,455	276	3,691	38,422
Payroll processing	2,220	-	4,765	6,985
Payroll taxes	360,655	7,920	104,422	472,997
Postage	3,610	300	282	4,192
Printing	2,790	600	950	4,340
Professional fees - accounting	3,600	-	23,413	27,013
Professional fees - legal	-	-	2,000	2,000
Professional fees - billing	128,296	-	-	128,296
Professional fees - other	28,290	18,807	14,612	61,709
Rent	163,316	2,000	17,740	183,056
Repairs and maintenance	60,228	-	2,540	62,768
Salaries and wages	3,381,962	85,469	399,307	3,866,738
Telephone	11,424	-	6,360	17,784
Travel	7,685	25	-	7,710
Utilities	40,095	5,714	3,058	48,867
	<u>5,264,254</u>	<u>134,789</u>	<u>714,907</u>	<u>6,113,950</u>
Depreciation	45,149	-	2,077	47,226
	<u>\$ 5,309,403</u>	<u>\$ 134,789</u>	<u>\$ 716,984</u>	<u>\$ 6,161,176</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, 2020

Cash flows from operating activities

Change in nets assets	\$ 589,166
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	47,226
Changes in:	
(Increase) decrease in accounts receivable	180,234
(Increase) decrease in prepaid expenses and other	(2,682)
Increase (decrease) in accounts payable and accrued expenses	84,778
Increase (decrease) in due to related party	<u>(16,231)</u>
Net cash provided by operating activities	<u>882,491</u>

Cash flows from investing activities

Acquisitions of property and equipment	<u>(20,812)</u>
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Cash flows from Financing Activities

Net payments on line of credit	(185,093)
Proceeds from issuance of long-term debt	<u>149,900</u>
Net cash provided by financing activities	<u>(35,193)</u>

Net increase in cash 826,486

Cash, beginning of year 219,157

Cash, end of year \$ 1,045,643

Supplemental disclosure of cash flow information:

Interest paid	<u><u>\$ 14,763</u></u>
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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, 2020

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, 2020, the provision was \$0. All amounts recorded are expected to be received within one year. Accounts receivable consisted of the following at June 30, 2020:

Accounts receivable	\$ 187,191
Less: allowance for doubtful accounts	-
	<u>\$ 187,191</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, 2020 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, 2020, 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 (CONTINUED)
JUNE 30, 2020

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 \$44,835 for the year ended June 30, 2020.

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, 2020, 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, 2017 through 2020 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, 2020:

Educational message service	\$	21,210
Leasehold improvements		567,494
Office equipment		343,127
Software		5,172
		<u>937,003</u>
Less: accumulated depreciation		<u>(571,075)</u>
	\$	<u>365,928</u>

Depreciation expense for the year ended June 30, 2020 was \$47,226.

FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 3 – LINE OF CREDIT

The Foundation has a line of credit agreement with a bank in the amount of \$200,000. 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, 2020, was \$14,907.

NOTE 4 – LONG-TERM DEBT

The Foundation received a note payable from the Small Business Administration in connection with the federal governments program for Economic Impact Disaster Loans (“EIDL”) for organizations impacted by the coronavirus pandemic. The amount of the EIDL received during the 2020, totaled \$149,900. The term of the EIDL note payable has an annual interest rate of 2.75% and has a 30-year maturity. The EIDL has a 12 month deferral on principle and interest payments.

Long-term debt consists of the following at June 30, 2020:

EIDL note payable, due in monthly installments of \$628 and interest of 2.75%, maturing in May 2051, unsecured.	\$ 149,900
Total long-term debt	149,900
Less: current maturities	(3,399)
	<u>\$ 146,501</u>

Principle payments on long-term debt, matures as follows:

2021	\$ 3,399
2022	3,494
2023	3,591
2024	3,691
2025	3,794
Thereafter	131,931
	<u>\$ 149,900</u>

NOTE 5 – PPP LOAN FORGIVENESS

The Foundation received a loan from Chase Bank in the amount of \$1,094,895 under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan is subject to a note dated May 28, 2020. The Foundation applied for and is expecting that \$1,094,895 in eligible expenditures for payroll and other expenses described in the CARES Act will be forgiven. Loan forgiveness is reflected in revenue as PPP loan forgiveness in the accompanying Statement of Activities pursuant to ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*.

FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 6 – BUILDING LEASE

The Foundation previously rented 2,600 square feet of building space at 3555 West Reno Avenue Suite F, Las Vegas, Nevada. The lease expired in December 2014 and was leased on a month-to-month basis until October 2016. 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, 2020 at this location totaled \$8,000. As of November 1, 2016, the Foundation entered into a lease agreement for office space located at 2480 East Tompkins Avenue, Las Vegas, Nevada. The initial lease term is for 4 years and expires in October 2020 and requires monthly rent payments of \$3,600. Future minimum lease payments under the operating lease are as follows:

2021	<u>14,400</u>
	<u>\$ 14,400</u>

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 7 – CONCENTRATION RISK

Major customers

Revenues for the five months ended June 30, 2020 include revenues from the following major customers (defined as 10% or more of revenues or outstanding accounts receivable), together with the accounts receivable as of June 30, 2020, due from those customers:

<u>Customer</u>	<u>Revenues</u>
Customer A	\$ 2,444,094
Customer B	1,141,073
Customer C	1,110,066

FOUNDATION FOR POSITIVELY KIDS (A NONPROFIT ORGANIZATION)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2020

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Foundation is not party to any general legal proceedings.

NOTE 9 – 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).

The Foundation has an outstanding loan with a related party. As of June 30, 2020, the outstanding amount totaled 44,640. The note is unsecured, requires monthly payments of \$5,815 including interest at a rate of 10% per annum, and matures in May 2020. Future minimum lease payments are as follows:

2021	<u>44,640</u>
	<u>\$ 44,640</u>

NOTE 10 – SUBSEQUENT EVENTS

For the originally issued financial statements, the Foundation has evaluated subsequent events through February 3, 2021, the date which the originally issued financial statements were issued.