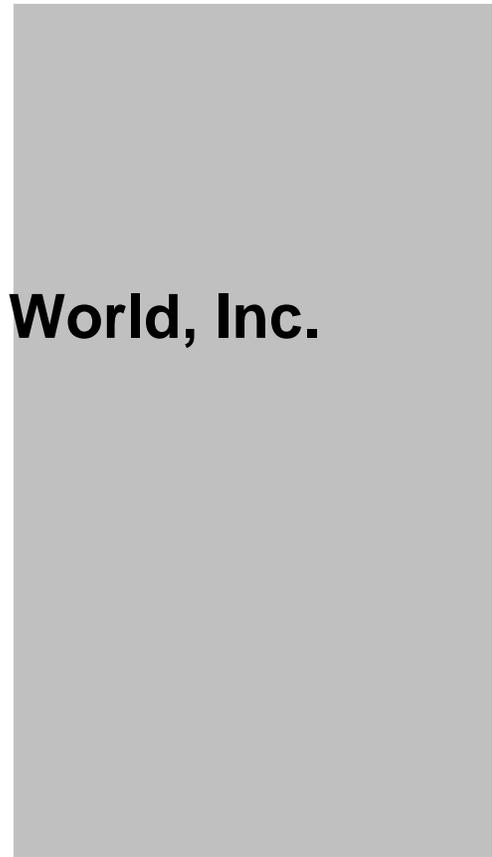


# Give Kids The World, Inc.



## **Financial Statements** Years Ended December 31, 2012 and 2011

# Give Kids The World, Inc.

## Contents

<b>Independent Auditor's Report</b>	3
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Cash Flows	6
Statements of Functional Expenses	7
Notes to Financial Statements	8 – 21



## Independent Auditor's Report

To the Board of Directors  
Give Kids The World, Inc.

We have audited the accompanying financial statements of Give Kids The World, Inc., which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require 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 Give Kids The World, Inc. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Cross, Fernandez & Riley, LLP*

Certified Public Accountants

May 8, 2013

# Give Kids The World, Inc.

## Statements of Financial Position

<i>December 31,</i>	2012	2011
<b>Assets:</b>		
Cash and cash equivalents	\$ 7,975,107	\$ 5,426,949
Accounts receivable	812,670	623,721
Accrued interest and dividends receivable	41,290	41,423
Donated inventory	4,972,276	2,954,129
Prepaid expenses	115,499	111,633
Pledges receivable, net (Note 4)	386,140	541,696
Investments (Note 3)	50,420,143	44,672,868
Property and equipment, net (Note 5)	28,417,130	29,536,923
	<b>\$ 93,140,255</b>	<b>\$ 83,909,342</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 939,024	\$ 455,537
Accrued salaries and related expenses	491,164	368,584
Deferred revenue	32,098	38,000
<b>Total liabilities</b>	<b>1,462,286</b>	<b>862,121</b>
<b>Commitments and contingencies</b> (Note 11)	–	–
<b>Net assets:</b>		
Unrestricted:		
Available for operations	7,487,620	5,227,094
Invested in property and equipment	28,417,130	29,536,923
Board-designated endowment (Note 9)	52,593,050	46,599,414
<b>Total unrestricted</b>	<b>88,497,800</b>	<b>81,363,431</b>
Temporarily restricted (Note 8)	3,180,169	1,683,790
<b>Total net assets</b>	<b>91,677,969</b>	<b>83,047,221</b>
	<b>\$ 93,140,255</b>	<b>\$ 83,909,342</b>

See accompanying notes to financial statements.

# Give Kids The World, Inc.

## Statements of Activities

Year ended December 31,	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Support, revenue and gains (losses):</b>						
Support:						
Contributions (Note 6)		\$34,220,651	\$4,635,601	\$29,716,339	\$3,495,699	\$33,212,038
Special events revenue	\$1,086,676			\$1,026,030		
Less: Costs of direct benefits to donors	690,572			706,990		
Net revenues from special events	396,104	–	396,104	319,040	–	319,040
<b>Total support</b>	<b>34,616,755</b>	<b>4,635,601</b>	<b>39,252,356</b>	<b>30,035,379</b>	<b>3,495,699</b>	<b>33,531,078</b>
Revenue:						
Interest and dividend income	1,236,209	1,581	1,237,790	1,294,018	3,080	1,297,098
Net realized and unrealized gains/(losses) on investments (Note 3)	4,180,189	–	4,180,189	(995,351)	–	(995,351)
Other income	410,894	–	410,894	334,602	–	334,602
<b>Total revenue and gains</b>	<b>5,827,292</b>	<b>1,581</b>	<b>5,828,873</b>	<b>633,269</b>	<b>3,080</b>	<b>636,349</b>
Net assets released from restrictions (Note 8)	3,140,803	(3,140,803)	–	3,597,267	(3,597,267)	–
<b>Total support, revenue and gains/(losses)</b>	<b>43,584,850</b>	<b>1,496,379</b>	<b>45,081,229</b>	<b>34,265,915</b>	<b>(98,488)</b>	<b>34,167,427</b>
<b>Expenses (Note 6):</b>						
Program operations	33,407,011	–	33,407,011	31,099,984	–	31,099,984
Supporting services:						
Management and general	577,125	–	577,125	588,173	–	588,173
Fund raising	2,466,345	–	2,466,345	1,931,772	–	1,931,772
<b>Total expenses</b>	<b>36,450,481</b>	<b>–</b>	<b>36,450,481</b>	<b>33,619,929</b>	<b>–</b>	<b>33,619,929</b>
<b>Change in net assets</b>	<b>7,134,369</b>	<b>1,496,379</b>	<b>8,630,748</b>	<b>645,986</b>	<b>(98,488)</b>	<b>547,498</b>
<b>Net assets, beginning of year</b>	<b>81,363,431</b>	<b>1,683,790</b>	<b>83,047,221</b>	<b>80,717,445</b>	<b>1,782,278</b>	<b>82,499,723</b>
<b>Net assets, end of year</b>	<b>\$88,497,800</b>	<b>\$3,180,169</b>	<b>\$91,677,969</b>	<b>\$81,363,431</b>	<b>\$1,683,790</b>	<b>\$83,047,221</b>

See accompanying notes to financial statements.

# Give Kids The World, Inc.

## Statements of Cash Flows

<i>Year ended December 31,</i>	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 8,630,748	\$ 547,498
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	2,466,580	2,427,702
(Increase) decrease in donated inventory received, net of contributions to families	(2,018,147)	624,340
Donated property and equipment	(94,780)	(688,907)
Donated common stock investment	(572,354)	-
Gain on disposal of property and equipment	-	(1,841)
Net realized and unrealized (gains)/losses on investments	(4,180,189)	995,351
Cash provided by (used for):		
Accounts receivable	(188,949)	71,682
Accrued interest and dividends receivable	133	91,671
Prepaid expenses	(3,866)	44,468
Pledges and bequests receivable	155,555	30,751
Accounts payable and accrued expenses	483,488	(332,716)
Accrued salaries and related expenses	122,580	26,959
Deferred revenue	(5,902)	18,500
<b>Net cash provided by operating activities</b>	<b>4,794,897</b>	<b>3,855,458</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(1,252,007)	(1,685,018)
Proceeds from sale of investments	9,965,628	12,532,106
Purchase of investments	(10,960,360)	(12,378,861)
<b>Net cash used in investing activities</b>	<b>(2,246,739)</b>	<b>(1,531,773)</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,548,158</b>	<b>2,323,685</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>5,426,949</b>	<b>3,103,264</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 7,975,107</b>	<b>\$ 5,426,949</b>
<b>Supplemental cash flow information:</b>		
Cash paid for taxes	\$ 10,320	\$ 6,600

*See accompanying notes to financial statements.*

# Give Kids The World, Inc.

## Statements of Functional Expenses

Year ended December 31,	2012				2011			
	Program Operations	Supporting Services		Total	Program Operation	Supporting Services		Total
		Management and General	Fund Raising			Management and General	Fund Raising	
Contributions to families	\$20,978,450	\$ -	\$ -	\$20,978,450	\$19,387,111	\$ -	\$ -	\$19,387,111
Salaries and benefits	4,171,118	309,719	1,047,578	5,528,415	3,757,707	260,406	651,765	4,669,878
Family, participant and program relations	1,920,672	-	-	1,920,672	1,821,886	-	20,094	1,841,980
Restaurant food and beverage	1,464,577	-	-	1,464,577	1,376,716	-	-	1,376,716
Telephone and utilities	903,749	6,609	17,396	927,754	943,605	9,074	22,006	974,685
Repairs and maintenance	623,037	35,386	102,672	761,095	580,730	36,697	53,521	670,948
Materials and supplies	74,929	-	261,099	336,028	63,013	-	185,962	248,975
Payroll taxes	255,608	33,352	69,812	358,772	238,849	33,489	41,164	313,502
Insurance	310,276	19,835	50,296	380,407	309,400	21,027	33,043	363,470
Office supplies and postage	42,730	31,719	96,871	171,320	38,098	20,610	70,403	129,111
Meetings and travel	13,594	4,063	73,666	91,323	4,070	1,220	61,954	67,244
Printing and stationery	41,976	1,589	56,181	99,746	46,320	3,321	149,237	198,878
Education and training	3,697	9,833	6,583	20,113	16,105	5,223	247	21,575
Professional fees	-	67,895	252,903	320,798	-	131,422	344,268	475,690
Advertising and promotion	25,177	145	224,649	249,971	38	210	135,997	136,245
Taxes, licenses and fees	8,018	31,851	109,355	149,224	6,620	25,494	87,218	119,332
Equipment, office and storage rental	45,375	-	-	45,375	43,879	-	-	43,879
Other expenses	27,707	147	-	27,854	29,946	11,683	-	41,629
Dues and subscriptions	3,745	6,182	36,614	46,541	1,917	9,794	15,179	26,890
Housekeeping contracts and supplies	105,466	-	-	105,466	86,330	-	-	86,330
Total expenses before depreciation and gain on disposal	31,019,901	558,325	2,405,675	33,983,901	28,752,340	569,670	1,872,058	31,194,068
Depreciation	2,387,110	18,800	60,670	2,466,580	2,349,485	18,503	59,714	2,427,702
Gain on disposal of property and equipment	-	-	-	-	(1,841)	-	-	(1,841)
Total expenses	\$33,407,011	\$577,125	\$2,466,345	\$36,450,481	\$31,099,984	\$588,173	\$1,931,772	\$33,619,929

See accompanying notes to financial statements.

# Give Kids The World, Inc.

## Notes to Financial Statements

### 1. Nature of Operations

Give Kids The World, Inc. (the “Company”) is a not-for-profit corporation that provides children who have life threatening illnesses between the ages of 3 and 18, and their families, the cost-free opportunity to visit and experience various Central Florida attractions. In order to accomplish its mission, the Company coordinates and assembles vacation packages for the families by soliciting attraction passes, transportation services, hotel accommodations, food service, small gifts, and volunteer time from local area businesses and community service organizations. The Company also provides lodging in its own facilities in Kissimmee, Florida.

### 2. Summary of Significant Accounting Policies

#### Liquidity

Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

#### Contributions

Unconditional promises to give (pledges) are recognized as contributions in the period received at their fair value. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date received. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue.

Absent explicit donor stipulations about how long fixed assets must be maintained, the Company reports expirations of donor restrictions on cash or cash equivalents that must be used to acquire fixed assets when the fixed assets begin construction and/or are acquired.

#### Donor-Imposed Restrictions

All contributions to the Company 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 as temporarily restricted contributions. When a donor restriction expires, that is when a

# Give Kids The World, Inc.

## Notes to Financial Statements

stipulated time restriction ends or the restricted purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

### **Cash and Cash Equivalents**

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

### **Accounts Receivable**

Accounts receivable consists primarily of receivables from wish granting organizations, merchandise sales and events. The Company considers its accounts receivable to be fully collectible and therefore, has not recorded an allowance for doubtful accounts. Amounts becoming uncollectible will be charged to operations when that determination is made.

### **Donated Inventory**

Donated inventory is recorded at estimated fair value on the date of the gift. This inventory consists primarily of family gifts, sponsor gifts, theme park tickets and merchandise held for sale.

### **Investments**

Investments are recorded at their estimated fair value. Realized and unrealized gains and losses on investments are recognized in the statements of activities.

The Investment Committee employs professional advisors and applies fund objectives which combine both capital growth and income return. The Company's endowment portfolio consists of multiple independent investment funds established with a variety of investment objectives. Risk is mitigated through diversification of investments, balance of fixed/equity mix, and disciplined review of fund manager performance. The investment portfolio is benchmarked against a blend of indices that is comparable to its asset mix. Portfolio performance, as measured by investment results must meet or exceed the relevant benchmarks over the course of the investment cycle. Diversification by security and asset class should enhance portfolio returns on a risk adjusted basis while reducing portfolio volatility.

# Give Kids The World, Inc.

## Notes to Financial Statements

### Fair Value Measurements

The Company reports its financial assets and liabilities using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 – Valuation based on unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 – Valuation based on observable quoted prices for similar assets and liabilities in active markets.
- Level 3 – Valuation based on inputs that are unobservable and are supported by little or no market activity, therefore requiring management's best estimate of what market participants would use as fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Fair value estimates discussed herein are based upon certain market assumptions and pertinent information available to management as of December 31, 2012 and 2011. The respective carrying value of certain on-balance-sheet financial instruments approximate their fair values due to the short-term nature of these instruments. These financial instruments include cash and cash equivalents, accounts receivable, accrued interest and dividends receivable, pledges due in one year or less, accounts payable and accrued expenses, and accrued salaries and related expenses.

The Company's Level 1 financial assets consist of investments as identified in Note 3 and are valued based on quoted market prices. These investments include life insurance contracts which are annuities that are valued on a daily basis in an active market.

The Company's Level 2 financial assets identified in Note 3 represent municipal and corporate bonds that are priced on a matrix, where each level of quality, maturity and coupon results in a calculated price. Therefore, these assets are not prices that are

# Give Kids The World, Inc.

## Notes to Financial Statements

observed in the market, but instead are approximations using time-tested formulae. Bond prices are refreshed in this manner twice per month.

The Company's Level 3 financial assets include the following:

**Timber Fund** – The timber fund is valued based on the Company's membership interest in members' capital to which a proportionate share of net assets is attributed. The fund invests in the equity or the underlying timber properties of Red Mountain Timberlands LLC, an investment fund formed to acquire investment grade timberlands and/or long-term timberland leaseholds in the southern United States. The projected maturity date of the fund is December 31, 2017, unless terminated earlier in accordance with the LLC agreement. The term of the Fund may be extended for up to a two year period at the discretion of the manager. Withdrawal from this fund prior to fund maturity would involve the Company identifying a substitute investor that is acceptable to the manager and the valuation of that fund position will be a negotiation between the seller and the buyer. Early withdrawal could lead to a significant discount in value.

**Real Estate Fund** – The real estate fund is valued based on the Company's ownership interest in partners' capital to which a proportionate share of net assets is attributed. The investment objective of the fund is to achieve superior returns by making investments in portfolio companies, portfolio investments, and real estate assets. The original maturity date for the fund was the 7th anniversary from the fund's final closing, which was April 30, 2011. However the fund has three extensions at its discretion and can extend the fund life by one to three year terms. Other than holding until maturity, the Company can redeem the investment by trying to sell on the secondary market. During 2012, the fund extended the life of the fund through April 30, 2014. The Company's unfunded commitment for this fund was \$154,080 as of December 31, 2012.

### **Property and Equipment**

Property and equipment are capitalized at cost when purchased or at estimated fair value at the date of gift if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

# Give Kids The World, Inc.

## Notes to Financial Statements

### **Deferred Revenue**

Amounts received but not yet recognized are reported as deferred revenue. These amounts include advance deposits and support fees collected for program activities which have not yet occurred.

### **Income Taxes**

The Company is exempt from income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. However, the Company is subject to income taxes on net profits earned from sales of merchandise. The Company incurred income tax expense of approximately \$10,320 and \$6,600, respectively, on unrelated business income for 2012 and 2011, respectively.

The Company identifies and evaluates uncertain tax positions, if any, and recognizes the impact of uncertain tax positions for which there is a less than more-likely-than-not probability of the position being upheld when reviewed by the relevant taxing authority. Such positions are deemed to be unrecognized tax benefits and a corresponding liability is established on the statement of financial position. The Company has not recognized a liability for uncertain tax positions. If there were an unrecognized tax benefit, The Company would recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. The Company's open tax years subject to examination by the Internal Revenue Service generally remain open for three years from the date of filing.

### **Functional Allocation of Expenses**

Joint costs incurred related to payroll and related expenses were allocated by time spent between program and supporting related activities. Directly identifiable expenses are charged to either program or supporting services based on the activity. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company. Certain expenses attributable to program services and supporting services were allocated by management based upon either the number of employees in each department or square footage.

# Give Kids The World, Inc.

## Notes to Financial Statements

### 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

### Reclassifications

Certain items have been reclassified in the 2011 financial statements to conform to the 2012 presentation.

### 3. Investments

The fair value of investments consists of the following:

<i>December 31,</i>	<b>2012</b>	2011
<b>Certificates of deposit</b>	<b>\$ 2,344,058</b>	\$ 1,694,923
<b>Level 1 Investments:</b>		
U.S. treasury securities	<b>781,073</b>	761,550
Common stocks	<b>8,466,556</b>	7,238,566
Mutual funds	<b>29,248,760</b>	24,379,862
Life insurance contracts – cash surrender value	<b>15,369</b>	15,058
<b>Total Level 1</b>	<b>38,511,758</b>	32,395,036
<b>Level 2 Investments:</b>		
Corporate bonds	<b>6,585,807</b>	7,684,211
Municipal bonds	<b>693,261</b>	571,770
<b>Total Level 2</b>	<b>7,279,068</b>	8,255,981
<b>Level 3 Investments:</b>		
Timber fund	<b>1,231,160</b>	1,195,315
Real estate fund	<b>1,054,099</b>	1,131,613
<b>Total Level 3</b>	<b>2,285,259</b>	2,326,928
	<b>\$ 50,420,143</b>	\$ 44,672,868

# Give Kids The World, Inc.

## Notes to Financial Statements

Activity for Level 3 investments is summarized as follows:

<i>Year ended December 31,</i>	<b>2012</b>	2011
Fair value, beginning of year	\$ <b>2,326,928</b>	\$ 2,320,836
Purchases	<b>15,748</b>	12,727
Sales	<b>(241,720)</b>	(205,000)
Net realized and unrealized gains	<b>184,303</b>	198,365
Fair value, end of year	\$ <b>2,285,259</b>	\$ 2,326,928

The total amount of net unrealized gains relating to Level 3 investments still held at December 31, 2012 was \$130,570.

Investment advisory fee expenses totaled \$107,439 and \$102,512 for the years ended December 31, 2012 and 2011, respectively, and are included in net realized and unrealized gains/(losses) on investments in the accompanying statements of activities.

#### 4. Pledges Receivable

Unconditional promises to give (pledges) are recognized as support in the period received at their fair value. The Company has received pledges which are unrestricted in nature and pledges that are restricted for capital expansion and for future periods. The pledges that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts are computed using a risk-free interest rate applicable to the year in which the pledges are received. The discount rates used were between .72% and .83%. Pledges receivable at December 31, 2012 and 2011 were deemed collectible by management and, therefore, no allowance for uncollectible pledges was recorded. Pledges outstanding are scheduled to be received as follows:

<i>December 31,</i>	<b>2012</b>	2011
In one year or less	\$ <b>144,106</b>	\$ 424,635
Between one year and five years	<b>250,844</b>	120,000
	<b>394,950</b>	544,635
Less: unamortized discount	<b>(8,810)</b>	(2,939)
Pledges receivable, net	\$ <b>386,140</b>	\$ 541,696

# Give Kids The World, Inc.

## Notes to Financial Statements

### 5. Property and Equipment, Net

Property and equipment consists of the following:

<i>December 31,</i>	<i>Estimated Useful Life</i>	<b>2012</b>	2011
Land	–	\$ 3,965,832	\$ 3,965,832
Land improvements	15 yrs.	10,905,915	10,859,903
Buildings	25 yrs.	30,424,890	30,323,561
Furniture and equipment	5 – 7 yrs.	6,662,929	5,583,100
Computer equipment	3 yrs.	913,779	868,262
Construction in progress	–	74,100	–
		<b>52,947,445</b>	51,600,658
Less accumulated depreciation		<b>(24,530,315)</b>	(22,063,735)
Net property and equipment		<b>\$ 28,417,130</b>	\$ 29,536,923

### 6. In-Kind Contributions

Contributed professional support services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. In addition, there are many volunteers who contributed 350,635 and 373,418 hours of time in 2012 and 2011, respectively, valued at \$7,640,337 and \$7,976,208, respectively, in support of the organization's program, administrative and fundraising operations. These volunteer services are not reflected in the accompanying financial statements as these services do not meet the criteria for recognition which requires contributions of services shall be recognized if the services received (a) create or enhance nonfinancial assets, or (b) require specialized skills which are provided by individuals possessing those skills and (c) would typically need to be purchased if not provided by donation.

The Company records contributions of donated items to families as program expense in the statements of activities or property and equipment and inventory in the statements of financial position at the time the donated items are provided to the Company.

# Give Kids The World, Inc.

## Notes to Financial Statements

In-kind contributions consist of the following:

<i>Year ended December 31,</i>	<b>2012</b>	2011
Theme park attraction tickets/parking/hotel rooms/photos	<b>\$ 17,850,865</b>	\$ 16,656,304
Toys and family gifts	<b>3,608,170</b>	939,611
Other program in-kind gifts	<b>1,022,031</b>	596,730
Property and equipment for expansion and operations	<b>94,780</b>	688,907
Food and beverage	<b>335,327</b>	339,487
Transportation	<b>167,962</b>	140,198
Telecommunications	<b>52,401</b>	96,990
Fundraising related support	<b>564,317</b>	590,556
Legal, finance and human resources support	<b>21,629</b>	94,450
<b>Total in-kind contributions</b>	<b>\$ 23,717,482</b>	\$ 20,143,233

In-kind contributions attributed to the above are also reflected as follows:

<i>Year ended December 31,</i>	<b>2012</b>	2011
Program operations and donated inventory	<b>\$ 23,032,040</b>	\$ 18,760,591
Property and equipment	<b>94,780</b>	688,907
Fundraising	<b>567,461</b>	596,375
Management and general	<b>23,201</b>	97,360
	<b>\$ 23,717,482</b>	\$ 20,143,233

### 7. Retirement Plan

The Company has a defined contribution plan (the "Plan") covering all eligible employees of the Company. An employee may elect to defer compensation as a contribution to the Plan up to limits established by the Internal Revenue Service. The Company matches employee contributions dollar for dollar for the first \$1,000 per year (\$250 per quarter) of an individual employee's contribution after the completion of one year of service. The Company may also make a discretionary match upon approval of the Board of Directors. A discretionary match was made during 2012 and 2011. Contribution expense recorded under this Plan was approximately \$51,570 and \$45,900 during the years ended December 31, 2012 and 2011, respectively.

# Give Kids The World, Inc.

## Notes to Financial Statements

### 8. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for the following purposes:

<i>December 31,</i>	<b>2012</b>	2011
Restaurant operations	\$ 992,251	\$ 991,451
Program operations	338,350	158,392
Capital expenditures	1,446,884	–
Passage of time	402,684	533,947
	<b>\$ 3,180,169</b>	\$ 1,683,790

Net assets were released from donor restrictions as follows:

<i>Year ended December 31,</i>	<b>2012</b>	2011
Restaurant operations	\$ 1,521,140	\$ 1,376,715
Program operations	123,793	115,003
Capital expenditures	1,004,741	1,641,840
Passage of time	491,129	463,709
	<b>\$ 3,140,803</b>	\$ 3,597,267

### 9. Board-Designated Endowment

The Company maintains a board-designated endowment to further its not-for-profit mission. The Company's Board of Directors has designated and empowered an Investment Committee to oversee the endowment's development and growth.

Management and the Treasurer of the Board discuss funding needs of the Company and these needs are then discussed amongst the entire Board. The Board has the authority to approve the expenditure of earnings of the endowment when considered appropriate for operating or capital needs.

# Give Kids The World, Inc.

## Notes to Financial Statements

Changes in the board-designated endowment for the years ended December 31, 2012 and 2011 are as follows:

<i>Year ended December 31,</i>	<b>2012</b>	2011
Board-designated endowment, beginning of year	<b>\$ 46,599,414</b>	\$ 46,300,747
Interest and dividends	<b>1,237,790</b>	1,294,018
Net realized gain on sale of investments	<b>359,108</b>	2,264,881
Net unrealized gain/(loss) on investments	<b>3,928,520</b>	(3,157,720)
Investment fees	<b>(107,439)</b>	(102,512)
Contributions	<b>575,657</b>	–
Board-designated endowment, end of year	<b>\$ 52,593,050</b>	\$ 46,599,414

In June 2011, the State of Florida adopted the Florida Uniform Prudent Management of Institutional Funds Act (“FUPMIFA”). FUPMIFA establishes statutory law governing Florida not-for-profit corporation’s management of investments and is effective for institutional funds existing on or established after July 1, 2012.

The Board of Directors of the Company has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Company classifies as permanently restricted net assets: (a) the original value of the gift donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Company in a manner consistent with the standard of prudence prescribed by FUPMIFA. In accordance with FUPMIFA, the Company considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Company and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;

# Give Kids The World, Inc.

## Notes to Financial Statements

- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Company;
- (7) The investment policies of the Company.

The adoption of FUPMIFA had no impact on the Company's financial statements.

### **10. Concentrations of Credit Risk**

The Company received substantial in-kind support from a business located in Florida which accounted for more than 10% of the total support received for the fiscal years ending December 31, 2012 and 2011. Total contributions received from this business were \$12,131,802 and \$9,298,943 during the years ended December 31, 2012 and 2011, respectively. Management believes the Company would be able to support its primary program activities if the in-kind support from this business were diminished or eliminated.

The Company maintains cash balances which at times may exceed federally insured limits, but has not experienced any losses on such accounts. All non-interest bearing cash balances were fully insured at December 31, 2012 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and non-interest bearing cash balances may again exceed federally insured limits.

The Company has significant investments that are subject to concentrations of credit risk. Investments are made by investment managers engaged by the Company and the investments are monitored for the Company by these same managers. Although the market value of investments is subject to fluctuations on a day-to-day basis, management believes the investment policy is prudent for the long-term welfare of the Company.

# Give Kids The World, Inc.

## Notes to Financial Statements

### 11. Commitments and Contingencies

#### Legal

In the normal course of conducting its business, the Company may be involved in litigation. The Company is not a party to any litigation which management believes could result in any judgments that would have a material adverse effect on its financial position, liquidity or results of future operations.

#### Operating Leases

The Company leases certain equipment for use in its operations. The terms of the leases expire through fiscal 2017. Total rental expense was \$38,260 and \$56,980 during the years ended December 31, 2012 and 2011, respectively. The following summarizes minimum future rental payments under non-cancelable operating leases:

<i>Fiscal years ending December 31,</i>	
2013	\$ 33,800
2014	29,400
2015	12,500
2016	700
2017	700
	<b>\$ 77,100</b>

### 12. Related Party Transactions and Conflict-of-Interest Policy

In the ordinary course of business, the Company enters into transactions with other companies or individuals that are related to members of either the Company's Board of Trustees or the Company's management. These transactions are made at arm's length and include the following:

<i>Year ended December 31,</i>	<b>2012</b>	2011
Consulting and other administrative salaries	\$ 74,541	\$ 49,100
Legal fees	5,089	3,874
	<b>\$ 79,630</b>	\$ 52,974

It is the policy of the Company that all officers, trustees and committee members shall avoid any conflict between their own individual interests and the interests of the

# Give Kids The World, Inc.

## Notes to Financial Statements

Company. Included among the Company's board members and officers are volunteers from the financial and civic community who provide valuable assistance to the Company in the development of policies and programs. The Company has a conflict-of-interest policy whereby board and committee members must advise the board of any direct or indirect interest in any transaction or relationship with the Company and not participate in discussions and decisions regarding any action affecting their individual, professional or business interests.

### **13. Subsequent Events**

The Company has evaluated events and transactions occurring subsequent to December 31, 2012 as of May 8, 2013, which is the date the financial statements were available to be issued. Subsequent events occurring after May 8, 2013 have not been evaluated by management. No material events have occurred since December 31, 2012 that require recognition or disclosure in the financial statements.