



GIVE KIDS THE WORLD, INC.

FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2017





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Give Kids The World, Inc.
Kissimmee, Florida

We have audited the accompanying financial statements of Give Kids The World, Inc. ("the Organization"), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the six month period 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 Organization'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 Organization'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 June 30, 2017, the changes in its net assets, and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.

Batts Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
November 21, 2017

GIVE KIDS THE WORLD, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

ASSETS

Cash and cash equivalents	\$ 6,129,686
Cash restricted for long-term purposes	14,684
Investments (Note D)	47,345,113
Unconditional promises to give, net (Note E)	669,275
Inventory (Note F)	3,671,560
Other assets	1,704,364
Property and equipment, net (Note G)	<u>49,181,109</u>

Total assets \$ 108,715,791

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 1,119,609
Other liabilities	<u>345,977</u>

Total liabilities 1,465,586

NET ASSETS

Unrestricted	
Undesignated	6,674,876
Net investment in property and equipment	49,181,109
Designated	<u>49,095,593</u>

Total unrestricted 104,951,578

Temporarily restricted 2,298,627

Total net assets 107,250,205

Total liabilities and net assets \$ 108,715,791

GIVE KIDS THE WORLD, INC.
STATEMENT OF ACTIVITIES
For The Six Month Period Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS			
Unrestricted contributions - noncash	\$ 15,907,715	\$ —	\$ 15,907,715
Temporarily restricted contributions - noncash	—	96,759	96,759
Unrestricted contributions - cash	7,143,536	—	7,143,536
Temporarily restricted contributions - cash	—	1,157,151	1,157,151
Special events revenue, net of costs of direct benefits to donors of \$147,788	188,343	—	188,343
Interest and dividend income	544,917	—	544,917
Net investment gains	2,674,770	—	2,674,770
Other revenue, net	228,015	—	228,015
Net assets released from restrictions	2,063,773	(2,063,773)	—
Total public support and revenue and net assets released from restrictions	28,751,069	(809,863)	27,941,206
EXPENSES			
Program activities	24,180,361	—	24,180,361
Supporting activities			
Management and general	575,236	—	575,236
Fundraising	1,374,040	—	1,374,040
Total supporting activities	1,949,276	—	1,949,276
Total expenses	26,129,637	—	26,129,637
Change in unrestricted net assets	2,621,432	—	2,621,432
Change in temporarily restricted net assets	—	(809,863)	(809,863)
CHANGE IN NET ASSETS	2,621,432	(809,863)	1,811,569
NET ASSETS - Beginning of six month period	102,330,146	3,108,490	105,438,636
NET ASSETS - End of six month period	\$ 104,951,578	\$ 2,298,627	\$ 107,250,205

The Accompanying Notes are an Integral
Part of These Financial Statements

GIVE KIDS THE WORLD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For The Six Month Period Ended June 30, 2017

	<u>Program Activities</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Family services	\$ 16,095,224	\$ —	\$ —	\$ 16,095,224
Salaries and benefits	2,542,217	316,003	704,723	3,562,943
Family, participant, and program relations	1,199,184	12,450	289	1,211,923
Restaurant food and beverage	900,046	—	—	900,046
Telephone and utilities	504,376	9,357	15,299	529,032
Repairs and maintenance	379,862	—	—	379,862
Materials and supplies	127,733	—	127,496	255,229
Insurance	195,802	17,094	31,080	243,976
Payroll taxes	157,131	34,430	45,678	237,239
Computer maintenance	38,970	30,619	61,357	130,946
Taxes, licenses, and fees	—	986	112,709	113,695
Meetings and travel	24,968	3,866	72,796	101,630
Housekeeping, contracts, and supplies	95,222	—	—	95,222
Office supplies and postage	32,315	16,614	34,719	83,648
Printing and stationery	40,218	1,292	32,457	73,967
Advertising and promotion	—	—	69,921	69,921
Professional fees	—	65,529	1,358	66,887
Equipment, office, and storage rental	33,683	3,993	—	37,676
Dues and subscriptions	340	6,424	15,691	22,455
Education and training	11,273	5,864	1,115	18,252
Other	<u>2,232</u>	<u>9,208</u>	<u>464</u>	<u>11,904</u>
 Total expenses before depreciation	 22,380,796	 533,729	 1,327,152	 24,241,677
Depreciation	<u>1,799,565</u>	<u>41,507</u>	<u>46,888</u>	<u>1,887,960</u>
 Total expenses	 <u>\$ 24,180,361</u>	 <u>\$ 575,236</u>	 <u>\$ 1,374,040</u>	 <u>\$ 26,129,637</u>

The Accompanying Notes are an Integral
Part of These Financial Statements

GIVE KIDS THE WORLD, INC.
STATEMENT OF CASH FLOWS
For The Six Month Period Ended June 30, 2017

OPERATING CASH FLOWS

Cash received from contributions	\$ 8,004,996
Cash received from other sources	466,481
Investment income received	544,917
Cash paid for operating activities and costs	<u>(8,161,862)</u>

Net operating cash flows **854,532**

INVESTING CASH FLOWS

Net release of assets restricted for long-term purposes	128,316
Proceeds from sales of investments	4,311,997
Purchases of investments	(4,791,523)
Net purchases of and improvements to property and equipment	<u>(943,711)</u>

Net investing cash flows **(1,294,921)**

FINANCING CASH FLOWS

Contributions restricted for long-term purposes	<u>541,237</u>
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Net financing cash flows **541,237**

NET CHANGE IN CASH AND CASH EQUIVALENTS **100,848**

CASH AND CASH EQUIVALENTS – Beginning of six month period **6,028,838**

CASH AND CASH EQUIVALENTS – End of six month period **\$ 6,129,686**

RECONCILIATION OF CHANGE IN NET ASSETS TO NET

OPERATING CASH FLOWS

Change in net assets	\$ 1,811,569
Adjustments to reconcile change in net assets to net operating cash flows	
Net gains on investments	(2,674,770)
In-kind donations of property and equipment	(96,759)
Loss on disposals of property and equipment	35,098
Contributions restricted for long-term purposes	(541,237)
Depreciation	1,887,960
Change in unconditional promises to give, net	245,546
Change in inventory	198,475
Change in accounts payable and accrued expenses	(134,343)
Net change in other operating assets and other liabilities	<u>122,993</u>

Net operating cash flows **\$ 854,532**

GIVE KIDS THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE A – NATURE OF ACTIVITIES

Give Kids The World, Inc. (“the Organization”) was founded in 1986 as a Florida not-for-profit corporation. The Organization provides children between the ages of 3 and 18 who have a life-threatening illness and their families a cost-free opportunity to experience various world-famous central Florida attractions. The Organization also provides the families with lodging on its 84-acre property located in Kissimmee, Florida. In addition to providing accommodations, the Organization also provides meals to the families and operates *Give Kids The World Village* (“the Village”), the Organization’s own resort, which includes swimming pools, miniature golf, a carousel ride, nightly entertainment, and much more.

In order to effectively accomplish its mission, the Organization works with local and national companies, community service organizations, and individuals to procure vacation packages, attraction tickets, transportation services, small gifts, food service, and volunteer time to carry out many of its activities.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted or temporarily restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.” Contributions of noncash assets are recorded at estimated fair value on the date of the gift.

Cash and cash equivalents

The Organization considers investments purchased or donated with original maturities of three months or less to be cash equivalents.

Cash restricted for long-term purposes

Cash restricted for long-term purposes is restricted for capital expansion.

Investments

Investments consist primarily of marketable debt and equity securities which are stated at estimated fair value.

Unconditional promises to give

Unconditional promises to give are recognized as revenue and assets in the period in which the related promise is made. Unconditional promises to give are stated net of an allowance for doubtful accounts and net of present value discounts. The Organization estimates the allowance for doubtful accounts based on an analysis of specific accounts, taking into consideration the age of the past due account and assessment of ability to pay. Accounts are written off upon management’s determination that the amounts are uncollectible.

Inventory

Inventory consists primarily of gifts, theme park tickets, and retail merchandise. Inventory is stated at the lower of cost or market using the first-in, first-out inventory cost-flow assumption.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. The Organization uses the straight-line method of depreciating property and equipment over the estimated useful lives of the related assets.

GIVE KIDS THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Designated net assets

Designated net assets represent amounts designated by the Board for various operating and capital needs.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. Income taxes, if any, on unrelated business income are immaterial and are recognized as expenses when paid. The Organization has not taken any material uncertain tax positions for which the associated tax benefits may not be recognized under accounting principles generally accepted in the United States of America (“GAAP”).

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated fair value of investments, the estimated net realizable value of inventories, the estimated useful lives of property and equipment, and the estimated fair value of noncash contributions. Actual results could differ from the estimates.

Subsequent events

The Organization has evaluated for possible financial reporting and disclosure subsequent events through November 21, 2017, the date as of which the financial statements were available to be issued.

NOTE C – CONCENTRATIONS

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

More than 75% of the Organization’s noncash contribution revenue came from a small group of donors. The Organization hopes and expects to gratefully continue its relationship with these significant donors.

NOTE D – INVESTMENTS

As of June 30, 2017, investments consisted of the following:

Equity securities	
Mutual funds – equity	\$ 25,843,537
Common stock and other	8,067,107
Mutual funds – fixed income	6,380,277
Debt securities	4,152,555
Certificates of deposit	348,368
Other investments	<u>2,553,269</u>
 Total investments	 <u>\$ 47,345,113</u>

GIVE KIDS THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE D – INVESTMENTS (Continued)

GAAP defines fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs). 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.

Following is a description of each of the three levels of input within the fair value hierarchy:

Level 1 – unadjusted quoted market prices in active markets for identical items

Level 2 – other significant observable inputs (such as quoted prices for similar items)

Level 3 – significant unobservable inputs

Estimated fair value of assets measured on a recurring basis during the six month period ended June 30, 2017 is as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Securities –				
Mutual funds – equity	\$ 25,843,537	\$ 25,843,537	\$ —	\$ —
Common stock and other	8,067,107	8,067,107	—	—
Mutual funds – fixed income	6,380,277	6,380,277	—	—
Debt securities – other	3,497,938	3,497,938	—	—
Debt securities – treasury and municipal	654,617	654,617	—	—
Nontraditional	<u>2,553,269</u>	<u>1,808,712</u>	<u>—</u>	<u>744,557</u>
Total	<u>\$ 46,996,745</u>	<u>\$ 46,252,188</u>	<u>\$ —</u>	<u>\$ 744,557</u>

Nontraditional investments valued using “Level 3” inputs consist of investments in pooled funds which invest in privately-held enterprises. Generally, such investments cannot be liquidated in the near term. The estimated fair values of nontraditional investments are generally based on amounts provided by the investee.

The change in the components of financial instruments measured using Level 3 inputs was immaterial for the six month period ending June 30, 2017.

GIVE KIDS THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE E - UNCONDITIONAL PROMISES TO GIVE

As of June 30, 2017, unconditional promises to give consisted of the following:

Gross unconditional promises to give	\$ 746,240
Less: Present value discount (approximately 1%-2%, per annum)	(51,455)
Less: Allowance for uncollectible amounts	<u>(25,510)</u>
Unconditional promises to give, net	<u>\$ 669,275</u>

Unconditional promises are due as follows:

Less than one year	\$ 117,280
One to five years	<u>628,960</u>
Gross unconditional promises to give	<u>\$ 746,240</u>

Unconditional promises to give were primarily restricted for capital expansion.

NOTE F - INVENTORY

As of June 30, 2017, inventory consisted of the following:

Category	
Toys, gifts, and family supplies	\$ 2,451,062
Attraction tickets	1,121,868
Retail merchandise and other	<u>98,630</u>
Total inventory	<u>\$ 3,671,560</u>

NOTE G - PROPERTY AND EQUIPMENT

As of June 30, 2017, property and equipment consisted of the following:

Category	
Land	\$ 4,906,388
Land improvements	12,111,571
Buildings and improvements	57,054,425
Furniture and equipment	10,564,744
Computer equipment	<u>1,415,490</u>
Total property and equipment	86,052,618
Less: Accumulated depreciation and amortization	<u>(36,871,509)</u>
Net property and equipment	<u>\$ 49,181,109</u>

Depreciation amounted to \$1,887,960 for the six month period ended June 30, 2017.

GIVE KIDS THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DESIGNATED AND RESTRICTED NET ASSETS

The Organization maintains a Board-designated endowment which represents amounts segregated by the Board to provide income for the Organization's operating and capital needs. Board-designated endowment activity was as follows:

Board-designated endowment, January 1, 2017	\$45,875,906
Interest and dividends	544,917
Net realized gain on sale of investments	651,863
Net unrealized gain on investments	2,062,924
Investment fees	<u>(40,017)</u>
 Board-designated endowment, June 30, 2017	 <u>\$49,095,593</u>

The Organization has adopted an investment policy for Board-designated endowment assets that attempts to provide a predictable stream of funding while seeking to maintain the purchasing power of the assets and to preserve the invested capital. The spending policy provides flexibility, and the Organization seeks the advice of the Board of Directors when determining amounts to be spent.

Temporarily restricted net asset activity during the six month period ended June 30, 2017 was as follows:

	<u>Balance</u> <u>January 1</u>	<u>Contributions</u>	<u>Releases</u>	<u>Balance</u> <u>June 30</u>
The Village - food services	\$ 1,571,817	\$ 427,833	\$ (799,980)	\$ 1,199,670
Time restrictions	914,821	166,397	(411,943)	669,275
Other program activities	478,852	118,443	(182,297)	414,998
Henri's Starlite Scoops	—	8,265	—	8,265
Future capital expansion	<u>143,000</u>	<u>532,972</u>	<u>(669,553)</u>	<u>6,419</u>
 Total	 <u>\$ 3,108,490</u>	 <u>\$ 1,253,910</u>	 <u>\$ (2,063,773)</u>	 <u>\$ 2,298,627</u>

NOTE I - CONTRIBUTIONS - NONCASH

The Organization receives donations from several central Florida theme parks which consist of tickets, onsite parking, character visits, family photographs while visiting the parks, and more. The Organization also receives donations of toys and family gifts, food and beverages, family transportation, and other similar donations from individuals and corporate partners. Noncash contributions are recognized as revenue at their estimated fair value on the date the gifts are received and are recognized as expenses when the related gifts are distributed to families. During the six month period ended June 30, 2017, the Organization recognized noncash contributions of \$16,105,984, of which \$16,004,474 is included in "contributions - noncash" (including unrestricted and temporarily restricted amounts) and \$101,510 is included in "special events revenue" in the accompanying statement of activities.

In addition, volunteers provide labor and other services for various Organization activities. Such contributed services, which do not meet the criteria for recognition in conformity with GAAP and are therefore not included in the accompanying financial statements, have been estimated by management to be approximately 166,000 hours, and valued at approximately \$4,017,000 for the six month period ended June 30, 2017.

GIVE KIDS THE WORLD, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE I – CONTRIBUTIONS – NONCASH (Continued)

Noncash contributions for the six month period ended June 30, 2017 consisted of the following:

<u>Category</u>	
Theme park attraction tickets, parking, and photos	\$ 14,652,229
Toys and family gifts	243,723
Family supplies	243,038
Character visits	237,038
Food and beverage	215,104
Transportation	196,784
Other program in-kind gifts	119,799
Fundraising related support	101,510
Capital improvements for expansion and operations	<u>96,759</u>
Total noncash contributions	<u>\$ 16,105,984</u>

NOTE J – RELATED PARTY TRANSACTIONS

From time-to-time, the Organization engages in transactions with individuals who have family relationships with board members or management or with companies in which board members or management have ownership interests. Independent members of the Organization's Board of Directors approved the transactions after considering the terms of comparable services. During the six month period ended June 30, 2017, the Organization paid approximately \$37,000 for consulting and other services and approximately \$12,000 for legal services to such parties.

NOTE K – RETIREMENT PLAN

The Organization maintains a defined contribution retirement plan ("the Plan") covering all eligible employees. Employees may make elective deferral contributions to the Plan. In addition, the Organization makes matching contributions to the Plan based on specific deferrals of participating employees as defined by the Plan document. The Organization may also make an annual discretionary contribution to the Plan. During the six month period ended June 30, 2017, the Organization contributed approximately \$94,000 to the Plan.