

**KIDS ENJOY EXERCISE NOW
FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2010

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES

Table of Contents

	Page
Independent Auditor's Report	1
Consolidated Financial Statements	
Consolidated statement of financial position	2
Consolidated statement of activities	3
Consolidated statement of cash flows	4
Consolidated notes to financial statements	5 - 9
Accompanying Information	
Consolidated statement of functional expenses	10
Consolidating statement of financial position	11
Consolidating statement of activities	12



Dembo, Jones, Healy, Pennington & Marshall, P.C.

Certified Public Accountants and Consultants

Board of Directors

Kids Enjoy Exercise Now Foundation, Inc. and Affiliates

Bethesda, Maryland

We have audited the accompanying consolidated statement of financial position of **Kids Enjoy Exercise Now Foundation, Inc. (a nonprofit organization) and Affiliates** as of **December 31, 2010** and the related consolidated statements of activities, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of **Kids Enjoy Exercise Now Foundation, Inc. and Affiliates** as of **December 31, 2010** and the changes in their net assets, and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The consolidated statement of functional expenses, consolidating statement of financial position and activities on pages 10 thru 12 are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Dembo, Jones, Healy, Pennington & Marshall, P.C.

Rockville, Maryland

June 3, 2011

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2010

Assets

Current Assets

Cash and cash equivalents	\$	656,777
Pledges receivable		201,397
Prepaid expenses		<u>12,290</u>

Total Current Assets 870,464

Fixed Assets

Computer equipment (net of \$15,440 in accumulated depreciation)		<u>5,309</u>
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Total Assets \$ 875,773

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	15,807
Accrued expenses		<u>23,092</u>

Total Current Liabilities 38,899

Net Assets 836,874

Total Liabilities and Net Assets \$ 875,773

The accompanying notes are an integral part of these financial statements.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support			
Special events			
Golf tournament	\$ 133,796	\$ -	\$ 133,796
Silent auction and dinner events	407,835	-	407,835
In-kind donations	<u>97,520</u>	<u>-</u>	<u>97,520</u>
Total special events	639,151	-	639,151
Contributions	351,706	58,331	410,037
Donated services, facilities & materials	56,551	-	56,551
Interest income	<u>1,113</u>	<u>-</u>	<u>1,113</u>
Total support	<u>1,048,521</u>	<u>58,331</u>	<u>1,106,852</u>
Net assets released from restrictions	104,141	(104,141)	-
Expenses			
Program services			
Sports programs - general	365,891		365,891
Bowling programs	6,209		6,209
Swim programs	73,622		73,622
Music programs	27,257		27,257
Special events	<u>335,451</u>	<u>-</u>	<u>335,451</u>
Total program services	808,430	-	808,430
Supporting services			
Management and general	130,884		130,884
Fund-raising	<u>94,851</u>	<u>-</u>	<u>94,851</u>
Total supporting services	<u>225,735</u>	<u>-</u>	<u>225,735</u>
Total expenses	<u>1,034,165</u>	<u>-</u>	<u>1,034,165</u>
Increase in net assets	118,497	(45,810)	72,687
Net assets, beginning of year	709,952	78,440	788,392
Prior period adjustments	<u>(24,205)</u>	<u>-</u>	<u>(24,205)</u>
Net assets, end of year	<u>\$ 804,244</u>	<u>\$ 32,630</u>	<u>\$ 836,874</u>

The accompanying notes are an integral part of these financial statements.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
Year Ended December 31, 2010

Cash flows from operating activities:	
Increase in net assets	\$ 72,687
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Prior period adjustments	(24,205)
Depreciation	3,046
(Increase) decrease in assets:	
Pledges receivable	12,321
Prepaid expenses	(3,293)
Increase (decrease) in liabilities:	
Accounts payable	8,009
Accrued expenses	<u>19,599</u>
Net cash provided by operating activities	<u>88,164</u>
 Cash flows from investing activities:	
Purchase of equipment	<u>(914)</u>
 Net increase in cash	 87,250
 Cash and cash equivalents, beginning of year	 <u>569,527</u>
 Cash and cash equivalents, end of year	 <u>\$ 656,777</u>

The accompanying notes are an integral part of these financial statements.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities

Kids Enjoy Exercise Now Foundation, Inc. (KEEN) was introduced to the United States in February 1992. Its purpose is to provide one-to-one recreation activities to children and young adults with developmental and physical disabilities. KEEN's activities are provided in a non-competitive environment, which encourages the fulfillment of individual goals.

KEEN operates several separate programs to serve young people with disabilities:

- **KEEN Kids:** Program providing one-to-one sports and recreation coaching for children with disabilities.
- **KEEN Teens:** Program that pairs teenagers with disabilities with high school-age peer companions for recreation activities and outings.
- **KEEN Young Adults:** Recreation and sports program for young adults with disabilities.
- **KEEN Swim:** Swimming program for children, teenagers and young adults with disabilities.
- **KEEN Bowling:** Bowling program for children, teenagers and young adults with disabilities.
- **KEEN Tennis:** Tennis program for young adults with disabilities.
- **KEEN Music:** Music and dance program for children with disabilities.
- **Sport Festivals and Family Fun Days:** Events that invite all participants from all the programs to share activities with parents and volunteers.

KEEN's programs are mostly volunteer-operated, and offered at no cost to the athletes or their families. KEEN is supported primarily by donor and foundation contributions and the net proceeds of funds raised through annual golf tournaments and silent auction galas and dinner events such as KEEN Fest.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Principles of Consolidation

The consolidated financial statements include the accounts of KEEN and its affiliates, of which KEEN is the sole member (owner) in each affiliated Limited Liability Company (LLC), as follows:

- **KEEN Greater DC:** Organized in 2004 to assume program activities formerly provided by KEEN in the Washington, DC metropolitan area starting in 1992.
- **KEEN Chicago:** Organized in 2004 to provide program activities in the Chicago, Illinois area.
- **KEEN St. Louis:** Organized in 2005 to provide program activities in the St. Louis, Missouri area.
- **KEEN Los Angeles:** Organized in 2005 to provide program activities in the Los Angeles, California area.
- **KEEN San Francisco:** Organized in 2006 to provide program activities in the San Francisco, California area.
- **KEEN New York:** Organized in 2007 to provide program activities in the New York City area.
- **KEEN Phoenix:** Organized in 2008 to provide program activities in the Phoenix, Arizona area.

Contributed Services and Materials

KEEN received approximately \$154,071 worth of donated services, facility usage and materials related to programs and special events. These are reflected in the financial statements. KEEN's other contributed services received do not meet the requirements for financial statement recognition; however the majority of KEEN's program activities are performed solely by volunteers. It is estimated that there was a total of over 30,600 volunteer hours in 2010, with a total value of approximately \$653,000, when using the Independent Sector's hourly rate for 2010.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Basis of Accounting

The financial statements of the KEEN have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Fixed Assets

Management capitalizes office equipment at cost and with values in excess of \$ 300. Computer equipment is depreciated using the straight-line method over useful lives of five years. Depreciation expense for the current year was \$3,046.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

Note 1. Nature of Activities and Significant Accounting Policies (continued)

Contributions (continued)

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. 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.

Promises to Give

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Cash and Cash Equivalents

For purposes of the statement of cash flows, KEEN considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Income Taxes

KEEN is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Income taxes are payable only on business activity income unrelated to KEEN's tax-exempt purpose. There was no unrelated business income tax expense for the years ended December 31, 2010.

On January 1, 2009, KEEN adopted the new accounting for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. KEEN's income tax filings are subject to audit by various taxing authorities. KEEN's open audit periods are 2007 to 2010. For the year ended December 31, 2010, KEEN has no material uncertain tax positions to be accounted for in the financial statements under the new rules. KEEN recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the years presented.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

Note 2. Concentration of Credit Risk

KEEN occasionally maintains its cash accounts at institutions with balances that may exceed \$250,000, which is the amount insured by the Federal Deposit Insurance Corporation.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2010 totaled \$32,630 and are restricted for the following purposes:

Restricted for 2011 operations and programs	\$32,630
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During 2010, \$104,141 was released from temporarily restricted assets as donor stipulations were met for purpose and time restrictions. Contributions that were received and had restrictions that were satisfied during the year are shown as unrestricted contributions in the accompanying statement of activities.

Note 4. Related Party Transactions

KEEN received \$ 150,000 in pledged contributions from an entity that has a partner that is also on KEEN's Board of Directors. This will be collected in 2011. This contribution is shown as a pledge receivable at December 31, 2010. During 2009, this entity pledged \$ 150,000, of which \$112,500 and \$37,500 was collected in 2010 and January 2011, respectively.

During 2010, KEEN continued to provide the primary financial support to all of its Affiliates except KEEN Greater DC, LLC and KEEN Chicago. KEEN assesses Affiliates an annual affiliate fee of \$5,000 after the first two full years of an Affiliate's operations. All of the Affiliates paid this fee in 2010.

Expenses incurred by KEEN that benefit the Affiliates' programs are billed to the Affiliate based on their program activities. This includes expenses such as insurance. KEEN pays most other expenses for each Affiliate and allocates the expenses to each Affiliate accordingly. Affiliate net expenses over revenue are temporarily absorbed by KEEN. Affiliates must now pay back any shortages in years three and beyond, once they are established. The payback period to KEEN is over an agreed to period. Likewise, any income over an agreed to budget in years one and two must be repaid by KEEN Foundation, Inc. to the Affiliates in years three and four, respectively.

Note 5. Prior Period Adjustments

The beginning net assets balance was reduced by \$24,205 to correct inter-company balances between affiliates. There is no impact on the consolidated statement of activities.

**KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 2010

Consolidated	KEEN USA	KEEN DC	KEEN Chicago	KEEN St. Louis	KEEN Los Angeles	KEEN San Francisco	KEEN New York	KEEN Phoenix
Totals	\$	\$	\$	\$	\$	\$	\$	\$
Accounting	12,723	2,943	357	-	-	-	-	-
Advertising	1,441	894	-	150	-	-	-	40
Bank Charges	1,557	299	-	-	-	-	-	-
Computer Expense	12,496	4,206	-	-	-	37	-	-
Contract Labor	18,617	13,261	-	1,176	2,500	-	24	1,344
Credit Card Processing Fees	15,422	7,057	838	1,465	911	2,159	1,698	241
Depreciation	3,046	1,500	-	-	-	-	46	-
Donated goods and services	61,641	24,200	-	-	4,950	-	21,500	8,550
Equipment & Activities	10,584	8,879	-	230	-	276	769	430
Event Entertainment	800	-	-	450	-	300	-	50
Facility Rental, incl. donated	199,480	164,912	8,148	4,523	-	9,814	11,500	163
Gifts/Prizes	957	358	-	-	-	-	-	484
Insurance	44,807	6,604	7,938	4,471	5,326	7,302	4,690	3,840
Internet Service Provider	1,007	527	-	-	-	-	480	-
Legal Fees	718	-	-	-	358	360	-	-
Licenses, Permits and Taxes	6,466	4,250	315	315	50	125	736	300
Miscellaneous	20,238	16,537	449	260	130	1,825	-	232
Payroll (salary)	430,899	168,353	8,187	36,727	28,337	33,595	38,733	9,314
Payroll Taxes and benefits	49,087	20,690	1,630	3,083	3,280	3,498	4,237	912
Postage	4,426	1,757	-	352	108	149	269	198
Printing & Publications	22,492	14,360	36	679	44	501	177	1,040
Promotion Supplies	18,309	12,320	271	1,200	-	156	577	625
Refreshments/Food	56,588	28,423	58	6,449	10,405	495	7,354	2,753
Supplies	8,627	3,368	362	1,071	120	1,279	349	948
Telephone	8,081	4,752	-	269	735	99	300	42
Training	148	76	-	-	-	72	-	-
Travel and meetings	16,019	6,315	67	494	203	1,728	35	-
Volunteer Recognition	3,544	3,264	12	-	-	18	-	-
Website	3,945	-	-	-	-	-	-	-
	<u>\$ 1,034,165</u>	<u>\$ 520,105</u>	<u>\$ 28,668</u>	<u>\$ 63,364</u>	<u>\$ 57,457</u>	<u>\$ 63,788</u>	<u>\$ 93,474</u>	<u>\$ 31,506</u>

The accompanying notes are an integral part of these financial statements.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2010

	<u>Consolidated</u> <u>Totals</u>	<u>Parent</u> <u>KEEN</u> <u>and Affiliates,</u> <u>except DC</u>	<u>Affiliate</u> <u>KEEN</u> <u>Greater</u> <u>DC LLC</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 656,777	\$ 242,887	\$ 413,890
Pledges receivable	201,397	201,247	150
Prepaid expenses	<u>12,290</u>	<u>3,205</u>	<u>9,085</u>
Total Current Assets	<u>870,464</u>	<u>447,339</u>	<u>423,125</u>
Fixed Assets			
Computer equipment (net of \$15,440 in accumulated depreciation)	<u>5,309</u>	<u>4,798</u>	<u>511</u>
Total Assets	<u>\$ 875,773</u>	<u>\$ 452,137</u>	<u>\$ 423,636</u>
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 15,807	\$ 12,185	\$ 3,622
Accrued expenses	<u>23,092</u>	<u>7,010</u>	<u>16,082</u>
Total Current Liabilities	<u>38,899</u>	<u>19,195</u>	<u>19,704</u>
Net Assets	<u>836,874</u>	<u>432,942</u>	<u>403,932</u>
Total Liabilities and Net Assets	<u>\$ 875,773</u>	<u>\$ 452,137</u>	<u>\$ 423,636</u>

The accompanying notes are an integral part of these financial statements.

