

**KIDS ENJOY EXERCISE NOW
FOUNDATION, INC. AND AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES

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Independent Auditors' Report

Board of Directors
Kids Enjoy Exercise Now Foundation, Inc. and Affiliates
Bethesda, Maryland

We have audited the accompanying consolidated financial statements of Kids Enjoy Exercise Now Foundation, Inc. (a nonprofit organization) and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 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, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Rockville, Maryland
June 13, 2018

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2017

Assets

Current Assets

Cash and cash equivalents	\$ 1,212,542
Pledges receivable	33,630
Prepaid expenses	<u>48,493</u>

Total current assets 1,294,665

Fixed Assets

Computer equipment (net of \$40,858 in accumulated depreciation)	<u>8,331</u>
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Total assets \$ 1,302,996

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 27,653
Accrued expenses	<u>41,204</u>

Total current liabilities 68,857

Net Assets 1,234,139

Total liabilities and net assets \$ 1,302,996

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

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support			
Special events			
Golf tournament	\$ 250,375	\$ -	\$ 250,375
Silent auction and dinner events	591,354	-	591,354
In-kind donations	<u>25,598</u>	<u>-</u>	<u>25,598</u>
Total special events	867,327	-	867,327
Contributions	727,464	146,817	874,281
Donated services, facilities & materials	143,444	-	143,444
Interest income	<u>2,429</u>	<u>-</u>	<u>2,429</u>
Total support	<u>1,740,664</u>	<u>146,817</u>	<u>1,887,481</u>
 Net assets released from restrictions	 <u>116,702</u>	 <u>(116,702)</u>	 <u>-</u>
 Expenses			
Program services			
Sports programs - general	804,243	-	804,243
Bowling programs	24,862	-	24,862
Swim programs	139,459	-	139,459
Art and music programs	98,142	-	98,142
Special events	<u>382,509</u>	<u>-</u>	<u>382,509</u>
Total program services	<u>1,449,215</u>	<u>-</u>	<u>1,449,215</u>
 Supporting services			
Management and general	144,194	-	144,194
Fundraising	<u>92,793</u>	<u>-</u>	<u>92,793</u>
Total supporting services	<u>236,987</u>	<u>-</u>	<u>236,987</u>
Total expenses	<u>1,686,202</u>	<u>-</u>	<u>1,686,202</u>
 Increase in net assets	 171,164	 30,115	 201,279
 Net assets, beginning of year	 <u>1,000,671</u>	 <u>32,189</u>	 <u>1,032,860</u>
 Net assets, end of year	 <u>\$ 1,171,835</u>	 <u>\$ 62,304</u>	 <u>\$ 1,234,139</u>

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

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

Cash flows from operating activities:

Increase in net assets	\$ 201,279
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,790
(Increase) decrease in assets:	
Pledge receivable	10,418
Prepaid expenses	3,169
Increase (decrease) in liabilities:	
Accounts payable	5,858
Accrued expenses	<u>2,902</u>
Net cash provided by operating activities	<u>227,416</u>

Cash flows used in investing activities:

Net increase in fixed assets	<u>(4,779)</u>
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Net increase in cash and cash equivalents 222,637

Cash and cash equivalents, beginning of year 989,905

Cash and cash equivalents, end of year \$ 1,212,542

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

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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 Art and Music:** Art, music, and dance programs 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, silent auction galas, and dinner events such as KEENFest.

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:

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

Principles of Consolidation (continued)

- **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.
- **Kids Enjoy Exercise Now (KEEN) Los Angeles:** Organized in 2005 to provide program activities in the Los Angeles, California area.
- **Kids Enjoy Exercise Now (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 \$ 143,444 worth of donated services, facility usage, and materials related to programs and special events. These are reflected in the consolidated 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 37,000 volunteer hours in 2017, with a total value of approximately \$ 900,000, when using the Independent Sector's most recent hourly rate.

Basis of Accounting

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

Fixed Assets

Management capitalizes computer equipment with values in excess of \$ 1,000 at cost. Computer equipment is depreciated using the straight-line method over useful lives of five years.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, KEEN's net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of KEEN and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. See Note 3 for a description of temporarily restricted net assets.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by KEEN. Generally, the donors of these assets permit KEEN to use all or part of the income earned on any related investments for general or specific purposes. KEEN had no permanently restricted net assets at December 31, 2017.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contributions

Contributions received with donor stipulations limiting the use of the donated assets are recorded as temporarily restricted net assets. These assets are then reclassified to unrestricted net assets whenever the restrictions are satisfied.

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.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

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

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, KEEN considers all checking accounts, money market, and short term liquid investment accounts to be cash and cash equivalents.

Subsequent Events

In preparing its consolidated financial statements, management has evaluated subsequent events through June 13, 2018, which is the date the consolidated financial statements were available to be issued.

Note 2. Concentration of Credit Risk

KEEN occasionally maintains its cash in accounts at institutions with balances that may exceed the current \$ 250,000 amount insured by the Federal Deposit Insurance Corporation. KEEN has not experienced any losses in such accounts and monitors the creditworthiness of the financial institutions with which it conducts business. Management believes that KEEN is not exposed to any significant credit risk with respect to its cash balances.

Note 3. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2017 totaled \$ 62,304 and are restricted for 2018 operations and programs.

During 2017, \$ 116,702 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 restricted contributions in the accompanying consolidated statement of activities.

Note 4. Related Party Transactions

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 2017.

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 upon period.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2017

Note 5. 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 year ended December 31, 2017.

Accounting principles generally accepted in the United States of America require KEEN to evaluate tax positions taken and recognize a tax liability if it is more likely than not that uncertain tax positions taken would not be sustained upon examination by taxing authorities. KEEN has analyzed tax positions taken and has concluded that, as of December 31, 2017, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. KEEN's policy is to charge penalties and interest to income tax expense as incurred. KEEN is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Generally, tax returns remain open for three years for federal and state examination.

Independent Auditors' Report on Supplementary Information

Board of Directors
Kids Enjoy Exercise Now Foundation, Inc. and Affiliates
Bethesda, Maryland

We have audited the consolidated financial statements of the Kids Enjoy Exercise Now Foundation, Inc. and Affiliates as of and for the year ended December 31, 2017, and our report thereon dated June 13, 2018, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary information on pages 11 - 13 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



*Rockville, Maryland
June 13, 2018*

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended December 31, 2017

	Consolidated Totals	KEEN USA	KEEN Greater DC	KEEN Chicago	KEEN St. Louis	KEEN Los Angeles	KEEN San Francisco	KEEN New York	KEEN Phoenix
Accounting	\$ 23,530	\$ 12,813	\$ 10,663	\$ -	\$ -	\$ -	\$ 54	\$ -	\$ -
Advertising	38,105	6,488	31,268	6	293	-	50	-	-
Bad debt	3,570	-	3,570	-	-	-	-	-	-
Bank charges	1,462	4	1,295	22	25	22	46	27	21
Computer expenses	23,430	12,925	9,022	892	96	120	191	184	-
Contract labor	38,548	2,676	24,464	520	4,360	-	2,169	4,359	-
Credit card processing fees	22,270	733	12,753	1,628	2,123	963	1,507	2,549	14
Depreciation	3,790	1,252	2,094	90	154	-	87	92	21
Donated goods and services	35,476	-	34,545	931	-	-	-	-	-
Equipment and activities	15,679	-	14,323	78	193	100	985	-	-
Facility rental, incl. donated	373,631	-	215,413	27,128	47,789	30,561	13,315	39,425	-
Gifts and prizes	781	-	-	-	31	-	-	750	-
Insurance	44,650	2,647	9,296	4,735	5,261	5,269	8,068	4,899	4,475
Membership dues	1,810	-	1,530	-	-	250	-	30	-
Miscellaneous	9,609	-	5,657	-	1	283	2,317	1,351	-
Payroll and benefits	802,981	180,243	338,410	48,925	85,233	37,500	58,115	46,555	8,000
Payroll taxes	74,783	15,780	31,603	5,539	6,273	3,525	5,102	5,463	1,498
Postage	6,496	508	4,947	38	138	221	268	369	7
Printing and publications	20,515	1,810	16,867	258	617	238	398	327	-
Promotion supplies	3,726	390	-	-	2,907	-	280	149	-
Refreshments and food	46,320	173	3,798	314	4,726	2,877	19,222	15,177	33
State registration fees and taxes	10,438	2,099	6,026	435	565	166	353	494	300
Supplies	30,360	1,274	13,682	1,347	6,240	920	4,845	2,010	42
Telephone	8,339	1,969	5,237	-	-	485	290	-	358
Training	1,533	371	782	28	161	100	91	-	-
Travel and meetings	33,125	15,644	14,352	1,765	31	708	53	572	-
Volunteer recognition	8,539	-	7,270	-	-	124	1,145	-	-
Website	2,706	2,706	-	-	-	-	-	-	-
	<u>\$ 1,686,202</u>	<u>\$ 262,505</u>	<u>\$ 818,867</u>	<u>\$ 94,679</u>	<u>\$ 167,217</u>	<u>\$ 84,432</u>	<u>\$ 118,951</u>	<u>\$ 124,782</u>	<u>\$ 14,769</u>

See independent auditors' report on supplementary information.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2017

	Consolidated Totals	Parent KEEN Foundation Inc.	Affiliate KEEN Greater DC LLC
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,212,542	\$ 431,018	\$ 781,524
Pledges receivable	33,630	17,930	15,700
Prepaid expenses	48,493	11,407	37,086
Total current assets	1,294,665	460,355	834,310
Fixed Assets			
Computer equipment (net of \$40,858 in accumulated depreciation)	8,331	6,184	2,147
Total assets	\$ 1,302,996	\$ 466,539	\$ 836,457
Liabilities and Net Assets			
Current Liabilities			
Accounts payable	\$ 27,653	\$ 12,698	\$ 14,955
Accrued expenses	41,204	32,404	8,800
Total current liabilities	68,857	45,102	23,755
Net Assets	1,234,139	421,437	812,702
Total liabilities and net assets	\$ 1,302,996	\$ 466,539	\$ 836,457

See independent auditors' report on supplementary information.

KIDS ENJOY EXERCISE NOW FOUNDATION, INC. AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2017

	<u>Consolidated Totals</u>	<u>Parent</u>	<u>Affiliates</u>						
		<u>KEEN USA</u>	<u>KEEN Greater DC</u>	<u>KEEN Chicago</u>	<u>KEEN St. Louis</u>	<u>KEEN Los Angeles</u>	<u>KEEN San Francisco</u>	<u>KEEN New York</u>	<u>KEEN Phoenix</u>
Support									
Special events									
Golf tournament	\$ 250,375	\$ -	\$ 250,375	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Silent auction and dinner events	591,354	-	328,077	45,310	90,330	21,160	37,821	68,656	-
In-kind donations	25,598	-	20,339	-	3,000	2,259	-	-	-
Total special events	867,327	-	598,791	45,310	93,330	23,419	37,821	68,656	-
Contributions	874,281	220,434	330,530	34,679	32,628	77,785	90,364	85,217	2,644
Donated services, facilities & materials	143,444	-	54,406	931	34,340	23,421	4,266	26,080	-
Interest income	2,429	332	2,097	-	-	-	-	-	-
Total support	<u>1,887,481</u>	<u>220,766</u>	<u>985,824</u>	<u>80,920</u>	<u>160,298</u>	<u>124,625</u>	<u>132,451</u>	<u>179,953</u>	<u>2,644</u>
Expenses									
Program services									
Sports programs - general	804,243	160,202	333,582	63,918	82,363	29,074	63,985	64,546	6,573
Bowling programs	24,862	-	24,862	-	-	-	-	-	-
Swim programs	139,459	-	47,486	11,528	35,725	9,634	8,504	20,113	6,469
Art and music programs	98,142	-	83,809	362	7,520	-	1,656	4,795	-
Special events	382,509	1,630	270,972	12,609	26,381	12,960	35,153	22,804	-
Total program services	<u>1,449,215</u>	<u>161,832</u>	<u>760,711</u>	<u>88,417</u>	<u>151,989</u>	<u>51,668</u>	<u>109,298</u>	<u>112,258</u>	<u>13,042</u>
Supporting services									
Management and general	144,194	70,748	35,743	5,842	6,367	9,745	7,460	6,576	1,713
Fundraising	92,793	29,925	22,413	420	8,861	23,019	2,193	5,948	14
Total supporting services	<u>236,987</u>	<u>100,673</u>	<u>58,156</u>	<u>6,262</u>	<u>15,228</u>	<u>32,764</u>	<u>9,653</u>	<u>12,524</u>	<u>1,727</u>
Total expenses	<u>1,686,202</u>	<u>262,505</u>	<u>818,867</u>	<u>94,679</u>	<u>167,217</u>	<u>84,432</u>	<u>118,951</u>	<u>124,782</u>	<u>14,769</u>
Transfers eliminated in consolidation	-	76,061	-	13,759	6,919	(40,193)	(13,500)	(55,171)	12,125
Increase in net assets	201,279	34,322	166,957	-	-	-	-	-	-
Net assets, beginning of year	1,032,860	376,120	645,747	10,340	290	363	-	-	-
Net assets, end of year	<u>\$ 1,234,139</u>	<u>\$ 410,442</u>	<u>\$ 812,704</u>	<u>\$ 10,340</u>	<u>\$ 290</u>	<u>\$ 363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report on supplementary information.