

FINANCIAL STATEMENTS

Kids In Sports  
Years Ended December 31, 2007 and 2006

Kids In Sports

Financial Statements

Years Ended December 31, 2007 and 2006

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## Report of Independent Auditors

The Board of Directors  
Kids In Sports

We have audited the accompanying statements of financial position of Kids In Sports as of December 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Kids In Sports' management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Kids In Sports' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kids In Sports' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids In Sports at December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



June 3, 2008

## Kids In Sports

### Statements of Financial Position

	<b>December 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 303,616	\$ 471,056
Grant receivable – related party	232,491	20,001
Grants receivable	216,005	202,150
Other assets	4,035	4,471
Equipment and leasehold improvements, net	134,574	147,427
Total assets	<u>\$ 890,721</u>	<u>\$ 845,105</u>
<b>Liabilities and net assets</b>		
Accounts payable	\$ 63,739	\$ 85,382
Due to related party	58,563	70,584
Deferred revenue	5,000	–
Accrued salaries and benefits	7,356	7,378
	<u>134,658</u>	<u>163,344</u>
<b>Commitments</b>		
Net assets:		
Unrestricted	581,063	572,274
Temporarily restricted	175,000	109,487
Total net assets	<u>756,063</u>	<u>681,761</u>
Total liabilities and net assets	<u>\$ 890,721</u>	<u>\$ 845,105</u>

*See accompanying notes.*

# Kids In Sports

## Statements of Activities

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
Changes in unrestricted net assets:		
Revenues:		
Donations	\$ 76,371	\$ 94,308
Grants	775,010	709,300
Golf tournament	251,461	291,343
Other	8,240	8,029
	1,111,082	1,102,980
Net assets released from restrictions	89,487	287,225
Total revenues	1,200,569	1,390,205
Expenses:		
Program services	976,820	1,074,692
Supporting services:		
Fund raising	151,078	183,725
Management and general	63,882	62,825
Total expenses	1,191,780	1,321,242
Changes in unrestricted net assets	8,789	68,963
Changes in temporarily restricted net assets:		
Grants	155,000	300,000
Net assets released from restrictions	(89,487)	(287,225)
Changes in temporarily restricted net assets	65,513	12,775
Changes in net assets	74,302	81,738
Net assets at beginning of year	681,761	600,023
Net assets at end of year	\$ 756,063	\$ 681,761

*See accompanying notes.*

# Kids In Sports

## Statements of Cash Flows

	<b>Years Ended December 31</b>	
	<b>2007</b>	<b>2006</b>
<b>Operating activities</b>		
Changes in net assets	\$ 74,302	\$ 81,738
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Changes in operating assets and liabilities:		
Depreciation and amortization	21,547	20,679
Grants receivable from related party	(212,490)	(20,001)
Grants receivable	(13,855)	(93,397)
Other assets	436	(4,471)
Accounts payable	(21,643)	61,572
Due to related party	(12,021)	19,754
Deferred revenue	5,000	-
Accrued salaries and benefits	(22)	1,112
Net cash (used in) provided by operating activities	(158,746)	66,986
<b>Investing activities</b>		
Purchases of furniture and equipment	(8,694)	-
Net cash used in investing activities	(8,694)	-
Net (decrease) increase in cash and cash equivalents	(167,440)	66,986
Cash and cash equivalents at beginning of year	471,056	404,070
Cash and cash equivalents at end of year	\$ 303,616	\$ 471,056

*See accompanying notes.*

# Kids In Sports

## Notes to Financial Statements

December 31, 2007

### **1. Description of Business**

Kids In Sports, a nonprofit public benefit corporation, was founded on January 24, 1994, for the specific purpose of offering sports opportunities and programs for youth in Southern California. LA84 Foundation, previously known as the Amateur Athletic Foundation of Los Angeles (the Foundation), provides the primary funding for Kids In Sports through grants which are paid either directly by the Foundation or through a donor-advised fund (see Note 5).

### **2. Summary of Significant Accounting Policies**

#### **Estimates and Assumptions**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions affecting 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 revenues and expenses during the period. Actual results could differ from those estimates.

#### **Cash Equivalents**

Kids In Sports considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

#### **Equipment and Leasehold Improvements**

Equipment, principally furniture and computers, and leasehold improvements are stated at cost. Depreciation of the equipment is computed on the straight-line basis over their estimated useful lives ranging from three to five years. Leasehold improvements are amortized on the straight-line basis over 15 years, the term of the underlying lease.

#### **Net Assets**

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. Restricted net assets consist of temporary donor-imposed restrictions which are satisfied by actions of Kids In Sports.

# Kids In Sports

## Notes to Financial Statements (continued)

### **2. Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition**

Kids In Sports records earned revenues on an accrual basis. Kids In Sports records as revenue the following types of contributions, when they are received unconditionally, at their fair value: cash, promises to give, certain contributed services and gifts of support and other assets (exclusive of collection items). Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. Contributions are recorded net of estimated uncollectible amounts.

#### **Temporarily Restricted Contributions**

Kids In Sports records contributions as temporarily restricted if they are received with donor stipulations limiting their use through either purpose or time restrictions. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. It is Kids In Sports' policy to record temporarily restricted contributions received and expended in the same accounting period in the unrestricted net asset class activity.

#### **Functional Expense Allocation**

Expenses can generally be directly identified with the program or supporting service to which they relate and are charged accordingly.

#### **In-Kind Donations**

No amounts have been reflected in the accompanying financial statements for donated services or facility space as no objective basis is available to measure the value of such donations. In 2007, Kids In Sports received \$5,550 in donated goods. The value of donated goods was recorded as donation revenue and corresponding expense was recorded as a program services expense.

# Kids In Sports

## Notes to Financial Statements (continued)

### 2. Summary of Significant Accounting Policies (continued)

#### Taxes

During 1995, Kids In Sports received determination letters from both the Internal Revenue Service and California State Franchise Tax Board. Under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, Kids In Sports has been determined to be exempt from federal and state income taxes.

### 3. Equipment and Leasehold Improvements

Equipment and leasehold improvements at December 31, 2007 and 2006, consist of:

	<u>2007</u>	<u>2006</u>
Furniture and equipment	\$ 75,048	\$ 66,354
Leasehold improvements	149,149	149,149
	<u>224,197</u>	215,503
Less accumulated depreciation	(89,623)	(68,076)
	<u>\$ 134,574</u>	<u>\$ 147,427</u>

### 4. Commitments

During 2003, Kids In Sports entered into a 15-year noncancelable lease for office space from the Los Angeles Department of Recreation and Parks. The lease requires payments from Kids In Sports of \$1 per year. Kids In Sports also leases office equipment under noncancelable lease terms and storage space on a month-to-month basis. Rental expense for the years ended December 31, 2007 and 2006, was \$7,494 and \$6,737, respectively.

Future minimum operating lease payments under noncancelable leases are as follows:

2008	\$ 6,940
2009	6,940
2010	6,196
2011	494
2012 and thereafter	—
	<u>\$ 20,570</u>

## Kids In Sports

### Notes to Financial Statements (continued)

#### **5. Related-Party Transactions**

Kids In Sports received grants of \$615,000 in 2007 and \$590,000 in 2006 from the Foundation, of which approximately \$382,509 was utilized in 2007 and \$590,000 was utilized in 2006 and recognized by Kids In Sports in accordance with the grant agreement for each of the two years.

These grants comprised Kids In Sports' primary funding in 2007 and 2006. Since Kids In Sports' inception, these two organizations have shared certain Board of Director members. The Foundation also currently provides limited management and administrative assistance to Kids In Sports at no charge. In January 2008, Kids In Sports received an additional grant from the Foundation in the amount of approximately \$500,500.

Kids In Sports participates in the Foundation's defined contribution plan covering full-time employees. Contributions to the plan are discretionary on the part of the Foundation, and employees of Kids In Sports become fully vested after five years of participation in the plan. Contributions made by Kids In Sports for all participants in the plan amounted to \$33,382 and \$42,920 during 2007 and 2006, respectively. These amounts were paid for by the Foundation on behalf of Kids In Sports and are included in due to related party in the statements of financial position.

At December 31, 2007 and 2006, Kids In Sports owed \$25,181 and \$27,664, respectively, to the Foundation for medical and other benefits, which the Foundation paid for on behalf of Kids In Sports. These payments made by the Foundation on behalf of Kids In Sports are included in due to related party in the statements of financial position at December 31, 2007 and 2006, respectively.

#### **6. Temporarily Restricted Net Assets**

Temporarily restricted net assets as of December 31, 2007 and 2006, and net assets released from restrictions for the years then ended are comprised of various grants to fund specific public middle school sports programs.