

CAMP KUDZU, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

**CAMP KUDZU, INC.
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SEPTEMBER 30, 2016 AND 2015**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Camp Kudzu, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Camp Kudzu, Inc. (a nonprofit organization) which comprise the statements of financial position as of September 30, 2016 and 2015 and the related statements of activities, functional expenses and cash flows 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.

Auditors' 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 Camp Kudzu, Inc. as of September 30, 2016 and 2015, and the changes in its net asset and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Warren Averett, LLC

Atlanta, Georgia
January 24, 2017

CAMP KUDZU, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2016 AND 2015

ASSETS		
	2016	2015
Cash and cash equivalents	\$ 1,100,897	\$ 921,999
Pledges receivable	-	2,600
Accounts receivable	4,746	4,995
Grants receivable	114,500	-
Inventory	398,930	240,017
Prepaid expenses	49,506	34,340
Property and equipment, net	8,976	10,896
TOTAL ASSETS	\$ 1,677,555	\$ 1,214,847
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 17,596	\$ 21,853
Deferred revenue	69,095	38,982
Total liabilities	86,691	60,835
NET ASSETS		
Unrestricted		
Available for operations	710,687	497,112
Designated for working capital reserves	330,000	330,000
Temporarily restricted	550,177	326,900
Total net assets	1,590,864	1,154,012
TOTAL LIABILITIES AND NET ASSETS	\$ 1,677,555	\$ 1,214,847

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	2016	2015
CHANGES IN UNRESTRICTED NET ASSETS		
REVENUES AND SUPPORT		
Contributions and grants	\$ 519,181	\$ 480,374
Local government grant	35,000	-
Donated services and materials	897,215	866,610
Special events	295,984	263,654
Less: cost of direct benefit to donors	(76,179)	(76,628)
Camp program income	389,271	351,094
Investment income	1,806	1,673
Other income	1,104	2,863
Net assets released from program restrictions	126,686	199,887
Total revenues and support	2,190,068	2,089,527
EXPENSES		
Program	1,647,298	1,639,619
General and administrative	95,028	96,249
Fundraising	234,167	211,432
Total expenses	1,976,493	1,947,300
CHANGES IN UNRESTRICTED NET ASSETS	213,575	142,227
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions and grants	191,050	77,820
Donated materials	158,913	50,810
Net assets released from restrictions	(126,686)	(199,887)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS	223,277	(71,257)
CHANGES IN NET ASSETS	436,852	70,970
NET ASSETS AT BEGINNING OF YEAR	1,154,012	1,083,042
NET ASSETS AT END OF YEAR	\$ 1,590,864	\$ 1,154,012

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Donated professional services	\$ 406,453	\$ -	\$ -	\$ 406,453
Donated medical supplies	470,597	-	-	470,597
Salaries and benefits	290,944	32,769	140,215	463,928
Facility charges	252,736	-	-	252,736
Camp supplies	72,992	-	-	72,992
Other expenses	14,221	5,376	53,517	73,114
Rent and utilities	37,578	6,601	6,601	50,780
Website	18,444	3,186	12,747	34,377
Professional fees	838	16,276	-	17,114
Depreciation	3,761	1,253	1,253	6,267
Insurance	16,103	4,567	1,647	22,317
Contractor services	3,743	15,167	-	18,910
Activities and events	14,417	-	-	14,417
Office supplies and postage	10,936	2,320	5,047	18,303
Volunteer recruitment and screening	15,200	-	-	15,200
Travel and entertainment	4,910	2,154	2,257	9,321
Printing and reproduction	4,022	1,543	8,289	13,854
Telephone	6,658	1,965	1,938	10,561
Dues and subscriptions	2,555	880	656	4,091
Bank charges and credit card fees	-	971	-	971
Organizational	190	-	-	190
TOTAL EXPENSES	<u>\$ 1,647,298</u>	<u>\$ 95,028</u>	<u>\$ 234,167</u>	<u>\$ 1,976,493</u>

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Donated professional services	\$ 381,753	\$ -	\$ -	\$ 381,753
Donated medical supplies	466,691	-	-	466,691
Salaries and benefits	318,246	32,839	141,123	492,208
Facility charges	249,525	-	-	249,525
Camp supplies	47,996	-	-	47,996
Other expenses	14,397	7,760	28,593	50,750
Rent and utilities	36,132	6,348	6,348	48,828
Website	13,473	1,374	9,013	23,860
Professional fees	10,000	14,831	-	24,831
Depreciation	9,747	3,249	3,249	16,245
Insurance	15,721	4,732	1,686	22,139
Contractor services	9,980	15,080	-	25,060
Activities and events	11,830	-	-	11,830
Office supplies and postage	13,001	4,066	4,301	21,368
Volunteer recruitment and screening	12,389	-	-	12,389
Travel and entertainment	7,124	1,516	2,712	11,352
Printing and reproduction	4,788	1,151	8,341	14,280
Telephone	4,781	1,552	1,497	7,830
Dues and subscriptions	2,011	1,011	4,569	7,591
Bank charges and credit card fees	-	740	-	740
Organizational	10,034	-	-	10,034
TOTAL EXPENSES	\$ 1,639,619	\$ 96,249	\$ 211,432	\$ 1,947,300

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 436,852	\$ 70,970
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	6,267	16,245
Changes in assets and liabilities:		
Decrease (increase):		
Receivables	(111,651)	79,142
Inventory	(158,913)	(50,810)
Prepaid expenses	(15,166)	859
Increase (decrease) in:		
Accounts payable and accrued liabilities	(4,257)	(3,853)
Deferred revenue	30,113	22,186
Net cash provided by operating activities	<u>183,245</u>	<u>134,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(4,347)</u>	<u>-</u>
Net cash used in investing activities	<u>(4,347)</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	178,898	134,739
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	<u>921,999</u>	<u>787,260</u>
END OF YEAR	<u>\$ 1,100,897</u>	<u>\$ 921,999</u>

See notes to financial statements.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

1. ORGANIZATION

Camp Kudzu, Inc. (Camp Kudzu or the Organization) is a non-profit organization serving children living with type 1 diabetes and their families. Camp Kudzu's mission is to educate, empower and inspire these children through summer camps and year round programs so that they have the chance to grow up to be healthy. As Georgia's largest provider of education and support services for children with insulin-dependent diabetes outside hospitals and clinics, Camp Kudzu fills an important need for ongoing diabetes self-management education and support to a state with over 6,000 young people living with diabetes. Camp Kudzu extends services to all children and families regardless of ability to pay by offering camp scholarships.

Camp Kudzu affords healthcare professionals and students the opportunity to gain first-hand experience in the best practices of diabetes management and care, thereby equipping them to best serve their own patients.

The Organization was founded in 1999, in Atlanta, Georgia, by parents, doctors, health care professionals and community leaders who joined forces to establish programs throughout Georgia that would support the developmental and medical needs of children with diabetes marked by clinical oversight and direction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Not-for-Profit Entities Presentation of Financial Statements*. Under FASB ASC 958, the Organization reports 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. The Organization did not have any permanently restricted net assets at September 30, 2016 or 2015.

Designation of Unrestricted Net Assets

It is the policy of the Board of Directors of Camp Kudzu to review its working capital needs from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such needs. The Board designated \$330,000 for working capital reserves at September 30, 2016 and 2015.

Contributions and Revenue Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Revenue from camp program income is recorded as the camps are conducted. Camp program income on the Statement of Activities is net of scholarships given to camp participants of approximately \$141,000 and \$145,000 for the years ended September 30, 2016 and 2015, respectively.

Noncash contributions are recorded at amounts that approximate their fair value at the date received.

Donated Materials and Services

Donated services and materials are recorded at their estimated fair value at date of donation. Contributions of services are recognized if the services received (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. See Note 6 for additional information.

Camp Kudzu received donated time from camp counselors and other volunteers during the years ended September 30, 2016 and 2015; however, the value of this donated time was not recognized in the financial statements because those services do not meet the criteria for recognition under accounting principles generally accepted in the United States of America (GAAP).

Cash and Cash Equivalents

The Organization considers all cash and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of demand deposits with several financial institutions.

Fair Value of Financial Instruments

Financial instruments, primarily cash equivalents, accounts receivable, grants receivable and accounts payable, are reported at amounts which approximate their fair value due to the short-term nature of these instruments. The Organization believes no significant credit risk exists with respect to any of its financial instruments.

Concentration of Credit Risk

The Organization maintains cash balances in various financial institutions. Deposit accounts at each of the institutions are insured up to \$250,000, by the Federal Deposit Insurance Corporation (FDIC). The Organization exceeded the FDIC insured limit by \$331,817 and \$174,905 and at September 30, 2016 and 2015, respectively.

At September 30, 2016, 100% of grants receivable was attributable to two donors. For the years ended September 30, 2016, 20% of contribution and grant income was attributable to one foundation. There were no significant concentrations as of and for the year ended September 30, 2015.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pledges Receivable

Pledges receivable are recognized as contributions in the period received and as assets, decreases of liabilities, or expenses depending on the form of benefit received. Pledges receivable are recorded at their net realizable value if expected to be collected in more than one year. The Organization uses the allowance method to determine the uncollectible grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises received. No allowance was deemed necessary at September 30, 2016 or 2015. Pledges receivable are expected to be collected in the subsequent year.

Inventory

The Organization records its medical supplies inventory at fair value when donated under the first-in, first-out (FIFO) method. The FIFO method assumes that items flow through inventory in the order they were donated or received. The FIFO method produces an inventory account that more closely approximates replacement costs since inventory consists of the items that were donated or received most recently. The Organization's inventory at September 30, 2016 and 2015 consisted of \$398,930 and \$240,017, respectively, in donated medical supplies inventory to be used for summer camps.

Property and Equipment

The Organization capitalizes all expenditures for property, furniture, fixtures, and equipment in excess of \$1,000. Property and equipment are recorded at cost or at fair value, if donated; and are depreciated using straight-line methods over their estimated useful lives.

Deferred Revenue

Deferred revenue represents fees for programs and events that relate to the subsequent year.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. Rent and utilities are allocated based on space used for different functions. Other cost allocations are based on staff time spent on various functions.

Income Taxes

Camp Kudzu is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and is classified as an organization which is not a private foundation under Section 509(a) of the U.S. Internal Revenue Code. The Organization qualifies for the charitable contribution deduction.

**CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of Estimates

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

Events Occurring After the Report Date

Management has evaluated events and transactions that occurred between September 30, 2016 and January 24, 2017, which was the date the financial statements were available to be issued. There were no significant subsequent events requiring recognition or disclosure in the financial statements.

3. GRANTS

Grants receivable at September 30, 2016 are due to be received in the following years:

Year ending September 30,

2017	\$	66,000
2018		48,500
	\$	114,500

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	Estimated Useful Life	2016	2015
Furniture and fixtures	3 - 5 years	\$ 29,791	\$ 29,791
Leasehold improvements	2 years	5,903	5,903
Computers and software	3 years	78,710	74,363
Less: accumulated depreciation		(105,428)	(99,161)
Total property and equipment, net		\$ 8,976	\$ 10,896

Depreciation expense for the years ended September 30, 2016 and 2015 was \$6,267 and \$16,245, respectively.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015

5. OPERATING LEASES

Camp Kudzu conducts its programs at facilities leased under short-term rental agreements.

The Organization leases office and storage space under a non-cancelable lease agreement. The lease requires payment of \$4,259 per month for a period of 36 months ending November 2016. In July 2016 the Organization extended the office and storage space lease through November 30, 2021. The extended lease requires payment of \$6,472 per month with escalations of 4% per year thereafter.

The Organization also leased office equipment under an operating lease with payments of \$111 per month. This lease expired in February 2015 and was not renewed. In February 2015 the Organization entered into an operating lease for office equipment with payments of \$255 per month for a period of 36 months.

For the years ended September 30, 2016 and 2015, total rent expense for all operating leases was \$53,842 and \$51,203, respectively.

Future minimum lease payments for the years ending September 30 are as follows:

2017	\$	76,297
2018		81,270
2019		83,459
2020		86,797
2021		90,269

6. DONATED SERVICES AND MATERIALS

Donated services and materials are included in contributions revenue in the accompanying statement of activities and are summarized as follows for the years ended September 30:

	<u>2016</u>	<u>2015</u>
Medical supplies	\$ 629,510	\$ 517,501
Medical services	406,453	381,753
Other in kind donations	<u>20,165</u>	<u>18,166</u>
Total donated services and materials	<u>\$ 1,056,128</u>	<u>\$ 917,420</u>

**CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

6. DONATED SERVICES AND MATERIALS – CONTINUED

A portion of medical supply donations were held for use in the following year. The amounts comprising donated medical supplies expense are as follows:

	<u>2016</u>	<u>2015</u>
Medical supplies donated during the year	\$ 629,510	\$ 517,501
Year end inventory	(398,930)	(240,017)
Usage from prior year inventory	<u>240,017</u>	<u>189,207</u>
Donated medical supplies expense	<u>\$ 470,597</u>	<u>\$ 466,691</u>

7. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at September 30, 2016 and 2015 consist of:

	<u>2016</u>	<u>2015</u>
Purpose restricted net assets		
Medical supplies	\$ 398,930	\$ 240,017
Scholarships to camps	<u>36,747</u>	<u>86,883</u>
	<u>435,677</u>	<u>326,900</u>
Time restricted net assets		
2017	66,000	-
2018	<u>48,500</u>	<u>-</u>
	<u>\$ 550,177</u>	<u>\$ 326,900</u>

Net assets released from donor restrictions for the years ended September 30, 2016 and 2015 were \$126,686 and \$199,887, respectively. Amounts were released by incurring expenditures in connection with contributions received for the design and implementation of a strategic plan and to help fund various programs including scholarships to camps in 2016 and 2015.

8. COMMITMENTS AND CONTINGENCIES

Certain grants and contracts often require the fulfillment of conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of Camp Kudzu deems the contingency unlikely. The grants and contracts are subject to audit by the grantor, or in the case of federal funds, the Federal government. They have the authority to determine liabilities or limit or suspend participation in the various sponsored programs. At this time, Camp Kudzu receives no federal funding so there are no contingencies related to federal funding.