

CAMP KUDZU, INC.
FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

**CAMP KUDZU, INC.
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SEPTEMBER 30, 2015 AND 2014**

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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, 2015 and 2014 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, 2015 and 2014, and the changed in its net asset and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Warren Averett, LLC

Atlanta, Georgia
January 25, 2016

CAMP KUDZU, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

ASSETS		
	2015	2014
Cash and cash equivalents	\$ 921,999	\$ 787,260
Pledges receivable	2,600	86,737
Accounts receivable	4,995	-
Inventory	240,017	189,207
Prepaid expenses	34,340	35,199
Property and equipment, net	10,896	27,141
TOTAL ASSETS	\$ 1,214,847	\$ 1,125,544
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 21,853	\$ 25,706
Deferred revenue	38,982	16,796
Total liabilities	60,835	42,502
NET ASSETS		
Unrestricted		
Available for operations	497,112	354,885
Designated for working capital reserves	330,000	330,000
Temporarily restricted	326,900	398,157
Total net assets	1,154,012	1,083,042
TOTAL LIABILITIES AND NET ASSETS	\$ 1,214,847	\$ 1,125,544

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CHANGES IN UNRESTRICTED NET ASSETS:		
REVENUES AND SUPPORT		
Contributions and grants	\$ 480,374	\$ 530,761
Donated services and materials	866,610	871,675
Special events	263,654	186,102
Less: cost of direct benefit to donors	(76,628)	(58,733)
Camp program income	351,094	346,553
Investment income	1,673	1,640
Other income	2,863	6
Net assets released from program restrictions	199,887	72,473
Total revenues and support	2,089,527	1,950,477
EXPENSES		
Program	1,639,619	1,596,802
General and administrative	96,249	88,094
Fundraising	211,432	151,764
Total expenses	1,947,300	1,836,660
CHANGES IN UNRESTRICTED NET ASSETS	142,227	113,817
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Contributions and grants	77,820	105,250
Donated materials	50,810	124,488
Net assets released from restrictions	(199,887)	(72,473)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:	(71,257)	157,265
CHANGES IN NET ASSETS	70,970	271,082
NET ASSETS AT BEGINNING OF YEAR	1,083,042	811,960
NET ASSETS AT END OF YEAR	\$ 1,154,012	\$ 1,083,042

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	19,148	7,760	28,593	55,501
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	7,638	-	-	7,638
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	<u>\$ 1,639,619</u>	<u>\$ 96,249</u>	<u>\$ 211,432</u>	<u>\$ 1,947,300</u>

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Donated professional services	\$ 436,932	\$ -	\$ -	\$ 436,932
Donated medical supplies	416,715	-	-	416,715
Salaries and benefits	285,433	29,630	97,104	412,167
Facility charges	244,824	-	-	244,824
Camp supplies	53,677	-	-	53,677
Other expenses	12,263	3,899	31,776	47,938
Rent and utilities	34,967	6,143	6,143	47,253
Website	13,509	1,327	6,529	21,365
Professional fees	5,000	16,038	-	21,038
Depreciation	11,880	3,851	3,851	19,582
Insurance	13,954	4,588	1,072	19,614
Contractor services	4,500	15,075	-	19,575
Activities and events	18,376	-	-	18,376
Office supplies and postage	12,520	1,133	1,678	15,331
Volunteer recruitment and screening	12,114	-	-	12,114
Travel and entertainment	6,813	2,132	438	9,383
Printing and reproduction	5,709	846	1,345	7,900
Telephone	4,690	1,483	1,483	7,656
Dues and subscriptions	2,926	754	345	4,025
Bank charges and credit card fees	-	1,195	-	1,195
Organizational	-	-	-	-
TOTAL EXPENSES	<u>\$ 1,596,802</u>	<u>\$ 88,094</u>	<u>\$ 151,764</u>	<u>\$ 1,836,660</u>

See notes to financial statements.

CAMP KUDZU, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 70,970	\$ 271,082
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	16,245	19,582
Donated property and equipment	-	(3,764)
Changes in assets and liabilities:		
Decrease (increase):		
Receivables	79,142	67,144
Inventory	(50,810)	(124,488)
Prepaid expenses	859	(816)
Deposits	-	450
Increase (decrease) in:		
Accounts payable and accrued liabilities	(3,853)	4,252
Deferred revenue	22,186	(15,737)
Net cash provided by operating activities	<u>134,739</u>	<u>217,705</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>-</u>	<u>(5,142)</u>
Net cash used in investing activities	<u>-</u>	<u>(5,142)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	134,739	212,563
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>787,260</u>	<u>574,697</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$ 921,999</u></u>	<u><u>\$ 787,260</u></u>

See notes to financial statements.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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, 2015 or 2014.

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, 2015 and 2014.

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, 2015 AND 2014

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 \$145,000 and \$131,000 for the years ended September 30, 2015 and 2014, 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 5 for additional information.

Camp Kudzu received donated time from camp counselors and other volunteers during the years ended September 30, 2015 and 2014; 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 investments 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 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). At September 30, 2015, the Organization exceeded the FDIC insured limit by \$174,905. At September 30, 2014, the Organization did not exceed the FDIC insured limits.

At September 30, 2014, 100% of pledges receivable was attributable to one donor. For the years ended September 30, 2014, 12% 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, 2015 AND 2014

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, 2015 or 2014. Pledges receivable at September 30, 2015 are expected to be collected in 2016.

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, 2015 and 2014 consisted of \$240,017 and \$189,207, 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.

Management does not believe there are any uncertain tax positions as defined by FASB ASC 740, *Income Taxes*. The Organization could be subject to income tax examinations for its U.S. federal tax filings for the current tax year and previous filings for tax years 2014, 2013, and 2012 still open under the statute of limitations.

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

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, 2015 and January 25, 2016, 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. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>Estimated Useful Life</u>	<u>2015</u>	<u>2014</u>
Furniture and fixtures	3 - 5 years	\$ 29,791	\$ 29,791
Leasehold improvements	2 years	5,903	5,903
Computers and software	3 years	74,363	74,363
Less: accumulated depreciation		<u>(99,161)</u>	<u>(82,916)</u>
Total property and equipment, net		<u>\$ 10,896</u>	<u>\$ 27,141</u>

Depreciation expense for the years ended September 30, 2015 and 2014 was \$16,245 and \$19,582, respectively.

4. OPERATING LEASES

Camp Kudzu conducts its programs at facilities leased under short-term rental agreements. In August 2013, the Organization extended their operating lease for office and storage space with payments of \$4,259 per month for a period of 36 months beginning December 2013. 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, 2015 and 2014, total rent expense for all operating leases was \$51,203 and \$49,570, respectively.

**CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

4. OPERATING LEASES – CONTINUED

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

2016	\$	53,843
2017		11,580
2018		1,021

5. 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>2015</u>	<u>2014</u>
Medical supplies	\$ 517,501	\$ 539,836
Medical services	381,753	436,932
Other in kind donations	18,166	19,395
Total donated services and materials	<u>\$ 917,420</u>	<u>\$ 996,163</u>

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>2015</u>	<u>2014</u>
Medical supplies donated during the year	\$ 517,501	\$ 539,836
Year end inventory	(240,017)	(189,207)
Usage from prior year inventory	189,207	64,719
Other	-	1,367
Donated medical supplies expense	<u>\$ 466,691</u>	<u>\$ 416,715</u>

6. RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets at September 30, 2015 and 2014 consist of:

	<u>2015</u>	<u>2014</u>
Medical supplies	\$ 240,017	\$ 189,207
Scholarships to camps	86,883	158,950
Strategic plan	-	50,000
	<u>\$ 326,900</u>	<u>\$ 398,157</u>

CAMP KUDZU, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

6. RESTRICTIONS ON NET ASSETS – CONTINUED

Net assets released from donor restrictions for the years ended September 30, 2015 and 2014 were \$199,190 and \$72,473, 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 2015 and 2014.

7. 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.