

EXTREME KIDS AND CREW, INC.

Financial Report

December 31, 2016

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors of
Extreme Kids and Crew, Inc.
Brooklyn, NY

We have reviewed the accompanying statements of financial position of Extreme Kids and Crew, Inc. (the "Extreme Kids") as of December 31, 2016 and 2015 and the related statements of activities, statements of functional expenses and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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 the financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements as of December 31, 2015 were reviewed by Manger & Associate CPAs P.C. who merged with Gruber Palumberi Raffaele Fried P.C. as of January 1, 2017. Our report dated April 27, 2017 stated we were not aware of any material modifications that should be made to those statements for them to be in accordance with accounting principles generally accepted in the United States of America.

Gruber Palumberi Raffaele Fried, P.C.

April 27, 2017

EXTREME KIDS AND CREW, INC.

Statements of Financial Position

As of December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 105,712	\$ 79,341
Prepaid expenses	6,937	6,794
Grants and contributions receivable	1,295	9,661
Property and equipment, net	<u>19,009</u>	<u>8,359</u>
Total assets	<u>\$ 132,953</u>	<u>\$ 104,155</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	<u>\$ 21,047</u>	<u>\$ 3,734</u>
Total liabilities	<u>21,047</u>	<u>3,734</u>
NET ASSETS		
Unrestricted	110,207	90,722
Temporarily restricted	<u>1,699</u>	<u>9,699</u>
Total net assets	<u>111,906</u>	<u>100,421</u>
Total liabilities and net assets	<u>\$ 132,953</u>	<u>\$ 104,155</u>

See independent accountants' review report.

EXTREME KIDS AND CREW, INC.
 Statements of Activities
 For the years ended December 31, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES AND SUPPORT:						
Grants and contributions	\$ 331,910	\$ 39,800	\$ 371,710	\$ 276,065	\$ 25,000	\$ 301,065
Program income	29,720	-	29,720	15,602	-	15,602
In-kind donations	9,779	-	9,779	30,007	-	30,007
Special event	10,552	-	10,552	20,154	-	20,154
Investment income	29	-	29	29	-	29
	<u>381,990</u>	<u>39,800</u>	<u>421,790</u>	<u>341,857</u>	<u>25,000</u>	<u>366,857</u>
Net assets released from restrictions:						
Satisfaction of program restrictions	47,800	(47,800)	-	15,301	(15,301)	-
Total revenues and support	429,790	(8,000)	421,790	357,159	9,699	366,857
Expenses:						
Program services	338,276	-	338,276	248,714	-	248,714
Supporting services:			-			-
Management and general	47,233	-	47,233	35,380	-	35,380
Fundraising	24,796	-	24,796	20,573	-	20,573
Total expenses	<u>410,305</u>	<u>-</u>	<u>410,305</u>	<u>304,667</u>	<u>-</u>	<u>304,667</u>
Change in net assets	19,485	(8,000)	11,485	52,491	9,699	62,190
Net assets, beginning of year	90,722	9,699	100,421	38,231	-	38,231
Net assets, end of the year	<u>\$ 110,207</u>	<u>\$ 1,699</u>	<u>\$ 111,906</u>	<u>\$ 90,722</u>	<u>\$ 9,699</u>	<u>\$ 100,421</u>

See independent accountants' review report.

EXTREME KIDS AND CREW, INC.
Statements of Functional Expenses
For the years ended December 31, 2016 and 2015

	2016				2015			
	Supporting Services		2016		Supporting Services		2015	
	Programs and General Services	Fundraising	Total	Total	Programs and General Services	Fundraising	Total	Total
Salaries	\$ 211,687	\$ 29,885	\$ 7,471	\$ 249,044	\$ 135,733	\$ 19,162	\$ 4,790	\$ 159,685
Payroll taxes and fringe benefits	34,054	4,808	1,202	40,064	19,413	2,741	685	22,839
Total salaries and related expenses	<u>245,741</u>	<u>34,693</u>	<u>8,673</u>	<u>289,107</u>	<u>155,146</u>	<u>21,903</u>	<u>5,475</u>	<u>182,524</u>
Other expenses:								
Program supplies and equipment (including in-kind of \$9,779 for 2016)	30,066	1,173	293	31,533	13,263	2,075	665	16,003
Contract services	23,396	-	-	23,396	27,375	-	-	27,375
Professional fees	-	8,253	15,064	23,317	15,541	8,607	13,733	37,881
Office and miscellaneous	11,407	1,458	353	13,218	9,146	1,180	296	10,622
Occupancy	8,283	905	226	9,414	11,620	603	151	12,374
Telephone and internet	4,781	167	42	4,990	4,165	208	52	4,425
Advertising	3,926	-	-	3,926	2,976	-	-	2,976
Insurance	2,279	322	81	2,681	2,654	374	93	3,121
Bank and payroll fees	1,403	198	49	1,650	2,829	399	100	3,328
Depreciation	6,994	63	16	7,073	3,998	31	8	4,037
Total other expenses	<u>92,535</u>	<u>12,540</u>	<u>16,123</u>	<u>121,198</u>	<u>93,568</u>	<u>13,477</u>	<u>16,098</u>	<u>122,142</u>
Total expenses	<u>\$ 338,276</u>	<u>\$ 47,233</u>	<u>\$ 24,796</u>	<u>\$ 410,305</u>	<u>\$ 248,714</u>	<u>\$ 35,380</u>	<u>\$ 20,573</u>	<u>\$ 304,666</u>

See independent accountants' review report.

EXTREME KIDS & CREW INC.

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 11,485	\$ 62,190
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	7,073	4,037
Changes in operating assets and liabilities:		
Decrease (increase) in grants and contributions receivable	8,366	(9,661)
Decrease (increase) in prepaid expenses	143	(5,103)
Increase in accounts payable and accrued expenses	<u>17,316</u>	<u>726</u>
Net cash provided by operating activities	<u>44,383</u>	<u>52,189</u>
Cash flows (used) in investing activities:		
Purchase of property and equipment	<u>(18,012)</u>	<u>(1,434)</u>
Net cash (used in) investing activities	<u>(18,012)</u>	<u>(1,434)</u>
Cash flows (used in) provided by financing activities:		
Loans forgiven by related party	<u>-</u>	<u>(10,000)</u>
Net cash (used in) financing activities	<u>-</u>	<u>(10,000)</u>
Net increase in cash and cash equivalents	26,371	40,755
Cash and cash equivalents, beginning of year	<u>79,341</u>	<u>38,586</u>
Cash and cash equivalents, end of year	<u>\$ 105,712</u>	<u>\$ 79,341</u>

See independent accountants' review report.

EXTREME KIDS AND CREW, INC.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 1 - ORGANIZATION

Extreme Kids and Crew, Inc. ("Extreme Kids") is a non-profit organization that provides community centers where children with developmental and physical disabilities socialize, create and play, and caregivers learn about and share disability specific resources. This specialized environment combats the isolation many disabled children and their families feel, and hosts arts and play-based programs for the whole family.

The sources of financial support are from program fees, grants and contributions from individuals, foundations and corporations.

For Federal income tax purposes, the Extreme Kids is classified as a 501(c)(3) organization and is exempt under Section 509(a)(2) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Extreme Kids have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. The significant accounting policies are described below.

Basis of Presentation

The net assets of the Extreme Kids are reported as follows:

Unrestricted

Unrestricted net assets are net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations and are available for the general operations of the organization.

Temporarily Restricted

Temporarily restricted net assets include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets. When a donor restriction expires or a 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.

EXTREME KIDS AND CREW, INC.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 2 - (continued)

Permanently Restricted

Permanently restricted net assets include funds that have been restricted by the donor to be held in perpetuity. Extreme Kids did not have any permanently restricted net assets as of December 31, 2016 and 2015.

Cash and cash equivalents

Extreme Kids considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable that are expected to be collected within one year are recorded at their net realizable value. Grants and contributions receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on these amounts are computed using a risk-free interest rate applicable to the year in which the contribution is made. Amortization of the discount is included in grants and contribution revenue.

Contract Revenue

Contract revenue is recorded when contract stipulated milestones are met.

Property and Equipment

Extreme Kids capitalizes property and equipment at cost. Depreciation of property and equipment is provided on the straight-line method over the expected useful lives of the assets as follows:

Furniture and equipment	5 years
Computers and software	5 years

EXTREME KIDS AND CREW, INC.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 2 - (continued)

Functional Expenses Allocations

The costs of providing the various programs and other activities of the organization have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting service benefited. Such allocations are determined by management in accordance with grant provisions and/or other equitable basis.

Concentrations of Credit Risk

Financial instruments that potentially subject Extreme Kids to concentrations of credit risk consist primarily of cash and cash equivalents. Extreme Kids maintains cash and cash equivalent balances in various bank accounts that, at times, may exceed federally insured limits. Extreme Kids' cash accounts were placed with high credit quality financial institutions. Extreme Kids has not experienced, nor does it anticipate, any losses in such accounts.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

Extreme Kids has adopted Accounting Standards Codification ("ASC") 740 "Income Taxes." ASC 740 requires that a tax position be recognized or derecognized based on a "more likely than not" threshold. This applies to positions taken or expected to be taken in a tax return. The adoption of this guidance did not have an impact on the organization's financial statements, as management believes that there are no uncertain tax positions within its financial statements. Extreme Kids has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it was nexus; and to review other matters that may be considered tax positions.

Extreme Kids' Form 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

EXTREME KIDS AND CREW, INC.
Notes to Financial Statements
December 31, 2016 and 2015

**NOTE 3 – PROPERTY AND EQUIPMENT, NET AS OF
DECEMBER 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
Program equipment	\$ 36,314	\$ 19,140
Office equipment	<u>2,570</u>	<u>2,135</u>
	38,884	21,275
Less: accumulated depreciation	<u>(19,875)</u>	<u>(12,916)</u>
Total	<u>\$ 19,009</u>	<u>\$ 8,359</u>

Depreciation expense for the years ended December 31, 2016 and 2015 was \$7,073 and \$4,037, respectively.

NOTE 4 – IN-KIND CONTRIBUTIONS

Extreme Kids' in-kind income consisted of the following:

	<u>2016</u>	<u>2015</u>
Legal services	\$ -	\$ 9,607
Bookkeeping services	-	8,677
Donated goods	<u>9,779</u>	<u>11,724</u>
	<u>\$ 9,779</u>	<u>\$ 18,283</u>

NOTE 5 – COMMITMENTS

Extreme Kids has two playspaces which it leases on an annual, rent-free basis. These spaces are respectively owned by the New York City Board of Education and the New York City Parks Department. In-kind revenue and expense are not being recognized for these spaces as there is no readily available marketplace for them and, as such, determining their value would be unfeasible.

EXTREME KIDS AND CREW, INC.
Notes to Financial Statements
December 31, 2016 and 2015

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available to satisfy the following program restrictions at December 31, 2016 and 2015:

	Net Assets Released			
	<u>December 31, 2015</u>	<u>Contributions</u>	<u>From Restriction</u>	<u>December 31, 2016</u>
Purpose restricted	\$ <u>9,699</u>	\$ <u>39,800</u>	\$ <u>(47,800)</u>	\$ <u>1,699</u>

	Net Assets Released			
	<u>December 31, 2014</u>	<u>Contributions</u>	<u>From Restriction</u>	<u>December 31, 2015</u>
Purpose restricted	\$ <u>-</u>	\$ <u>25,000</u>	\$ <u>(15,301)</u>	\$ <u>9,699</u>

NOTE 7 - SUBSEQUENT EVENTS

Extreme Kids evaluated its December 31, 2016 financial statements for subsequent events through April 27, 2017, the date the financial statements were available to be issued. Extreme Kids is not aware of any subsequent events which would require recognition or disclosure in the financial statements.