

**INVISIBLE CHILDREN INC.**

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

**INVISIBLE CHILDREN, INC.**  
**FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

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**Lou Anna Dickerson, CPA**  
Certified Public Accountant

**Nancy A. Rix, CPA**  
Certified Public Accountant

To the Board of Directors  
Invisible Children Inc.  
961 S. 16<sup>th</sup> Street  
San Diego, CA 92113

### **Independent Auditors' Report**

We have audited the accompanying financial statements of Invisible Children, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2014, and the related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. We did not audit the accompanying comparative financial statements for the year ended June 30, 2013, comprised of the statement of financial position and related statement of activities and changes in net assets, functional expenses and cash flows for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion in so far as it relates to those financial statements is based solely on the report of the other auditors.

#### **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.

#### **Auditor's 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 consolidated financial statements. The procedures selected depend on the auditor's 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 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 Invisible Children, Inc. as of June 30, 2014, and the change in its net assets and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Dickinson Ry and Company LLP*

San Diego, California  
December 4, 2014

**INVISIBLE CHILDREN, INC.**  
 ( A CALIFORNIA NONPROFIT CORPORATION )  
 STATEMENTS OF FINANCIAL POSITION  
 As of June 30, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,126,985	\$ 6,559,807
Accounts receivable (Note 2)	340,158	447,331
Awareness product inventory, net of reserve (Note 2)	78,767	370,776
Prepaid expenses and other current assets (Note 3)	290,930	668,719
<b>TOTAL CURRENT ASSETS</b>	<b>1,836,840</b>	<b>8,046,633</b>
Equipment and furniture (net of \$756,783 of accumulated depreciation) (Note 4)	443,520	835,500
<b>TOTAL ASSETS</b>	<b>\$ 2,280,360</b>	<b>\$ 8,882,133</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable	\$ 63,569	\$ 645,757
Other liabilities (Note 5)	216,461	1,660,764
<b>TOTAL CURRENT LIABILITIES</b>	280,030	2,306,521
<b>NET ASSETS</b>		
Unrestricted	1,824,287	6,575,612
Temporarily restricted	176,043	-
<b>TOTAL NET ASSETS</b>	<b>2,000,330</b>	<b>6,575,612</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,280,360</b>	<b>\$ 8,882,133</b>

The accompanying notes are an integral part of these financial statements

**INVISIBLE CHILDREN, INC.**  
 ( A CALIFORNIA NONPROFIT CORPORATION )  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Awareness products	\$ 313,071	\$ -	\$ 313,071
Foundation grants and partnerships	1,663,618	1,429,366	3,092,984
General donations	2,792,940	179,419	2,972,359
Other income	127,981	14,521	142,502
Net assets released from restrictions	1,447,263	(1,447,263)	-
Total support and revenues	6,344,873	176,043	6,520,916
Cost of awareness products	(298,473)	-	(298,473)
<b>NET SUPPORT AND REVENUES</b>	<b>6,046,400</b>	<b>176,043</b>	<b>6,222,443</b>
 <b>EXPENSES</b>			
Program services			
Media	1,040,831	-	1,040,831
Mobilization	2,347,690	-	2,347,690
Protection	3,030,083	-	3,030,083
Recovery	1,673,994	-	1,673,994
Total program services	8,092,598	-	8,092,598
Supporting services			
Fundraising	801,553	-	801,553
General and administrative	1,903,574	-	1,903,574
Total support services	2,705,127	-	2,705,127
<b>TOTAL EXPENSES</b>	<b>10,797,725</b>	<b>-</b>	<b>10,797,725</b>
<b>DECREASE IN NET ASSETS</b>	(4,751,325)	176,043	(4,575,282)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>6,575,612</b>	<b>-</b>	<b>6,575,612</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,824,287</b>	<b>\$ 176,043</b>	<b>\$ 2,000,330</b>

The accompanying notes are an integral part of these financial statements

**INVISIBLE CHILDREN, INC.**  
 ( A CALIFORNIA NONPROFIT CORPORATION )  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT AND REVENUES</b>			
Awareness products	\$ 823,879	\$ -	\$ 823,879
Foundation grants and partnerships	298,917	24,473	323,390
General donations	3,834,524	491,270	4,325,794
Other income	142,401	25,912	168,313
Net assets released from restrictions	663,195	(663,195)	-
Total support and revenues	5,762,916	(121,540)	5,641,376
Cost of awareness products	(691,862)	-	(691,862)
<b>NET SUPPORT AND REVENUES</b>	<b>5,071,054</b>	<b>(121,540)</b>	<b>4,949,514</b>
 <b>EXPENSES</b>			
Program services			
Media	1,650,797	-	1,650,797
Mobilization	2,489,562	-	2,489,562
Protection	3,961,609	-	3,961,609
Recovery	3,816,040	-	3,816,040
Total program services	11,918,008	-	11,918,008
Supporting services			
Fundraising	620,152	-	620,152
General and administrative	2,926,171	-	2,926,171
Total support services	3,546,323	-	3,546,323
<b>TOTAL EXPENSES</b>	<b>15,464,331</b>	<b>-</b>	<b>15,464,331</b>
<b>DECREASE IN NET ASSETS</b>	<b>(10,393,277)</b>	<b>(121,540)</b>	<b>(10,514,817)</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>16,968,889</b>	<b>121,540</b>	<b>17,090,429</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 6,575,612</b>	<b>\$ -</b>	<b>\$ 6,575,612</b>

The accompanying notes are an integral part of these financial statements

**INVISIBLE CHILDREN, INC.**  
(A CALIFORNIA NONPROFIT CORPORATION )  
**STATEMENT OF FUNCTIONAL EXPENSES**  
FOR THE YEAR ENDED JUNE 30, 2014

Expenses	Media	Mobilization	Protection	Recovery	Total program services	Fundraising	General and administrative	Total supporting services	Total
Communications	\$ 150,028	\$ 23,426	\$ 8,890	\$ -	\$ 182,344	\$ 54,936	\$ 19,533	\$ 74,469	\$ 256,813
Event production	-	754,469	-	-	754,469	30,331	-	30,331	784,800
Equipment	5,623	41,031	985	-	47,639	6,982	61,553	68,535	116,174
Fees and licenses	710	14,202	-	-	14,912	124,918	38,295	163,213	178,125
Film production	11,492	8,846	-	1,667	22,005	1,083	-	1,083	23,088
Insurance	18,128	40,880	4,512	34,858	98,378	10,136	158,190	168,326	266,704
International support	-	-	2,824,038	1,261,381	4,085,419	-	-	-	4,085,419
Inventory adjustments	-	70,421	-	-	70,421	-	-	-	70,421
Office expenses	32,446	80,189	3,812	11,665	128,112	6,644	95,466	102,110	230,222
Professional services	5,950	38,514	18,848	-	63,312	513	195,358	195,871	259,183
Rent	104,375	101,443	2,600	21,170	229,588	45,136	248,744	293,880	523,468
Salaries	558,406	672,299	125,377	295,608	1,651,690	403,853	693,278	1,097,131	2,748,821
Shipping and handling	533	35,437	579	155	36,704	12,092	15,189	27,281	63,985
Taxes and employee benefits	55,978	56,187	5,807	20,644	138,616	18,708	88,767	107,475	246,091
Transportation	13,762	291,207	32,851	23,977	361,797	58,722	34,391	93,113	454,910
Utilities	416	14,439	100	891	15,846	2,426	97,096	99,522	115,368
Volunteer support	11,441	36,764	600	1,440	50,245	22,934	7,527	30,461	80,706
									-
Total Expenses Before Depreciation	969,288	2,279,754	3,028,999	1,673,456	7,951,497	799,414	1,753,387	2,552,801	10,504,298
Depreciation	71,543	67,936	1,084	538	141,101	2,139	150,187	152,326	293,427
Total expenses	<u>\$ 1,040,831</u>	<u>\$ 2,347,690</u>	<u>\$ 3,030,083</u>	<u>\$ 1,673,994</u>	<u>\$ 8,092,598</u>	<u>\$ 801,553</u>	<u>\$ 1,903,574</u>	<u>\$ 2,705,127</u>	<u>\$ 10,797,725</u>

The accompanying notes are an integral part of these financial statements



**INVISIBLE CHILDREN, INC.**  
(A CALIFORNIA NONPROFIT CORPORATION )  
**STATEMENT OF FUNCTIONAL EXPENSES**  
FOR THE YEAR ENDED JUNE 30, 2013

Expenses	Media	Mobilization	Protection	Recovery	Total program services	Fundraising	General and administrative	Total supporting services	Total
Communications	\$ 152,591	\$ 39,564	\$ 3,810	\$ 12,560	\$ 208,525	\$ 42,409	\$ 51,897	\$ 94,306	\$ 302,831
Event production	-	386,633	-	-	386,633	-	-	-	386,633
Equipment	47,310	53,352	1,004	4,206	105,872	6,177	70,371	76,548	182,420
Fees and licenses	4,537	98,020	1,896	1,433	105,886	198,023	36,038	234,061	339,947
Film production	39,545	47,861	374	-	87,780	3,401	20	3,421	91,201
Insurance	38,010	38,842	5,778	43,860	126,490	4,759	158,155	162,914	289,404
International support	-	-	3,524,426	3,029,639	6,554,065	-	2,191	2,191	6,556,256
Inventory adjustments	-	44,698	-	-	44,698	-	132,265	132,265	176,963
Office expenses	30,218	72,576	4,974	23,280	131,048	4,767	65,573	70,340	201,388
Professional services	161,829	65,578	63,209	30,371	320,987	12,755	549,201	561,956	882,943
Rent	121,281	227,186	1,100	26,372	375,939	39,266	271,653	310,919	686,858
Salaries	790,483	518,000	255,852	351,598	1,915,933	212,780	1,000,764	1,213,544	3,129,477
Shipping and handling	596	72,077	1,657	92,682	167,012	19,274	127,515	146,789	313,801
Taxes and employee benefits	71,923	54,741	14,208	46,514	187,386	11,207	107,807	119,014	306,400
Transportation	99,095	513,554	73,321	131,331	817,301	35,147	77,658	112,805	930,106
Utilities	428	64,876	9,512	10,541	85,357	5,499	127,752	133,251	218,608
Volunteer support	7,410	111,513	-	11,497	130,420	22,728	18,360	41,088	171,508
									-
Total Expenses Before Depreciation	1,565,256	2,409,071	3,961,121	3,815,884	11,751,332	618,192	2,797,220	3,415,412	15,166,744
Depreciation	85,541	80,491	488	156	166,676	1,960	128,951	130,911	297,587
Total expenses	<u>\$ 1,650,797</u>	<u>\$ 2,489,562</u>	<u>\$ 3,961,609</u>	<u>\$ 3,816,040</u>	<u>\$ 11,918,008</u>	<u>\$ 620,152</u>	<u>\$ 2,926,171</u>	<u>\$ 3,546,323</u>	<u>\$ 15,464,331</u>

The accompanying notes are an integral part of these financial statements

**INVISIBLE CHILDREN, INC.**  
 ( A CALIFORNIA NONPROFIT CORPORATION )  
 STATEMENT OF CASH FLOWS  
 FOR THE YEARS ENDED JUNE 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ (4,575,282)	\$ (10,514,817)
Loss on disposal of property and equipment	139,126	(15,241)
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	293,427	297,587
(Increase) decrease in :		
Accounts receivable	107,173	105,855
Awareness product inventory	377,789	455,626
Prepays and other current assets	292,009	(459,279)
Increase (decrease) in :		
Accounts payable and other liabilities	<u>(2,026,491)</u>	<u>1,668,021</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	(5,392,249)	(8,462,248)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of equipment (net of disposals)	<u>(40,573)</u>	<u>(532,661)</u>
NET CASH USED BY INVESTING ACTIVITIES	(40,573)	(532,661)
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
NET CASH USED BY FINANCING ACTIVITIES	-	-
NET INCREASE IN CASH	(5,432,822)	(8,994,909)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>6,559,807</u>	<u>15,554,716</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 1,126,985</u>	<u>\$ 6,559,807</u>

The accompanying notes are an integral part of these financial statements

INVISIBLE CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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Note 1. DESCRIPTION OF ORGANIZATION

Joseph Kony and the Lord's Resistance Army (the "LRA") have been abducting, killing, and displacing civilians in East and Central Africa since 1987. The founders of Invisible Children were three young filmmakers from Southern California who first encountered these atrocities in northern Uganda in 2003. They promised that they would do whatever they could to stop Joseph Kony and the LRA.

The three founders made a documentary about what they had seen called *Invisible children: The Rough Cut*. The film sparked a youth-driven grassroots movement that led to the establishment of Invisible Children, Inc. (the "Organization") as a registered California corporation in 2004. The Organization received 501(c)(3) status from the IRS in 2005. Today, Invisible Children focuses on the LRA conflict through an integrated four-part model that addresses the problems in their entirety: immediate needs and long-term effects.

**Media**

Invisible Children creates films to document LRA atrocities, introduce new audiences to the conflict, and inspire global action.

**Mobilization**

Invisible Children mobilizes massive groups of people to support and advance international efforts to end LRA atrocities.

**Protection**

Invisible Children works with regional partners to build and expand systems that warn remote communities of LRA attacks and encourage members of the LRA to peacefully surrender.

**Recovery**

Invisible Children works to rehabilitate children and families directly affected by the LRA and invest in education and economic recovery programs in the post-conflict region to promote lasting peace. Most of the Organization's programs in East and Central Africa are carried out by regional partners.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from these estimates.

Basis of Presentation

Financial statement presentations follow the recommendations of the Financial Accounting Standards Board in Statement of Financial Accounting Standards "Financial Statements for *Not-for-Profit Organizations*" (FASB ASC Topic 958).

The Organization is required to report 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 had no temporarily restricted or permanently restricted net assets during the year ended June 30, 2013.

INVISIBLE CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of the Organization are maintained in accordance with principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net assets classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** These consist of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Unrestricted net assets also include amounts designated for certain purposes by the Board of Directors.
- **Temporarily Restricted Net Assets.** These consist of assets which are restricted by donors for specific operating purposes and are not currently available for use in the Organization's operations until commitments regarding their use have been fulfilled. As of June 30, 2014, there were \$176,043 in temporarily restricted net assets. There were no temporarily restricted net assets at June 30, 2013.
- **Permanently Restricted Net Assets.** These net assets are those which are restricted that neither expire by the passage of time nor can be fulfilled or removed by the actions of the Organization. At June 30, 2014 and 2013, there were no permanently restricted net assets.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments available for current use with a maturity of three months or less at the date they are purchased. The Organization maintains its cash accounts at national commercial banks, which at times exceed the federally insured deposit limits. The Organization has not experience any losses in such accounts and management believes it is not exposed to any significant risk on cash.

Receivables

Receivables consist of contributions receivable and pledges receivable.

Contributions receivable consist of amounts initiated by donors that have not been realized as cash by the Organization. Contributions receivable were \$61,158 and \$180,665, respectively, as of June 30, 2014 and 2013.

Pledges receivable consist of unconditional promises to give, which are recorded at the net realizable value at the time the promises are received. Pledges receivable were \$279,000 and \$266,666, respectively, as of June 30, 2014 and 2013.

Management assesses the collectability of all receivables at the close of each period and records an allowance for doubtful accounts based on specific identifications. Management has determined that all receivables to be collectible at June 30, 2014.

Awareness Product Inventory, net

Awareness product inventory consists of awareness products and is valued at lower of cost or market, determined using the first in, first out method. At June 30, 2014 and 2013, the allowance for obsolete awareness product inventory was \$197,764 and \$0, respectively. During the year ended June 30, 2014 and 2013, the Organization wrote off awareness product inventory of \$70,421 and \$176,963 which is reflected in the cost of awareness products on the statement of activities and changes in net asset, respectively.

INVISIBLE CHILDREN, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Expense items represent expenditures which will benefit future periods. Such expenditures are recorded as prepaid expenses and are amortized as expenses over actual periods benefited (See Note 3).

Property and Equipment

Property and equipment are carried at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives from three to seven years.

Maintenance and repair costs are charged to expenses as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Support and Revenue Recognition

Support and revenue is recognized when earned, which may be when cash is received, unconditional promises made, in-kind donations received or when products are sold. Cash received for specific events that have not occurred is deferred until the event occurs.

Donor Imposed Restrictions

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted use unless specifically restricted by the donor or subject to other legal restrictions.

Donated Materials, Services, and Facilities

The Organization recognized the value of donated goods and services by recording the goods and services at fair value. To qualify for recognition, donated goods and services must create a nonfinancial assets or must require specialized skills that would have been purchased if not donated.

During the years ended June 30, 2014 and 2013, the Organization has many individuals volunteer substantial time and effort in order to perform a variety of tasks in the United States and Africa to assist the Organization in its mission. However, the majority of these services did not meet the criteria for recognition as contributed services. During the year ended June 30, 2014, revenue of \$62,738 was recognized as donated goods and revenue of \$61,200 was recognized as donated services. These donated goods and services are reflected in the statements of activities and change in net assets as general donations. Donations of goods and services were \$3,616 and \$95,930 during the year ended June 30, 2013.

Film production

Costs related to the production of films to raise awareness are expensed as incurred.

Advertising

The Organization expenses advertising costs as incurred. Advertising expenses for the years ended June 30, 2014 and 2013 were \$256,812 and \$302,831 respectively.

INVISIBLE CHILDREN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 and 2013

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Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Shipping and Handling

The Organization includes costs related to shipping and handling of awareness products on the Statement of Functional Expenses as shipping and handling. These costs totaled \$36,704 and \$167,012, respectively, for the years ended June 30, 2014 and 2013.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, in part, on the basis of estimates by management.

Income Taxes

The Organization is classified as a Section 501(c) (3) Organization under the Federal Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. As a result, it has been determined to be exempt from federal income and state franchise taxes. The Organization, however, may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2014 and 2013, the Organization had no such unrelated taxable income and, therefore, no provision for income taxes has been made. The Organization is not a private foundation. The Organization is no longer subject to examination by U.S. and California tax authorities for years before 2010 and 2009, respectively.

NOTE 3. PREPAID EXPENSES AND OTHER CURRENT ASSETS:

Prepaid expenses and other current assets consisted of the following:

	<u>2014</u>	<u>2013</u>
Prepaid event costs	\$ -	\$350,860
Prepaid insurance	33,746	59,459
Prepaid rent	39,370	43,442
Prepaid marketing costs	4,633	20,000
Prepaid services	59,112	-
Security deposits	128,077	136,407
Other	25,992	58,551
	<u>\$290,930</u>	<u>\$668,719</u>

NOTE 4. PROPERTY AND EQUIPMENT

Major categories of property and equipment as of June 30, 2014 and 2013 are summarized as follows:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$882,184	\$1,480,511
Transportation equipment	168,129	459,120
Video and camera equipment	114,654	187,351
Furniture and Fixtures	35,336	59,759
	<u>1,200,303</u>	<u>2,186,741</u>
Accumulated depreciation	<u>(756,783)</u>	<u>(1,351,241)</u>
	<u>\$443,520</u>	<u>\$ 835,500</u>

Depreciation and amortization expenses for the year ended June 30, 2014 totaled \$293,427.

INVISIBLE CHILDREN, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED JUNE 30, 2014 and 2013

NOTE 5. OTHER LIABILITIES

Accrued expenses at June 30, consisted of the following:

	2014	2013
Deferred revenue	\$ 548	\$ 828,971
Accrued program costs	-	400,000
Accrued vacation	54,285	175,626
Accrued payroll	52,347	144,205
Deferred rent	103,802	50,075
Accrued benefits	4,847	12,169
Other	632	49,718
	<u>\$216,461</u>	<u>\$1,660,764</u>

NOTE 6. JOINT COSTS

The Organization conducts activities that include both fundraising appeals and program components. The costs of conducting these joint activities are included in the total program services and supporting services expenses in the statement of functional expenses. These joint costs were allocated between fundraising and program costs as follows for the years ended June 30, 2014 and 2013.

	June 30, 2014		
	Program	Fundraising	Total Costs
National Tour	\$251,290	\$27,137	\$278,427
Film	443,380	2,275	445,655
Web	226,011	5,327	231,338
Fourth Estate	1,490,429	32,976	1,523,405
Communications	367,128	21,115	388,243
	June 30, 2013		
	Program	Fundraising	Total Costs
National Tour	\$ 940,092	\$ 64,905	\$ 1,004,997
Film	787,117	7,257	794,374
Web	205,060	15,894	220,954

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Organization had two agreements to lease residential properties as of the start of fiscal year 2014. The leases were non-cancelable. Both of these leases expired during the year ended June 30, 2014.

The Organization had previously signed a lease for commercial office space in January 2013 with a lease term expiring January 2018.

The Organization has agreements to lease office equipment. The operating leases are noncancelable and expire in July, 2015.

Minimum future payments under the noncancelable leases for the years ended June 30 are as follows:

2015	\$ 488,535
2016	451,684
2017	469,278
2018	279,138
2019	-
Thereafter	-
	<u>\$ 1,688,635</u>

INVISIBLE CHILDREN, INC.  
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NOTE 7. COMMITMENTS AND CONTINGENCIES (continued)

The total expense for facilities and equipment rentals for the years ended June 30, 2014 and 2013 were \$552,998 and \$694,981, respectively.

NOTE 8. RETIREMENT PLAN

The Organization sponsors a 401(K) retirement plan which covers all eligible employees. Contributions to the profit sharing plan are at the discretion of the employees. The Organization may make a discretionary contribution. No contributions were made by the Organization during the years ended June 30, 2014 and 2013. While the Organization expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payments of benefits to the participants or their beneficiaries.

NOTE 9. SUBSEQUENT EVENTS

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of the date of this report, the Organization has begun implementation of a plan to closely monitor fiscal year 2015 to ensure that spending levels are properly adjusted based on current levels of contributions and funding. The Board of Directors has identified a weakness in the Organization's ability to obtain funding at a level sufficient to support ongoing operations. The board is currently monitoring its options which include continuing operations at a significantly reduced operating capacity as well as winding down the Organization. The accompanying financial statements do not include any adjustments that would be necessary should the Organization be unable to continue as a going concern.