

**JEWELERS FOR CHILDREN
(A NON-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

**JEWELERS FOR CHILDREN
FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jewelers for Children

We have audited the accompanying financial statements of Jewelers for Children (a nonprofit organization) which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and changes in net assets 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.

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 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 Jewelers for Children as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

KMR LLP

New York, New York
November 19, 2018

**JEWELERS FOR CHILDREN
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017**

	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,990,280	\$ 2,530,279
Unconditional promises to give, net of allowance for doubtful accounts of \$1,400 and \$1,400 in 2018 and 2017, respectively	415,800	250,393
Prepaid expenses and other current assets	62	1,917
Total current assets	2,406,142	2,782,589
 Office equipment and software, net of accumulated depreciation and amortization of \$21,420 and \$25,416 at September 30, 2018 and 2017	 3,494	 -
Total assets	\$ 2,409,636	\$ 2,782,589
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 29,099	\$ 25,000
Grants payable	1,820,000	2,200,000
Total liabilities	1,849,099	2,225,000
 Net Assets:		
Without donor restrictions	560,537	557,589
Total liabilities and net assets	\$ 2,409,636	\$ 2,782,589

See independent auditor's report and accompanying notes to financial statements

JEWELERS FOR CHILDREN
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
Changes in net assets without donor restrictions:		
Revenues and gains:		
Special Gala Event	\$ 2,727,999	\$ 2,825,371
Less: cost of direct expenses of event	652,281	664,443
Total revenues and gains without donor restrictions from special event	2,075,718	2,160,928
Contributions and other fundraising activities	581,658	667,086
Interest income	2,014	368
Donated items, non-cash income, net of donated materials of \$786,646 and \$776,267 in 2018 and 2017	16,500	16,500
Total revenues and gains without donor restrictions	2,675,890	2,844,882
Expenses:		
Program services - Schedule I:	2,070,000	2,230,000
Supporting services:		
Management and general - Schedule II	504,332	515,106
Fundraising - Schedule III	98,610	105,688
Total supporting services	602,942	620,794
Total expenses	2,672,942	2,850,794
Increase (decrease) in net assets without donor restrictions	2,948	(5,912)
Net assets, beginning of year	557,589	563,501
Net assets, end of year	\$ 560,537	\$ 557,589

See independent auditor's report and accompanying notes to financial statements

**JEWELERS FOR CHILDREN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,948	\$ (5,912)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	389	1,387
(Increase) decrease in assets:		
Unconditional promises to give	37,696	(199,459)
Prepaid expenses and other current assets	1,854	(2,343)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(19,614)	19,223
Grants payable	<u>(750,000)</u>	<u>2,850,000</u>
Net cash (used in) provided by operating activities	<u>(726,727)</u>	<u>2,662,896</u>
Net (decrease) increase in cash and cash equivalents	(726,727)	2,662,896
Cash and cash equivalents, beginning of year	<u>2,530,279</u>	<u>595,251</u>
Cash and cash equivalents, end of year	<u>\$ 1,803,552</u>	<u>\$ 3,258,147</u>
 Supplemental disclosures of cash flow information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
Cash paid for taxes	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report and accompanying notes to financial statements

JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - THE ORGANIZATION

Jewelers for Children (the "Organization"), a not-for-profit corporation, was incorporated on March 24, 1993 in the state of New York. The Organization was formed by the manufacturers and retailers in the jewelry industry to raise money for donations to worthy charitable 501(c) (3) organizations. Revenue is raised from an annual gala dinner ("Special Event") and other fundraising activities.

The Organization receives substantially all of its support and revenue from the annual Special Event it hosts. The Special Event is an annual gala dinner held in June in Las Vegas that is primarily attended by manufacturers, trade association representatives, and retailers in the jewelry industry. The net proceeds from the special event and other fundraising activities are donated to charities.

The Organization also makes annual pledges to charities. Generally, all contributions raised flow through the Organization to fund operations and the net proceeds are donated to worthy charities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other assets and liabilities.

Basis of presentation:

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "Not-for-Profit Entities, an update to the Accounting Standards Codification ("ASC") topic 958." Under the ASU of Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions, and net assets without donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets with donor restrictions

Net assets that are subject to donor-imposed restrictions.

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions.

At September 30, 2018 and 2017, the Organization's net assets are without donor restrictions.

JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents:

The Organization considers all cash and cash equivalents with maturities of three months or less when purchased, to be cash equivalents.

Concentration of credit risk:

The Organization maintains its cash and cash equivalents at a financial institution, which is insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, the Organization may have deposits that exceed the insured balance.

Fair value of financial instruments:

Fair value of financial instruments requires disclosures of the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the statement of financial position of the Organization, for which it is practicable to estimate fair value. The Organization has a number of financial instruments, including cash and cash equivalents, unconditional promises to give, and grants payable.

The Organization estimates that the fair value of all financial instruments at September 30, 2018 and 2017 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statements of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value and, accordingly, the estimates are not necessarily indicative of amounts the Organization could realize in a current market exchange.

Revenue and expense recognition:

Revenue is reported as increases in net assets without donor restrictions unless its use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Promises to give:

Contributions are recognized when the donor makes a promise to give to the Organization that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Promises to give (continued):

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Donated assets

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Office equipment and software:

The Organization capitalizes office equipment and software over \$1,000. Lesser amounts are expensed. Purchased office equipment and software is capitalized at cost. Donations of office equipment and software are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire office equipment and software are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Office equipment and software are depreciated using the straight-line method over estimated useful lives ranging from five to seven years. Upon sale or retirement, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in operations. Repairs and maintenance, which are not considered betterments and do not extend the useful life of office equipment and software, are charged to expense as incurred.

Grant expenses:

The Organization recognizes grant expense when grants are approved and notification has been given to the grantee. Expenses not identifiable to specific programs are allocated to the various program services based on estimated time spent on programs.

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 the reported amounts of disclosures. Accordingly, actual results could differ from those estimates.

**JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

At September 30, 2018 and 2017, unconditional promises to give, net of the allowance for doubtful accounts were \$415,800 and \$250,393, respectively, and represent unconditional pledges from donors for the Special Event

NOTE 4 - GRANTS PAYABLE

At September 30, grants payable consists of:

	<u>2018</u>	<u>2017</u>
Make-A-Wish Foundation	\$ 505,000	\$ 575,000
Elizabeth Glaser Pediatric AIDS Foundation	405,000	500,000
St. Jude Children's Research Hospital	405,000	500,000
National CASA Association	355,000	450,000
Make-A-Wish International	75,000	100,000
Organization for Autism Research	50,000	-
Santa America Fund	25,000	25,000
American Family Children's Hospital	-	5,000
Camp Sunshine	-	5,000
Chris Lantos Foundation	-	5,000
Kenny Rogers Children's Center	-	5,000
Kosair Charities	-	5,000
Meeting Street School	-	5,000
North Kitsap Fishline	-	5,000
Pediatric Therapy Network	-	5,000
Songs of Love Foundation	-	5,000
Washington Nationals Youth Baseball Academy	-	5,000
	<u>\$ 1,820,000</u>	<u>\$ 2,200,000</u>

All grants are payable within one year.

NOTE 5 - DONATED SERVICES AND MATERIALS

The Organization receives donated materials which have not been recognized as revenue in the Statements of Activities and Changes in Net Assets. The estimated fair market value of the materials and office space received in 2018 and 2017 was \$786,646 and \$776,267 respectively, and recorded as follows:

	<u>2018</u>	<u>2017</u>
Total non-cash donated items	\$ 803,146	\$ 792,767
Less: donated materials	<u>786,646</u>	<u>776,267</u>
Donated use of office space	<u>\$ 16,500</u>	<u>\$ 16,500</u>

**JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - DONATED SERVICES AND MATERIALS (continued)

The use of office space, which the Organization uses on a month-to-month basis is recorded in management and general expenses in 2018 and 2017 as \$16,500 and \$16,500, respectively.

The Organization also receives donated services from unpaid volunteers who assist in fundraising and special projects. Donated services are recognized as contributions if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated services have not been recognized as contributions in the financial statements since the recognition criteria were not met.

NOTE 6 - SPECIAL GALA EVENT

The Organization hosts its largest annual Special Gala Event in June of each year. Presented below is itemized information from this event.

	2018	2017
Special Gala Event revenue	\$ 2,727,999	\$ 2,825,371
Expenses		
Facility costs	557,162	545,072
Other direct costs	95,119	119,371
Total expenses	652,281	664,443
Net revenue without donor restrictions from special gala event	\$ 2,075,718	\$ 2,160,928

NOTE 7 - TAX STATUS

The Organization is a not-for-profit organization and is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and has been classified as a “charitable organization”. Therefore, the Organization has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service (“IRS”) not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended September 30, 2018 and 2017.

The Organizations’ Form 990, “Return of Organization Exempt from Income Tax”, is subject to examination by the IRS generally for three years after they are filed.

JEWELERS FOR CHILDREN
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - RETIREMENT PLAN

The Organization has a 401(k) plan for its employees. Substantially all of the employees of the Organization are eligible to participate. Participation in the plan is voluntary. Eligible employees may contribute into employee directed investments up to amounts allowed under the Internal Revenue Code. The Organization provides participants of the plan with a mandatory matching contribution to meet safe harbor provisions.

Retirement plan expense for the years ended September 30, 2018 and 2017 was \$8,450 and \$8,975, respectively, and is included in management and general expenses.

NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions for potential recognition and/or disclosure in the financial statements through November 9, 2018, the date which the financial statements were available to be issued.



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**INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors of
Jewelers for Children

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, consisting of the functional expense schedules of program service expenses, fundraising expenses and management and general expenses on page 12 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

KMR LLP

New York, New York
November 19, 2018

**JEWELERS FOR CHILDREN
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

	2018	2017
Schedule I - Program service expenses		
Grants:		
St. Jude Children's Research Hospital	\$ 655,000	\$ 520,000
Make-A-Wish of America	505,000	575,000
Elizabeth Glaser Pediatric AIDS and Research Foundation	405,000	500,000
National CASA	355,000	450,000
Make-A-Wish International	75,000	100,000
Organization for Autism Research	50,000	-
Santa America	25,000	25,000
Save the Children	-	10,000
Local grants - See Note 4	-	50,000
Total program service expenses	\$ 2,070,000	\$ 2,230,000
 Schedule II - Management and general expenses:		
Salaries	\$ 286,525	\$ 317,477
Professional fees	38,358	40,728
Credit card and bank charges	26,864	24,644
Payroll taxes and fringe benefits	47,032	41,374
Office	35,014	21,456
Travel	18,088	18,322
Rent	16,500	16,500
Postage and shipping	19,573	17,680
Retirement plan expense	8,450	8,975
Telephone	4,764	4,645
Insurance	2,775	2,611
Depreciation and amortization	389	693
Total management and general expenses	\$ 504,332	\$ 515,105
 Schedule III - Fundraising expenses:		
Special programs	\$ 81,383	\$ 84,286
Advertising and marketing expense	11,092	14,391
Equipment rental	6,135	7,011
Total fundraising expenses	\$ 98,610	\$ 105,688

See independent auditor's report on supplemental information