

The Kids First Fund

FROM THE PRESIDENT

Hilton Hotels launched a “Be Hospitable” campaign during 2006 to encourage people to be more courteous and thoughtful through simple acts of kindness. Conrad Hilton, the founder of the Hilton Hotel chain, summarized this philosophy with a short sentence spoken to a gathering of hotel executives in 1954: *“It has been and continues to be our responsibility to fill the earth with the light and warmth of our hospitality.”*

I’d like to alter Conrad’s words a little bit to offer a manifesto for our organization: *“It has been and continues to be our responsibility as members of humanity to fill the earth with love and light for children. Love to nourish their souls. Light to bring justice against wrong.”*

Light is a wonderful thing and among the most powerful of metaphors. When it shines on our earth, it represents life itself through the growth of plants and the warmth of the sun. As humans, we seek light when we are lost. As people, we shine light into dark corners to expose evil.

The Kids First Fund is a light-seeking organization. Our mission of preventing child abuse intentionally shines a very bright light on a crime that society would prefer be kept quiet. This is a disruptive process that attempts to break a cycle of violence that can pass from generation to generation. But the Kids First Fund goes further by combining justice with the element of love; the result is among the most powerful of forces to bring about positive change. The design of the new family shelter in Latvia represents a tangible application of these forces.

Caution is warranted, as organizations sometimes fail under the weight of their own hubris. In this regard, light is an essential component of governance. The Kids First Fund has worked to increase the visibility of its finances as a method to encourage oversight and to ensure donor accountability. The organization was among the first to post its annual IRS tax filings at its Web site. This report represents the organization’s first-time inclusion of annual financial statements. These statements are “un-audited” and reflect the amounts reported to the IRS. I believe our financial operations are simple enough to permit an un-audited presentation.

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FROM PAGE 1

The language for the organization's first "Conflict of Interest" policy was drafted during 2006. This document will be ratified by the Board of Directors during 2007. It will proactively ensure that the directors and officers of The Kids First Fund act in the best interest of the organization, and will prevent the furtherance of personal interests or the interests of third parties. The policy will be posted at the organization's web site.

I wish to close my letter with a few paragraphs to review the 2006 activities of the Kids First Fund. 2006 was our sixth year and I am delighted to report the organization has achieved another year of fund growth and has a bank balance in excess of \$235,000. I must admit a level of frustration over the significant size of our bank balance. Unlike a traditional business, non-profit organizations are only truly effective when they "spend" money, not "save" it. Of course this assumes allocation of grants are wisely made and are within the mission of the organization. But this should all change during 2007 when the majority of the funds will be allocated to the family shelter project in Latvia.

The Kids First Fund received a vote of confidence when it was granted special consultative status with the Economic and Social Council of the United Nations. This was a multi-year application process in which the organization was required to demonstrate organizational stability and the desire to engage in a global dialogue on social issues. The relationship with the United Nations will also help the Kids First Fund become a more intelligent NGO (Non Governmental Organization). The coming years will likely see our organization expand its services into another country. The United Nations creates an excellent foundation to support the evaluation of program opportunities.

Light and love. These were guiding principals for the Kids First Fund during 2006. They apply equally well to this organization's future. The Kids First Fund only exists because of its many friends. The most important of these are you — our donors. I thank my Board of Directors for the many ways in which they work to support our mission. And, I thank you for the privilege of allowing me help fill the earth with love and light for children through the magic of the Kids First Fund.

For the kids,



Jay Sorensen

Volunteer and President

“Light and love. These were guiding principals for the Kids First Fund during 2006.”

JAY SORENSEN

Kids First Fund President
(Shorewood, Wisconsin, USA)

NUMBERS HELP TELL OUR STORY

The **2006 annual report** represents the first inclusion of annual financial statements for the Kids First Fund. The financial results for 2006 are very positive. Revenue from contributions increased by nearly \$10,000, or approximately 25%, from 2005 levels. Proceeds from the annual Online Travel Auction for Kids led all other forms of fundraising, with net proceeds of \$26,665.

The Kids First Fund continued its tradition of operating on a zero overhead budget and did not incur expenses related to salaries, fundraising fees, and travel expenses. Results for the 2006 Online Travel Auction for Kids are listed on the income statement as an amount that is net of the selling expenses normally associated with eBay. All items were 100 percent donated and 10.9 percent of the gross amount raised was deducted as a selling expense. Significant interest income was realized due to our large bank balance and by the placement of funds in a higher interest earning certificate of deposit.

Accounting policies for non-profit organizations require in-kind donations of materials be treated as contributions. Printed materials were donated during 2006 that described the mission of the Kids First Fund. These were distributed at public events, such as book readings; the amount is also shown as a distribution under the grant category.

Our bank balance at year end was a very healthy \$235,495. The Kids First Fund has consciously been building its bank balance in anticipation of a major grant event associated with the family shelter project in Latvia. This should occur during 2007 when a grant of \$200,000 will be requested for our portion of the construction costs for the family shelter in Latvia.

KIDS FIRST FUND, INC. 2006 INCOME STATEMENT

CONTRIBUTIONS

Cash donations	\$15,983.88
Interest from savings account	\$5,804.78
In-kind items*	\$778.48
Online Travel Auction for Kids**	\$26,665.06
Total Contributions	\$49,232.20

EXPENDITURES AND DISTRIBUTIONS

Grants made to support mission*	\$778.48
Salaries, compensation and benefits	\$0.00
Professional fees, and fundraising	\$0.00
Other expenses	\$0.00
Total Expenses and Distributions	\$778.48
Excess Funds (deposited to bank account)	\$48,453.72

Results are not audited, but reflect amounts reported to the IRS.

*Printed items were donated that described the mission of the Kids First Fund. These were distributed at various public events, such as book readings. This item appears under the grant category. All items were distributed during 2007.

**Net results from the annual online travel auction. All items are 100% donated. Selling expenses associated with eBay auctions were 10.9% of the gross amount raised.

KIDS FIRST FUND, INC. 2006 BALANCE SHEET

	JANUARY 1	DECEMBER 31
ASSETS		
Cash and investments	\$187,041.47	\$235,495.19
Other assets	\$0.00	\$0.00
Total Assets	\$187,041.47	\$235,495.19
LIABILITIES		
Accounts payable	\$0.00	\$0.00
Other liabilities	\$0.00	\$0.00
Total Liabilities	\$0.00	\$0.00
Net Assets & Fund Balance	\$187,041.47	\$235,495.19

Results are not audited, but reflect amounts reported to the IRS.



ONLINE TRAVEL AUCTION ENJOYS A GREAT THIRD YEAR

The Online Travel Auction for Kids has become a regular and important component of our annual fundraising activities. The 2006 event generated over 33,000 hits at the Kids First Fund eBay.com auction site. Net auction proceeds were in excess of \$26,600 with over 100 individual items sold during the April 2006 event.

The list of donors included the following top travel brands: Air Canada, Airbus North America, AirTran Airways, Alaska Airlines, ATA Airlines, Choice Hotels International, Condor Airlines, Delta Air Lines, Fosshotel of Iceland, Hilton HHonors Worldwide, InterContinental Hotels Group, JetBlue Airways, LAN Airlines, Midwest Airlines, Southwest Airlines, Sun Country Airlines, Swiss International Air Lines, Virgin Atlantic Airways.

Delta Air Lines and its SkyMiles frequent flier program were recently recognized with a first-ever **Kids First Auction Partner Award** because its auction items raised the highest amount generated by any single donor company for the 2006 auction. The coach tickets provided by Delta were valid to any worldwide destination and raised an amazing \$4,700 in proceeds for the Kids First Fund. The Kids First Fund is grateful for the generosity of Delta, and the support provided by its executives Joanne Smith and Jeff Robertson.



Media support from travel industry publications has grown during each year of the auction. Frequent flier program guru Randy Petersen and his exceptional staff at *Inside Flyer Magazine* and *WebFlyer.com* have become great supporters by donating travel items for the auction. Randy helps out in other ways too, by promoting the event to a worldwide readership of over 100,000 subscribers.

The Kids First Fund also benefits from the support of *Frommers.com* and the *Travel Daily News* Web site. The articles posted by David Lytle and Jason Sheftell at *Frommers.com* have created tremendous exposure for the auction among travel-savvy consumers. Michael Verikios at *Travel Daily News* has generated an annual buzz for the event among travel-industry professionals.

As of the writing of this report, the 2007 auction has closed and has matched the success of the 2006 event. You are invited to bid at the 5th annual International Online Travel Auction for Kids at www.KidsFirstAuction.com which has a tentative start date of March 18, 2008.



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FAMILY SHELTER MOVES FORWARD WITH CONSTRUCTION

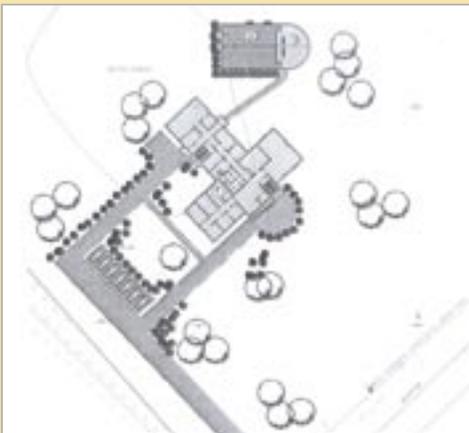
The Kids First Fund has committed to a partnership with the Latvian Children's Fund and the Dardedze Center Against Abuse to establish a residential shelter for abused children and their mothers in the Latgale region of Latvia in the town of Rugaji.

As part of its commitment, the Kids First Fund will provide up to US\$200,000 for the development of the new shelter. Total construction costs of the new building will be \$1.2 million with the remaining funds contributed by the Latvian Children's Fund and the German Christian Children's Fund.

The two-story structure will accommodate a minimum of 30 mothers and children in 14 private bedrooms. The ground floor will include administrative offices, therapy rooms, and an inside playroom/gymnasium. The ground floor will also feature a conference room that can be used as a children's activity room and a place for older children to do homework. Living quarters for mothers and their children will be on the second floor (or the first floor in European terms). This floor will feature more than one family lounge area, a dining room, bathrooms, and accommodations for nighttime shelter supervisors.

Rugaji, in the Balvi district, is the host municipality for the family shelter. The village has provided a considerable piece of land for the building, which will also accommodate an outside play area, basketball court, parking lot, and excellent grounds for self-sustaining vegetable gardens. The building will be heated by a wood-fired furnace using the plentiful wood supply of the region. The family shelter is within walking distance of local schools, shops and a church.

Board members Jay Sorensen, Irma Kalnina, and Rogers Grigulis, and Veronika Lemesevska from the Latvian Children's Fund, traveled to Rugaji during September 2006. The group enjoyed the hospitality of Rugaji and met with Rita Kremere, chairperson of the local government. The representatives of the Kids First Fund were impressed by the level of support to be provided by the local government and the Balvi region. Integration of children into the local school district has already been approved. The school's principal proudly offered a tour of the new indoor gymnasium and basketball court. The family shelter will also benefit from a partnership that is planned with a regional university for social workers. Construction of the family shelter is planned to begin during Spring 2007 and should conclude within 12 months.



Early architectural drawings of the planned exterior of the building and the site layout.



(l to r) Rogers Grigulis, Jay Sorensen, Irma Kalnina, Rita Kremere at a ceremonial groundbreaking at the family shelter site.

“Sergei never lost sight of how blessed he was and devoted as much time as he could to improving the lives of those less fortunate.”

STEPHEN HUBBARD

Writer
(Minnesota, USA)

IN MEMORY OF HONORARY BOARD MEMBER SERGEI ZHOLTOK

Kids First Fund donor and friend Stephen Hubbard submitted this piece to honor Sergei on the second anniversary of his tragic death.

Sergei Zholtok was many things over the course of his all-too-brief life. Husband. Father. Hockey player. Friend. Perhaps most important of all, he was a fighter. Not in the pugilistic sense, but of spirit. Born under the yoke of Soviet control, he fought to avoid the pitfalls that so many children fall into. His parents divorced and he was raised by his grandparents. Hockey was a luxury to many in a country with only two ice arenas, but he was determined to make it any way he could.

At the age of 19 he came to the United States to play for the Boston Bruins. Language would be a stumbling block as he languished in the minor leagues and he vowed to master English as best he could. Told he would have to excel in order to get back to the NHL, he did just that. He would play for six NHL franchises but Sergei was, first and foremost, a Latvian.

After scoring an important game tying goal in the NHL, Sergei was devastated as he watched his nation fall to Germany in Olympic play. Had the team pulled out a victory he would have been able to join them the next day when the NHL broke for the Olympic Games. Unless he was involved in NHL games, he never passed on an opportunity to play for Latvia. Such a love did he bear for his country that he returned in the off-season with his family, wanting his sons, Edgar and Nikita, to know it and love it as he did.

At home in the US, he would keep track of Latvian hockey on the Internet and would frequently school his teammates on the history of the game in the Baltic nation of 2.3 million people. Within his home, he and his family spoke mostly in Russian so that his sons could be comfortable in either environment.

In fighting to succeed for himself, Sergei never lost sight of how blessed he was and devoted as much as he could to improving the lives of those less fortunate. The children of Latvia had a guardian angel in Sergei Zholtok, one they so desperately needed and lost far too soon. Though he was not a superstar on the ice he was, as a human being, a true champion.

Stephen Hubbard is a writer, bookseller, husband, father, and fan of the sport of hockey in Minnesota and around the world.



“I remain passionate about the mission of the Fund.”

PAULS TOUTONGHI

Author
(Brooklyn, New York, USA)

WRITER PAULS TOUTONGHI AND HIS AMAZING YEAR

Pauls Toutonghi, a first generation Latvian American, writes about his 2006 book tour and relationship with the Kids First Fund.

2006 was an amazing year for me. It brought the publication of my first novel, *Red Weather* — a book about a young, Latvian-American teenager growing up in Milwaukee, Wisconsin. With *Red Weather's* publication by Random House, I was afforded the opportunity to give some publicity to the Kids First Fund.

Together with Kids First, I organized readings in both Wisconsin and New York City (where I live). Board member Sharon Polk donated commemorative bookmarks that I was able to give away with each copy I sold at my readings.

The Fund arranged for Ambassador Solveiga Silkalna (Latvia's representative to the United Nations) to introduce me at my June 12th reading in the Chelsea Barnes & Noble (see photo at right), in New York City. Truly a memorable experience.

Once again, I was amazed by the kindness and generosity of everyone involved with the Fund. Though *Red Weather* has yet to reach the break-even point, the paperback has just been released. And five percent of any royalties I receive will be given to the Fund. I am also going to make a donation to the Fund in thanks for their hospitality in the Midwest — and have encouraged many people to do so, as well.

I remain passionate about the mission of the Fund, and hope that you will continue to support them as they approach a real and substantial tipping point in their work on behalf of Latvia's abused and neglected children.

Together, hopefully, we can actually bring substantive change to children's lives.

Pauls Toutonghi has firmly established himself in the literary community with short fiction prizes that include the Pushcart Prize, the first annual Zoetrope Short Fiction prize, the One Story magazine short story prize, and the Boston Review's short story prize. His stories have appeared in literary journals from coast to coast. The author resides in Brooklyn, New York. Learn more at PaulsToutonghi.com



This designation will open the door for the Kids First Fund to help contribute to the creation of policy in issues related to children's rights worldwide.

THE KIDS FIRST FUND GRANTED SPECIAL UNITED NATIONS STATUS

The Kids First Fund was granted special consultative status with the Economic and Social Council of the United Nations during 2006. The announcement was made by Hanifa Mezoui, chief of the Non-Governmental Organizations Section, Department of Economic and Social Affairs of the United Nations.

This status allows Kids First Fund to designate official representatives to the United Nations Headquarters in New York, and to U.N. offices in Geneva and Vienna. Board members John DeGregorio, Rogers Grigulis, Irma Kalnina and Jay Sorensen were designated as Kids First Fund representatives.

This designation will open the door for the Kids First Fund to help contribute to the creation of policy on issues related to children's rights worldwide. The United Nations may engage the Kids First Fund in supporting the action plans and declarations adopted by the United Nations.

The Kids First Fund, as an organization under the special category of consultative status, may circulate position statements at Economic and Social Council meetings. Organizations granted status also may attend General Assembly special sessions and international conferences called by the United Nations.

Non-Governmental Organizations (NGOs), such as the Kids First Fund, are an invaluable resource for various entities of the United Nations. NGOs provide expert analysis in the field, serve as early warning agents, and help monitor and implement international agreements. NGOs also help raise public awareness of issues, play a major role in advancing U.N. goals and objectives, and contribute essential information at U.N.-sponsored events. Since the United Nations and NGOs share many interests, opportunities exist for them to work together in several ways.

Currently there are 2,719 NGOs worldwide in consultative status with the Economic and Social Council (ECOSOC).





ABOUT THE KIDS FIRST FUND

The Kids First Fund helps abused and abandoned children. We protect children from abuse. We empower young adults with a positive future. We strengthen families. We build awareness of child abuse. We operate in countries where resources are very limited. Current projects provide support for children in the democratic republic of Latvia located on the Baltic Sea. The Kids First Fund supports programs to educate child welfare professionals such as police officers, judges, social workers and prosecutors on child abuse issues. Direct assistance is also provided to centers providing care for abused children. The Kids First Fund is a very efficient non-profit organization and does not incur any expenses since all staffing and services are donated. The organization has been granted special consultative status with the Economic and Social Council of the United Nations.

Learn more and donate online at:

KidsFirstFund.org

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