

KIDS AROUND THE WORLD, INC.
Rockford, Illinois

Financial Statements
and
Independent Auditor's Report

December 31, 2021 and 2020

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS-	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	10



SIEPERT & CO., LLP
Certified Public Accountants
www.siepert.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kids Around the World, Inc.
Rockford, Illinois

Opinion

We have audited the accompanying financial statements of Kids Around the World, Inc. (Organization) (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2021 and 2020, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

BELOIT

1920 W. Hart Road
Beloit, WI 53511

p 608.365.2266
f 608.364.8727

SYCAMORE

2380 Bethany Road
Sycamore, IL 60178

p 815.787.7657
f 815.787.6797

ROSCOE

4278 E. Rockton Road
Roscoe, IL 61073

p 815.623.8818
f 815.623.9361

Board of Directors
Kids Around the World, Inc.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Kids Around the World, Inc.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

SIEPERT & CO., LLP.

Siepert & Co., LLP

Beloit, Wisconsin
April 1, 2022

KIDS AROUND THE WORLD, INC.
Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 536,345	\$ 683,517
Restricted cash	35,000	42,182
Investments	911,333	-
Contributions receivable	100,539	42,521
Bequest receivable	61,000	-
Pledges receivable	50,000	50,000
Inventories	1,513,753	1,424,754
Prepaid expenses	25,552	25,769
Total current assets	<u>3,233,522</u>	<u>2,268,743</u>
Other Assets:		
Property and equipment, net	591,725	597,787
Pledges receivable, net	-	24,325
Restricted cash	<u>50,000</u>	<u>85,000</u>
Total Assets	<u><u>\$ 3,875,247</u></u>	<u><u>\$ 2,975,855</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 30,499	\$ 38,894
Accrued payroll	9,313	9,313
Note payable, current portion	28,955	33,720
Lease payable, current portion	884	1,209
Total current liabilities	<u>69,651</u>	<u>83,136</u>
Long-Term Liabilities:		
Note payable	382,786	415,720
Lease payable	7,588	-
Total long-term liabilities	<u>390,374</u>	<u>415,720</u>
Total liabilities	<u>460,025</u>	<u>498,856</u>
Net Assets:		
Without donor restrictions-		
Undesignated	2,405,219	2,300,442
Board designated	900,003	-
Total without donor restrictions	<u>3,305,222</u>	<u>2,300,442</u>
With donor restrictions	110,000	176,557
Total net assets	<u>3,415,222</u>	<u>2,476,999</u>
Total Liabilities and Net Assets	<u><u>\$ 3,875,247</u></u>	<u><u>\$ 2,975,855</u></u>

The accompanying notes are an integral part of these statements.

KIDS AROUND THE WORLD, INC.
Statements of Activities
For the Years Ended December 31, 2021 and 2020

	2021	2020
Change in Net Assets Without Donor Restrictions:		
Revenue and support-		
Contributions	\$ 2,132,645	\$ 1,544,419
In-kind contributions	1,006,570	578,647
Program revenue and support-		
Playground	214,783	365,297
Food	2,308,892	1,374,201
KIDStory	114,343	62,931
Shipping management services	178,608	91,466
Interest	2,071	285
Investment return, net	321	(670)
Loss on disposal of assets	(689)	(6,835)
Net assets released from purpose restrictions	102,182	46,000
Total revenue and support without donor restrictions	<u>6,059,726</u>	<u>4,055,741</u>
Expenses-		
Program activities	4,539,910	3,413,157
Supporting services-		
Management and general	259,664	280,541
Fundraising	254,747	215,308
Total expenses	<u>5,054,321</u>	<u>3,909,006</u>
Change in net assets without donor restrictions	<u>1,005,405</u>	<u>146,735</u>
Change in Net Assets With Donor Restrictions:		
Contributions	35,000	127,182
Net assets released from purpose restrictions	<u>(102,182)</u>	<u>(46,000)</u>
Change in net assets with donor restrictions	<u>(67,182)</u>	<u>81,182</u>
Change in Net Assets	938,223	227,917
Net Assets, Beginning of Year	<u>2,476,999</u>	<u>2,249,082</u>
Net Assets, End of Year	<u><u>\$ 3,415,222</u></u>	<u><u>\$ 2,476,999</u></u>

KIDS AROUND THE WORLD, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 3,067,419	\$ -	\$ -	\$ 3,067,419
Officer compensation	94,917	6,021	37,661	138,599
Other salaries and wages	726,259	71,351	117,942	915,552
Other employee benefits	298,394	33,220	64,084	395,698
Payroll taxes	45,083	4,248	8,543	57,874
Professional fees	-	55,045	-	55,045
Supplies	4,216	8,559	-	12,775
Telephone	14,415	4,119	2,059	20,593
Rent	92,586	3,778	1,889	98,253
Utilities	9,740	2,997	2,247	14,984
Printing and postage	934	-	104	1,038
Travel	116,813	1,192	1,192	119,197
Depreciation	11,897	11,897	5,949	29,743
Insurance	25,551	25,551	-	51,102
Fundraising	-	-	13,077	13,077
Miscellaneous	31,686	31,686	-	63,372
Total Expenses	<u>\$ 4,539,910</u>	<u>\$ 259,664</u>	<u>\$ 254,747</u>	<u>\$ 5,054,321</u>

KIDS AROUND THE WORLD, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 2,187,873	\$ -	\$ -	\$ 2,187,873
Officer compensation	91,950	17,060	36,337	145,347
Other salaries and wages	635,541	77,587	107,387	820,515
Other employee benefits	261,949	25,978	42,700	330,627
Payroll taxes	46,516	8,149	9,178	63,843
Professional fees	-	52,038	-	52,038
Supplies	4,642	9,425	-	14,067
Telephone	15,861	4,532	2,265	22,658
Rent	38,798	27,375	-	66,173
Utilities	12,472	3,837	2,878	19,187
Printing and postage	2,260	-	251	2,511
Travel	61,360	626	626	62,612
Depreciation	7,882	7,882	3,942	19,706
Insurance	24,773	24,772	-	49,545
Fundraising	-	-	9,744	9,744
Miscellaneous	21,280	21,280	-	42,560
Total Expenses	<u>\$ 3,413,157</u>	<u>\$ 280,541</u>	<u>\$ 215,308</u>	<u>\$ 3,909,006</u>

KIDS AROUND THE WORLD, INC.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 938,223	\$ 227,917
Adjustments to reconcile change in net assets to net cash from operating activities-		
Depreciation	29,743	19,706
Net unrealized (gain) loss on investments	(318)	527
Loss on disposal of assets	689	6,835
Donated securities	(13,546)	(18,142)
Proceeds from donated securities	2,534	18,142
Change in assets and liabilities-		
Contributions receivable	(58,018)	(15,294)
Pledges receivable	24,325	(1,325)
Bequest receivable	(61,000)	-
Inventories	(88,999)	373,850
Prepaid expenses	217	(76)
Accounts payable	(8,395)	13,070
Net cash from operating activities	<u>765,455</u>	<u>625,210</u>
Cash Flows From Investing Activities:		
Purchases of investments	(900,003)	(619)
Proceeds from sale of investments	-	50,959
Purchase of property and equipment	(25,620)	(559,159)
Proceeds from the sale of property and equipment	1,250	-
Net cash from investing activities	<u>(924,373)</u>	<u>(508,819)</u>
Cash Flows From Financing Activities:		
Proceeds from note payable	-	448,750
Payments on note payable	(37,699)	(19,052)
Proceeds from capital leases	8,757	-
Payments on capital leases	(1,494)	(1,656)
Net cash from financing activities	<u>(30,436)</u>	<u>428,042</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	(189,354)	544,433
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>810,699</u>	<u>266,266</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 621,345</u>	<u>\$ 810,699</u>

The accompanying notes are an integral part of these statements.

KIDS AROUND THE WORLD, INC.
Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	2021	2020
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	\$ 16,345	\$ 6,410
Non-cash transactions-		
Donated securities	\$ 13,546	\$ 18,142
PPP loan forgiveness	315,103	262,638
Total non-cash transactions	\$ 328,649	\$ 280,780
Reconciliation of Cash, Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 536,345	\$ 683,517
Cash restricted for time	50,000	85,000
Cash restricted for purpose	35,000	42,182
Total Cash, Cash Equivalents and Restricted Cash	\$ 621,345	\$ 810,699

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Kids Around the World, Inc. (Organization) is a nonprofit corporation organized in February 1995, under the laws of the State of Illinois for the purpose of building playgrounds for, and giving other humanitarian aid to, children around the world and providing training and resources for those who work with children. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(2) and 170(b)(1)(A)(vi) of the Internal Revenue Code and qualifies donors for the charitable contributions deduction.

Basis of Accounting

The Organization maintains its records and prepares its financial statements on the accrual basis of accounting.

Classification of Net Assets

Net assets and revenues, support, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Some net assets with donor restrictions include a stipulation the assets be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Restricted Cash

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Throughout the year the Organization's bank depository account balances exceeded federal depository insurance limits. At December 31, 2021 the amount of deposits in excess of federal depository insurance was \$170,975.

Investments

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Realized and unrealized gains and losses are reflected within investment return, net.

Inventories

Inventories consist of new and used playgrounds and related equipment, supplies purchased for future projects, and food for children's programs. Donated playgrounds are recorded at estimated fair value at the date of donation. Inventories are carried at the lower of cost, estimated fair value, or market.

Promises to Give

Contributions are recognized when a donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Conditional promises to give are not recognized until all conditions have been met.

Property and Equipment

Property and equipment is recorded at cost, or if donated, at estimated fair value at the date of the donation. Such donations are reported as support without 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 property and equipment are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. The Organization follows the practice of capitalizing property and equipment with a cost, or fair value if donated, of \$500 or more. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	7-40 years
Equipment	3-10 years
Vehicle	5 years

Contributed Services and Non-Cash Gifts

The Organization recognizes the value of donated services in the financial statements when the services create or enhance a non-financial asset or are considered specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Many individuals, including administrative personnel, have made significant contributions of their time and services to advance the Organization's program and objectives. The value of these services has not been recorded. They do not meet the definition for recognition under generally accepted accounting principles.

In-kind contributions recorded by the Organization at December 31 consist of the following:

	<u>2021</u>	<u>2020</u>
Payroll services	\$ 4,678	\$ 5,802
Playgrounds	440,392	393,564
Vitamins	511,500	130,350
Storage	46,000	36,481
Other	<u>4,000</u>	<u>12,450</u>
	<u>\$ 1,006,570</u>	<u>\$ 578,647</u>

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function have been allocated between program services and supporting services based on the Organization's analysis of personnel time and management's actual and estimated allocation of expense.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses (Continued)

General and administrative expenses include those expenses not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Foreign Operations

The Organization conducts activities in foreign countries which includes the installation of playgrounds. Global political issues and the travel environment could have a negative impact on these activities.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B REVENUE RECOGNITION

In accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, the Organization recognizes revenue when the control of the promised goods and services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those goods or services. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied.

ASU 2014-09 also requires new and expanded disclosures regarding revenue recognition to ensure an understanding as to the nature, amount, timing and uncertainty of revenue and cash flow arising from contracts with customers. The Organization recognizes contracts with customers as goods or services are transferred or provided in accordance with ASU 2014-09.

The Organization has multiple sources that are accounted for as an exchange transaction, which includes a shipping management agreement and shipping services.

1. The Organization entered into an agreement with another organization to provide shipping management services. The arrangement calls for quarterly management fees to be paid in advance. Revenue is recognized monthly.
2. The agreement also calls for the Organization to provide shipping services. Shipping revenue is recognized at the time shipping is provided.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE B REVENUE RECOGNITION (Continued)

Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract accounts receivable. Amounts are billed in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets represent the right to consideration based on satisfied performance obligations from contracts with customers. Contract liabilities represent payments received from customers prior to the satisfaction of the corresponding performance obligations. Contract liabilities are recognized as revenue once the corresponding performance obligations are satisfied based on the contract with the customer. The Organization had no contract accounts receivable, contract assets, or contract liabilities as of December 31, 2021 and 2020.

Performance Obligations

The Organization had no material unsatisfied performance obligations as of December 31, 2021 and 2020.

NOTE C LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs. Financial assets in excess of daily cash requirements are invested in money market funds, and other short-term investments. The Organization receives support without donor restrictions and such support has historically funded annual programs and supporting service needs, together with investment income without donor restrictions. The Organization projects revenue through fundraising and special events, and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all administrative and general expenses, fundraising expenses and commitments expected to be paid in the subsequent year to be general expenditures.

As of December 31, the following tables show the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures:

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE C LIQUIDITY AND AVAILABILITY (Continued)

	<u>2021</u>	<u>2020</u>
Financial assets at year-end-		
Cash and cash equivalents	\$ 621,345	\$ 810,699
Investments	911,333	-
Contributions receivable	100,539	42,521
Bequest receivable	61,000	-
Pledges receivable, net	50,000	74,325
Financial assets subject to donor restrictions	<u>(110,000)</u>	<u>(176,557)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,634,217</u>	<u>\$ 750,988</u>

NOTE D INVESTMENTS

At December 31, 2020, the Organization had no investments. Investments at December 31, 2021 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</u>
Money market funds	\$ 900,003	\$ 900,003	\$ -
Stocks	<u>10,893</u>	<u>11,330</u>	<u>437</u>
	<u>\$ 910,896</u>	<u>\$ 911,333</u>	<u>\$ 437</u>

Investments in securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible changes in the value of investment securities will occur in the near term and such changes could be material in amount.

Investment earnings, net during 2021 and 2020 are comprised of the following:

	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 3	\$ 619
Realized and unrealized gain (loss)	318	(527)
Fees	<u>-</u>	<u>(762)</u>
	<u>\$ 321</u>	<u>\$ (670)</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE E BEQUEST

In 2021, the Organization was informed they were named as a beneficiary of a trust. The Organization's portion was approximately \$541,000, which is included in contributions in the Statements of Activities. During 2021, the Organization received \$480,000 from this trust. The remaining balance of \$61,000 is recorded as a bequest receivable in the Statements of Financial Position.

NOTE F PLEDGES RECEIVABLE

During 2019, the Organization received a pledge from a donor for capital campaign purposes as well as for operations. Pledges receivable at December 31, 2020 were discounted to reflect the time value of money. The Organization used an interest rate of 2.75% to calculate the present value discount of contributions to be received in periods beyond one year.

The amounts of the pledges are:

	<u>2021</u>	<u>2020</u>
Current:		
Future contributions	\$ 50,000	\$ 50,000
Total current	<u>50,000</u>	<u>50,000</u>
Long-Term:		
Future contributions	-	25,000
Present value discount	-	(675)
Total long-term	<u>-</u>	<u>24,325</u>
Total	<u>\$ 50,000</u>	<u>\$ 74,325</u>

NOTE G INVENTORIES

At December 31, inventories consist of the following:

	<u>2021</u>	<u>2020</u>
Playgrounds	\$ 1,310,000	\$ 1,237,500
Food	<u>203,753</u>	<u>187,254</u>
	<u>\$ 1,513,753</u>	<u>\$ 1,424,754</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE H **PROPERTY AND EQUIPMENT**

At December 31, property and equipment consists of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 147,195	\$ 147,195
Building	387,748	387,748
Vehicles	60,709	60,709
Equipment	<u>95,300</u>	<u>84,790</u>
	690,952	680,442
Accumulated depreciation	<u>(99,227)</u>	<u>(82,655)</u>
	<u>\$ 591,725</u>	<u>\$ 597,787</u>

The total amount of assets capitalized under a capital lease arrangement as of December 31, 2021 and 2020 was \$8,757 and \$7,420, respectively, which is included in furniture, fixtures and equipment. As of December 31, 2021 and 2020, accumulated depreciation on these assets was \$876 and \$5,696, respectively. Depreciation expense related to this lease arrangement was \$876 and \$690, respectively.

The Organization recorded depreciation expense of \$29,743 and \$19,706 during 2021 and 2020, respectively.

NOTE I **LEASE COMMITMENTS**

As of December 31, 2021, the Organization has three separate leases for facilities, one of which is non-cancelable.

The Organization entered into a non-cancelable lease for offices that commenced on April 1, 2012 and expired March 31, 2014. On April 1, 2014 the lease was extended to March 31, 2016, later extended to March 31, 2018 and again extended to March 31, 2022. The monthly rent payment was \$3,681 through March, 2021. Effective April, 2021, the monthly rent payment is \$3,829.

The Organization entered into a non-cancelable lease for warehouse space that commenced on September 26, 2018 and expired September 25, 2019. The lease continued on a month to month basis until December 31, 2020. The rent was \$600 per month.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE I LEASE COMMITMENTS (Continued)

The Organization entered into a lease agreement for warehouse space that commenced on September 15, 2019 and expired on December 31, 2020. The lease includes an option to extend the lease for two additional years and a second extension of eleven months. The Organization renewed the lease for the additional two year term. The Organization and the lessee have the right to terminate the lease with a 90 day notice. During 2020, rent was \$1,312 per month. Effective January 1, 2021, the monthly rent payment is \$1,375.

Total minimum lease commitments under non-cancelable leases, excluding common area maintenance, as of December 31, 2021, are as follows:

2022	\$ 63,501
2023	<u>27,651</u>
	<u>\$ 91,152</u>

Total rent and common area maintenance charged to expense was \$111,304 and \$147,310 during 2021 and 2020, respectively.

NOTE J CAPITAL LEASE

In 2021, the Organization leased two copiers. The terms of the lease provide for monthly payments of \$316 through July 2026 with a purchase option of fair market value at termination. The monthly payment covers basic maintenance of the copier which is excluded from the capital lease portion below. The Organization has recorded this as a capital lease. Total interest paid was \$1,296 and \$0 in 2021 and 2020, respectively, which is recorded in miscellaneous expense in the Statements of Functional Expenses. Future minimum payments under the lease are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 884	\$ 2,912	\$ 3,796
2023	1,260	2,536	3,796
2024	1,796	2,000	3,796
2025	2,561	1,235	3,796
2026	<u>1,971</u>	<u>243</u>	<u>2,214</u>
	<u>\$ 8,472</u>	<u>\$ 8,926</u>	<u>\$ 17,398</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE K LONG TERM DEBT

Long term debt at December 31 consists of the follows:

	<u>2021</u>	<u>2020</u>
Note payable in monthly installments of \$1,767 with interest at 3.56 % and maturing August 20, 2045. The note is collateralized by real estate. The bank also has the right of set-off against any cash balances maintained at the institution.	\$ 337,049	\$ 345,982
Note payable in monthly installments of \$1,797 with interest at 3.00% and maturing August 1, 2025.	74,692	93,703
Note payable in monthly installments of \$510 with interest at 6.84 % and maturing July 6, 2022. The note is collateralized by a truck. This note was paid off early on October 25, 2021.	<u>-</u>	<u>9,755</u>
	411,741	449,440
Less current portion	<u>(28,955)</u>	<u>(33,720)</u>
Total long term debt	<u>\$ 382,786</u>	<u>\$ 415,720</u>

Maturities of long term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 28,955	\$ 13,810	\$ 42,765
2023	29,890	12,875	42,765
2024	30,855	11,910	42,765
2025	24,537	10,942	35,479
2026	10,797	10,406	21,203
Thereafter	<u>286,707</u>	<u>104,386</u>	<u>391,093</u>
	<u>382,786</u>	<u>150,519</u>	<u>533,305</u>
	<u>\$ 411,741</u>	<u>\$ 164,329</u>	<u>\$ 576,070</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE L PROFIT SHARING PLAN

Effective February 1, 2013, the Organization established a 401(k) profit sharing plan that covers substantially all full time employees who have attained age 21 and three consecutive months of service. The plan provides for matching contributions by the Organization equal to a discretionary percentage, to be determined by the Organization, of the employees' elective deferrals. The employees' elective deferrals are 100% vested at all times. The Organization's matching contributions vest over 6 years, except they are 100% vested if the employee is over the Normal Retirement Age or dies or becomes disabled. Matching contributions charged to expense were \$23,418 and \$17,296 for the years ended December 31, 2021 and 2020, respectively. Plan administration fees charged to expense were \$2,578 and \$2,484 for the years ended December 31, 2021 and 2020, respectively.

NOTE M INCOME TAXES

The Organization is a nonprofit organization exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) as other than a private foundation. As a result, there is no provision for income taxes in the financial statements.

Management has evaluated for and determined there are no uncertain tax positions as of December 31, 2021. The Organization is subject to informational reporting requirements in the United States federal jurisdiction and the States of Illinois, Oregon, and California. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Organization's informational returns for the three prior years are open, by statute, for review by authorities. At December 31, 2021, there are no ongoing income tax audits or unresolved disputes with the various tax authorities the Organization currently files, or has filed, with.

NOTE N PAYCHECK PROTECTION PROGRAM LOAN

In January 2021, the Organization received a loan in the amount of \$315,103 through their bank to cover eligible costs during the 24-week period. The loan was obtained through the Paycheck Protection Program (PPP) and is guaranteed by the United States Small Business Administration. Subject to certain guidelines, some or all of the loan was eligible to be forgiven. The Organization met the guidelines and the loan was forgiven on June 14, 2021. It is included in contributions in the Statement of Activities.

NOTE O BOARD DESIGNATED NET ASSETS

The Board has imposed designations on the use of net assets without donor restriction at December 31, 2021. The Board has designated an amount of \$900,003 for future projects. There were no designated amounts at December 31, 2020.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE P NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Restricted for time		
Future travel	\$ 50,000	\$ 85,000
Future periods	<u>25,000</u>	<u>49,375</u>
Total restricted for time	<u>75,000</u>	<u>134,375</u>
 Restricted for purpose		
Welding career development	<u>35,000</u>	<u>42,182</u>
 Total net assets with donor restrictions	<u>\$ 110,000</u>	<u>\$ 176,557</u>

NOTE Q FAIR VALUE MEASUREMENTS

The Accounting Standards Codification for fair value measurements established a framework for measuring fair value. The framework provides a hierarchy for ranking the quality and reliability of the information used to determine fair values, with level 1 being given the highest priority and level 3 the lowest priority. The three levels of the fair value hierarchy are described as follows:

- Level 1 - Quoted market prices in active markets for identical assets and liabilities.
- Level 2 - Observable market based inputs or observable inputs that are corroborated by market data.
- Level 3 - Unobservable inputs that are not corroborated by market data.

At December 31, 2021, investments of \$11,330 including money market funds of \$900,003 valued at cost and stocks of \$11,330 valued at fair market of the shares held by the Organization. Both money market funds and stocks were valued based on Level 1 inputs.

NOTE R NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) has issued a new pronouncement that will affect the accounting for nonprofit organizations. It is:

- ASU 2016-02 *Leases*. This will amend the treatment of operating leases by lessees by requiring them to be recorded on the Statement of Financial Position as an asset and a liability. It will be effective for the Organization's year ending December 31, 2022.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE R NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Management is in the process of reviewing its records to ensure the Organization is prepared to implement the new standard as required. No determination has been made as to the effect of these on the Organization's financial statements.

NOTE S CORONAVIRUS

In January 2020, the World Health Organization declared the novel coronavirus outbreak originating in Wuhan, China to be a public health emergency. This coronavirus spread to other countries, including the United States, and efforts to contain the spread of this coronavirus intensified. The outbreak and the preventative or protective actions that governments and the Organization took in respect of this coronavirus resulted in a period of business disruption and reduced operations. Any future resulting financial impact cannot be reasonably estimated at this time but may materially affect the Organization's financial condition and results of operations. The extent to which the coronavirus impacts the Organization's future results will depend on further developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others.

NOTE T SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 1, 2022, which was the date these financial statements were available for issuance, and determined that there were no significant non-recognized events through that date.