

**KIDS AROUND THE WORLD, INC.**  
**Rockford, Illinois**

**Financial Statements**  
**and**  
**Independent Auditor's Report**

December 31, 2023 and 2022

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Certified Public Accountants

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## 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, 2023 and 2022, 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, 2023 and 2022, 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.

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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 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  
May 2, 2024

**KIDS AROUND THE WORLD, INC.**  
**Statements of Financial Position**  
December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 843,929	\$ 783,646
Restricted cash	22,176	19,288
Investments	1,021,115	913,974
Contributions receivable	353,894	76,107
Bequest receivable	4,292	4,292
ERC receivable	-	116,564
Inventories	1,504,276	1,512,377
Prepaid expenses	29,368	18,800
Total current assets	<u>3,779,050</u>	<u>3,445,048</u>
<b>Other Assets:</b>		
Property and equipment, net	575,244	602,840
Operating lease right-of-use assets	190,180	267,968
Restricted cash	<u>-</u>	<u>24,618</u>
Total Assets	<u><u>\$ 4,544,474</u></u>	<u><u>\$ 4,340,474</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 9,558	\$ 24,281
Accrued payroll	21,547	21,547
Deposits payable	2,479	-
Lease liabilities, current portion	81,529	77,788
Notes payable, current portion	30,855	29,889
Lease payable, current portion	1,796	1,260
Total current liabilities	<u>147,764</u>	<u>154,765</u>
<b>Long-Term Liabilities:</b>		
Long-term lease liabilities	108,651	190,180
Notes payable	322,337	353,040
Lease payable	4,532	6,328
Total long-term liabilities	<u>435,520</u>	<u>549,548</u>
Total liabilities	<u>583,284</u>	<u>704,313</u>

The accompanying notes are an integral part of these statements.

**KIDS AROUND THE WORLD, INC.**  
**Statements of Financial Position**  
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b>Net Assets:</b>		
Without donor restrictions-		
Undesignated	2,917,899	2,678,281
Board designated	1,021,115	913,974
Total without donor restrictions	<u>3,939,014</u>	<u>3,592,255</u>
With donor restrictions	22,176	43,906
Total net assets	<u>3,961,190</u>	<u>3,636,161</u>
 Total Liabilities and Net Assets	 <u><u>\$ 4,544,474</u></u>	 <u><u>\$ 4,340,474</u></u>

**KIDS AROUND THE WORLD, INC.**  
**Statements of Activities**  
For the Years Ended December 31, 2023 and 2022

	2023	2022
<b>Change in Net Assets Without Donor Restrictions:</b>		
Revenue and support-		
Contributions	\$ 1,532,258	\$ 1,315,593
In-kind contributions	810,312	1,268,706
Program revenue and support-		
Playground	1,238,932	715,472
Food	3,906,690	3,544,899
KIDStory	146,843	151,442
Shipping management services	57,543	182,427
Interest	2,258	1,475
Investment return, net	49,433	13,606
Loss on disposal of assets	(141)	(398)
Net assets released from purpose restrictions	43,906	110,000
Total revenue and support without donor restrictions	<u>7,788,034</u>	<u>7,303,222</u>
Expenses-		
Program activities	6,735,160	6,383,215
Supporting services-		
Management and general	324,981	273,609
Fundraising	381,134	359,365
Total expenses	<u>7,441,275</u>	<u>7,016,189</u>
Change in net assets without donor restrictions	<u>346,759</u>	<u>287,033</u>
<b>Change in Net Assets With Donor Restrictions:</b>		
Contributions	22,176	43,906
Net assets released from purpose restrictions	<u>(43,906)</u>	<u>(110,000)</u>
Change in net assets with donor restrictions	<u>(21,730)</u>	<u>(66,094)</u>
Change in Net Assets	325,029	220,939
Net Assets, Beginning of Year	<u>3,636,161</u>	<u>3,415,222</u>
Net Assets, End of Year	<u><u>\$ 3,961,190</u></u>	<u><u>\$ 3,636,161</u></u>

The accompanying notes are an integral part of these statements.

**KIDS AROUND THE WORLD, INC.**  
**Statement of Functional Expenses**  
For the Year Ended December 31, 2023

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 4,495,891	\$ -	\$ -	\$ 4,495,891
Officer compensation	143,019	10,139	36,671	189,829
Other salaries and wages	1,246,216	86,322	240,834	1,573,372
Other employee benefits	329,932	24,878	55,594	410,404
Payroll taxes	91,203	6,270	18,218	115,691
Professional fees	-	76,160	-	76,160
Supplies	6,526	13,250	-	19,776
Telephone	17,460	4,989	2,494	24,943
Rent	58,567	3,348	1,674	63,589
Utilities	14,901	4,585	3,439	22,925
Printing and postage	3,285	-	365	3,650
Travel	235,522	2,403	2,404	240,329
Depreciation	14,356	14,356	7,178	35,890
Insurance	31,701	31,701	-	63,402
Fundraising	-	-	12,263	12,263
Interest	7,789	7,789	-	15,578
Miscellaneous	38,792	38,791	-	77,583
Total Expenses	<u>\$ 6,735,160</u>	<u>\$ 324,981</u>	<u>\$ 381,134</u>	<u>\$ 7,441,275</u>

**KIDS AROUND THE WORLD, INC.**  
**Statement of Functional Expenses**  
For the Year Ended December 31, 2022

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 4,536,776	\$ -	\$ -	\$ 4,536,776
Officer compensation	113,893	8,101	46,066	168,060
Other salaries and wages	961,847	42,619	188,141	1,192,607
Other employee benefits	304,466	23,495	65,938	393,899
Payroll taxes	67,059	3,951	14,600	85,610
Professional fees	-	90,757	-	90,757
Supplies	7,776	15,787	-	23,563
Telephone	15,887	4,539	2,269	22,695
Rent	58,221	2,726	1,363	62,310
Utilities	14,599	4,492	3,369	22,460
Printing and postage	499	-	55	554
Travel	227,368	2,320	2,320	232,008
Depreciation	13,194	13,194	6,597	32,985
Insurance	24,661	24,660	-	49,321
Fundraising	-	-	28,647	28,647
Interest	8,433	8,432	-	16,865
Miscellaneous	28,536	28,536	-	57,072
Total Expenses	<u>\$ 6,383,215</u>	<u>\$ 273,609</u>	<u>\$ 359,365</u>	<u>\$ 7,016,189</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, 2023 and 2022

	2023	2022
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 325,029	\$ 220,939
Adjustments to reconcile change in net assets to net cash from operating activities-		
Depreciation	35,890	32,985
Unrealized loss on investments	-	365
Loss on disposal of assets	141	398
Donated securities	(4,941)	-
Proceeds from donated securities	4,941	-
Operating lease right-of-use assets	77,788	(267,968)
Change in assets and liabilities-		
Contributions receivable	(277,787)	24,432
Pledges receivable	-	50,000
Bequest receivable	-	56,708
ERC receivable	116,564	(116,564)
Inventories	8,101	1,376
Prepaid expenses	(10,568)	6,752
Accounts payable	(14,723)	(6,218)
Accrued payroll	-	12,234
Deposits payable	2,479	-
Lease liabilities	(77,788)	267,968
Net cash from operating activities	<u>185,126</u>	<u>283,407</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(107,141)	(13,971)
Proceeds from sale of investments	-	10,965
Purchase of property and equipment	(8,435)	(44,498)
Net cash from investing activities	<u>(115,576)</u>	<u>(47,504)</u>
<b>Cash Flows From Financing Activities:</b>		
Payments on notes payable	(29,737)	(28,812)
Payments on capital leases	(1,260)	(884)
Net cash from financing activities	<u>(30,997)</u>	<u>(29,696)</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	38,553	206,207
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>827,552</u>	<u>621,345</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u><u>\$ 866,105</u></u>	<u><u>\$ 827,552</u></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, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	<u>\$ 15,578</u>	<u>\$ 16,865</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 843,929	\$ 783,646
Cash restricted for time	-	24,618
Cash restricted for purpose	<u>22,176</u>	<u>19,288</u>
Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 866,105</u>	<u>\$ 827,552</u>



**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 Statements 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 Statements 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, 2023 and 2022, the amount of deposits in excess of federal depository insurance was \$370,916 and \$285,993, respectively.

There was no cash paid for income taxes during 2023 and 2022.

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 Statements of Financial Position. Realized and unrealized gains and losses are reflected within Investment return, net in the Statements of Activities.

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

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

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

Property and Equipment (Continued)

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.

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>2023</u>	<u>2022</u>
Playgrounds	\$ 663,060	\$ 602,598
Vitamins	100,000	620,108
Storage	46,000	46,000
Clothing	<u>1,252</u>	<u>-</u>
	<u>\$ 810,312</u>	<u>\$ 1,268,706</u>

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

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

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.

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.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE B** REVENUE RECOGNITION (Continued)

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.

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, 2023 and 2022 and January 1, 2022.

Performance Obligations

The Organization had no material unsatisfied performance obligations as of December 31, 2023 and 2022 and January 1, 2022.

**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.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE C** LIQUIDITY AND AVAILABILITY (Continued)

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

	<u>2023</u>	<u>2022</u>
Financial assets at year-end-		
Cash and cash equivalents	\$ 866,105	\$ 827,552
Investments	1,021,115	913,974
Contributions receivable	353,894	76,107
Bequest receivable	4,292	4,292
ERC receivable	-	116,564
Financial assets subject to donor restrictions	<u>(22,176)</u>	<u>(43,906)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,223,230</u>	<u>\$ 1,894,583</u>

**NOTE D** INVESTMENTS

At December 31, investments consist of the following:

<u>2023</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</u>
Money market funds	<u>\$ 1,021,115</u>	<u>\$ 1,021,115</u>	<u>\$ -</u>
<u>2022</u>			
Money market funds	<u>\$ 913,974</u>	<u>\$ 913,974</u>	<u>\$ -</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.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE D** INVESTMENTS (Continued)

Investment return, net is comprised of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 49,433	\$ 13,971
Unrealized loss on investments	<u>-</u>	<u>(365)</u>
Investment return, net	<u>\$ 49,433</u>	<u>\$ 13,606</u>

**NOTE E** BEQUEST

In 2021, the Organization was informed they were named as a beneficiary of a trust. As of December 31, 2023 and 2022, the remaining balance of \$4,292 is recorded as a bequest receivable in the Statements of Financial Position.

**NOTE F** INVENTORIES

At December 31, inventories consist of the following:

	<u>2023</u>	<u>2022</u>
Playgrounds	\$ 1,197,500	\$ 1,247,500
Food	<u>306,776</u>	<u>264,877</u>
	<u>\$ 1,504,276</u>	<u>\$ 1,512,377</u>

**NOTE G** PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>
Land	\$ 147,195	\$ 147,195
Building	387,748	387,748
Vehicles	65,217	60,709
Equipment	<u>137,223</u>	<u>136,096</u>
	737,383	731,748
Accumulated depreciation	<u>(162,139)</u>	<u>(128,908)</u>
Property and equipment, net	<u>\$ 575,244</u>	<u>\$ 602,840</u>

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE G** PROPERTY AND EQUIPMENT (Continued)

The Organization recorded depreciation expense of \$35,890 and \$32,985 during 2023 and 2022, respectively.

The total amount of assets capitalized under a financing lease arrangement as of December 31, 2023 and 2022 was \$8,757, which is included in equipment. As of December 31, 2023 and 2022, accumulated depreciation on these assets was \$4,379 and \$2,627, respectively. In 2023 and 2022, depreciation expense related to this lease arrangement was \$1,752.

**NOTE H** LEASE ARRANGEMENTS

The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. The Organization has elected to apply the short-term lease exceptions to all leases with a term of one year or less. Leases with an initial term of 12 months or less are not recorded on the Statements of Financial Position.

The Organization has elected to use the risk-free rate of return based on US Treasury's that match the term of the leases.

The Organization leases certain office space for administrative purposes. The Organization's leases have remaining terms of 2 years to 3 years, some of which have options to extend the leases for up to 3 years.

	<u>2023</u>	<u>2022</u>
Operating Leases:		
Operating lease right-of-use assets	\$ <u>190,180</u>	\$ <u>267,968</u>
Leases payable ROU, current portion	\$ 81,529	\$ 77,788
Leases payable ROU	<u>108,651</u>	<u>190,180</u>
Total operating lease liabilities	\$ <u>190,180</u>	\$ <u>267,968</u>
Financing Leases:		
Property and equipment	\$ 8,757	\$ 8,757
Accumulated depreciation	<u>(4,379)</u>	<u>(2,267)</u>
Property and equipment, net	\$ <u>4,378</u>	\$ <u>6,490</u>
Lease payable, current portion	\$ 1,796	\$ 1,260
Lease payable	<u>4,532</u>	<u>6,328</u>
Total finance lease liabilities	\$ <u>6,328</u>	\$ <u>7,588</u>



**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE H** LEASE ARRANGEMENTS (Continued)

The following summarizes the weighted average remaining lease term and discount rates as of December 31:

	<u>2023</u>	<u>2022</u>
Weighted Average Remaining Lease Term:		
Operating leases	3 Years	4 Years
Financing leases	5 Years	6 Years
Weighted Average Discount Rate:		
Operating leases	1.26%	1.23%
Financing leases	35.98%	35.98%

Maturities of lease liabilities as of December 31, 2023 are as follows:

	<u>Operating</u>	<u>Financing</u>
2024	84,273	3,796
2025	45,288	3,796
2026	32,856	2,214
2027	34,171	-
2028	<u>2,857</u>	<u>-</u>
Total lease payments	199,445	9,806
Less: Interest	<u>(9,265)</u>	<u>(3,478)</u>
Present value of lease liabilities	<u>\$ 190,180</u>	<u>\$ 6,328</u>

The following summarizes the line items in the Statements of Activities which include the components of lease expense for the year ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease expense:		
Mission projects in program services	\$ 78,807	\$ 71,761
Rent in management and general	<u>12,567</u>	<u>11,750</u>
Total operating lease cost	<u>\$ 91,374</u>	<u>\$ 83,511</u>
Finance lease cost:		
Miscellaneous expense in management and general	<u>\$ 2,536</u>	<u>\$ 2,912</u>

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE H** LEASE ARRANGEMENTS (Continued)

The following summarizes cash flow information related to leases for the year ending December 31:

	<u>2023</u>	<u>2022</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 91,374	\$ 83,511
Financing cash flows from financing leases	\$ 3,796	\$ 3,796
Lease assets obtained in exchange for lease obligation:		
Operating leases	\$ -	\$ 374,404

The organization has a number of short-term leases for warehouse and storage space. Total amounts recorded as short-term lease expense for the years ending December 31, 2023 and 2022 were \$6,000 and \$8,250, respectively.

**NOTE I** LONG-TERM DEBT

Long-term debt at December 31 consists of the follows:

	<u>2023</u>	<u>2022</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.	\$ 318,275	\$ 327,827
Note payable in monthly installments of \$1,797 with interest at 3.00% and maturing August 1, 2025.	34,917	55,102
	353,192	382,929
Less: Current portion	(30,855)	(29,889)
Total long-term debt	\$ 322,337	\$ 353,040

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE I**    LONG-TERM DEBT (Continued)

Maturities of long-term debt as of December 31, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 30,855	\$ 11,910	\$ 42,765
2025	24,537	10,942	35,479
2026	10,797	10,406	21,203
2027	11,187	10,016	21,203
2028	11,592	9,611	21,203
Thereafter	<u>264,224</u>	<u>85,037</u>	<u>349,261</u>
	<u>322,337</u>	<u>126,012</u>	<u>449,349</u>
	<u>\$ 353,192</u>	<u>\$ 137,922</u>	<u>\$ 491,114</u>

**NOTE J**    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 \$24,416 and \$25,283 for the years ended December 31, 2023 and 2022, respectively. Plan administration fees charged to expense were \$0 and \$3,479 for the years ended December 31, 2023 and 2022, respectively.

**NOTE K**    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 of the Organization has evaluated for and determined there are no uncertain tax positions as of December 31, 2023. The Organization is subject to informational reporting requirements in the United States federal jurisdiction and the States of Illinois, Oregon, and

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

**NOTE K** INCOME TAXES (Continued)

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 information returns remain open for federal and state examination for the past three years. At December 31, 2023, there are no ongoing income tax audits or unresolved disputes with the various taxing authorities the Organization currently files, or has filed, with.

**NOTE L** BOARD DESIGNATED NET ASSETS

The Board has imposed designations for future projects on the use of net assets without donor restrictions at December 31, 2023 and 2022 in the amounts of \$1,021,115 and \$913,974, respectively.

**NOTE M** NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Restricted for purpose:		
Welding career development	\$ 22,176	\$ 19,288
Ukraine funds	<u>-</u>	<u>24,618</u>
Total net assets with donor restrictions	<u>\$ 22,176</u>	<u>\$ 43,906</u>

Restricted cash for these amounts are reported in the Statements of Financial Position as of December 31, 2023 and 2022.

**NOTE N** 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.

**KIDS AROUND THE WORLD, INC.**  
**Notes to Financial Statements**

NOTE N FAIR VALUE MEASUREMENTS (Continued)

At December 31, 2023 and 2022, investments of \$1,021,115 and \$913,974, respectively, consist of money market funds. Money market funds were valued based on Level 1 inputs.

NOTE O RECLASSIFICATIONS

Certain reclassifications have been made to the 2022 financial statements to conform with the 2023 presentation.

NOTE P PRIOR PERIOD ADJUSTMENT

The accompanying financial statements for 2022 have been restated to record the effects of a revaluation of an operating lease right-of-use asset and the related lease liability. As a result of this adjustment, operating lease right-of-use assets and long-term lease liabilities were increased by \$31,812 on the Statement of Financial Position as of December 31, 2022. This adjustment had no effect on the change in net assets as of December 31, 2022 or net assets as of January 1, 2023.

NOTE Q SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 2, 2024, which was the date these financial statements were available for issuance, and determined there were no significant non-recognized subsequent events through that date.