

**KIDS AROUND THE WORLD, INC.**

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

December 31, 2019 and 2018

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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

We have audited the accompanying financial statements of Kids Around the World, Inc. (a nonprofit organization), which comprise the Statements of Financial Position as of December 31, 2019 and 2018, and the related Statements of Activities, Functional Expenses and Cash Flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Board of Directors  
Kids Around the World, Inc.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Around the World, Inc. as of December 31, 2019 and 2018, 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.

**Emphasis of Matter**

As discussed in Note R to the financial statements, in 2019 the Organization adopted, on a retrospective basis, Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers*. Our opinion is not modified with respect to this matter.

**SIEPERT & CO., LLP.**

A handwritten signature in cursive script that reads "Siefert & Co. LLP".

Beloit, Wisconsin  
April 20, 2020

**KIDS AROUND THE WORLD, INC.**  
**Statements of Financial Position**  
December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 266,266	\$ 76,968
Investments	50,867	80,673
Contributions receivable	27,227	59,287
Pledges receivable	25,000	-
Inventories	1,798,604	1,521,718
Prepaid expenses	25,693	52,531
Total current assets	2,193,657	1,791,177
<b>Other Assets:</b>		
Property and equipment, net	65,169	40,569
Pledges receivable, net	48,000	-
Total Assets	\$ 2,306,826	\$ 1,831,746
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 25,824	\$ 53,028
Accrued payroll	9,313	9,313
Note payable, current portion	5,017	-
Lease payable, current portion	1,665	1,518
Total current liabilities	41,819	63,859
<b>Long-Term Liabilities:</b>		
Note payable	14,725	-
Lease payable	1,200	2,865
Total long-term liabilities	15,925	2,865
Total liabilities	57,744	66,724
<b>Net Assets:</b>		
Without donor restrictions	2,155,082	1,765,022
With donor restrictions	94,000	-
Total net assets	2,249,082	1,765,022
Total Liabilities and Net Assets	\$ 2,306,826	\$ 1,831,746

The accompanying notes are an integral part of this statement.

**KIDS AROUND THE WORLD, INC.**  
**Statements of Activities**  
For the years ended December 31, 2019 and 2018

<b>Change in Net Assets Without Donor Restrictions:</b>	<u>2019</u>	<u>2018</u>
Revenue and support-		
Contributions	\$ 1,901,249	\$ 1,156,650
In-kind contributions	1,464,028	1,518,333
Program revenue and support-		
Playground	821,571	1,342,887
Food	1,555,099	1,337,203
KIDStory	57,175	95,819
Interest	7	16
Investment return, net	3,194	(6,134)
Gain (loss) on disposal of assets	3,781	(525)
Net assets released from purpose restrictions	-	44,151
Total revenue and support without donor restrictions	<u>5,806,104</u>	<u>5,488,400</u>
Expenses:		
Program activities	4,793,316	4,598,263
Supporting services-		
Management and general	377,553	354,388
Fundraising	245,175	213,438
Total expenses	<u>5,416,044</u>	<u>5,166,089</u>
Change in net assets without donor restrictions	<u>390,060</u>	<u>322,311</u>
<b>Change in Net Assets With Donor Restrictions:</b>		
Contributions	94,000	-
Net assets released from purpose restrictions	-	(44,151)
Change in net assets with donor restrictions	<u>94,000</u>	<u>(44,151)</u>
Change in Net Assets	484,060	278,160
Net Assets, Beginning of Year	<u>1,765,022</u>	<u>1,486,862</u>
Net Assets, End of Year	<u>\$ 2,249,082</u>	<u>\$ 1,765,022</u>

The accompanying notes are an integral part of this statement.

**KIDS AROUND THE WORLD, INC.**  
**Statement of Functional Expenses**  
For the year ended December 31, 2019

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 2,793,370	\$ -	\$ -	\$ 2,793,370
Officer's compensation	133,093	26,649	21,919	181,661
Other salaries and wages	948,420	79,777	106,897	1,135,094
Other employee benefits	266,265	13,450	31,474	311,189
Payroll taxes	68,306	16,245	8,072	92,623
Professional fees	-	139,473	-	139,473
Supplies	5,584	11,337	-	16,921
Telephone	16,531	4,723	2,361	23,615
Rent	25,469	21,122	-	46,591
Utilities	12,678	3,901	2,925	19,504
Printing and postage	6,863	-	763	7,626
Travel	463,065	4,725	4,725	472,515
Depreciation	5,772	5,772	2,886	14,430
Insurance	27,870	27,869	-	55,739
Fundraising	-	-	63,153	63,153
Bad debt expense	-	2,482	-	2,482
Miscellaneous	20,030	20,028	-	40,058
<b>Total Expenses</b>	<b>\$ 4,793,316</b>	<b>\$ 377,553</b>	<b>\$ 245,175</b>	<b>\$ 5,416,044</b>

**KIDS AROUND THE WORLD, INC.****Statement of Functional Expenses**

For the year ended December 31, 2018

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 2,757,487	\$ -	\$ -	\$ 2,757,487
Officer's compensation	129,729	26,100	21,358	177,187
Other salaries and wages	885,630	66,075	85,602	1,037,307
Other employee benefits	300,248	15,224	32,924	348,396
Payroll taxes	62,352	5,661	6,568	74,581
Professional fees	-	135,360	-	135,360
Supplies	9,222	18,722	-	27,944
Telephone	14,141	4,040	2,020	20,201
Rent	20,033	20,313	-	40,346
Utilities	11,958	3,679	2,760	18,397
Printing and postage	1,151	-	128	1,279
Travel	361,790	3,692	3,691	369,173
Depreciation	6,396	6,396	3,199	15,991
Insurance	25,038	25,037	-	50,075
Fundraising	-	-	55,188	55,188
Miscellaneous	13,088	24,089	-	37,177
Total Expenses	<u>\$ 4,598,263</u>	<u>\$ 354,388</u>	<u>\$ 213,438</u>	<u>\$ 5,166,089</u>

The accompanying notes are an integral part of this statement.



**KIDS AROUND THE WORLD, INC.**  
**Statements of Cash Flows**  
For the years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 484,060	\$ 278,160
Adjustments to reconcile change in net assets to net cash from operating activities-		
Depreciation	14,430	15,991
Unrealized (gain) loss on investments	(1,530)	-
(Gain) loss on disposition of assets	(3,781)	525
Donated securities	(5,964)	-
Proceeds from donated securities	5,964	-
Net change in current assets and liabilities-		
Contributions receivable	32,060	(39,594)
Pledges receivable	(73,000)	-
Inventories	(276,886)	(461,232)
Prepaid expenses	26,838	(36,721)
Accounts payable	(27,204)	12,389
Net cash from operating activities	<u>174,987</u>	<u>(230,482)</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(103,015)	(250,474)
Proceeds from sale of investments	134,351	296,607
Purchase of property and equipment	(35,249)	(5,519)
Net cash from investing activities	<u>(3,913)</u>	<u>40,614</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from note payable	25,761	-
Payments on note payable	(6,019)	-
Payments on capital leases	(1,518)	(1,383)
Net cash from financing activities	<u>18,224</u>	<u>(1,383)</u>
Net Change in Cash and Cash Equivalents	189,298	(191,251)
Cash and Cash Equivalents, Beginning of Year	<u>76,968</u>	<u>268,219</u>
Cash and Cash Equivalents, End of Year	<u>\$ 266,266</u>	<u>\$ 76,968</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 1,326</u>	<u>\$ 481</u>
Donated securities	<u>\$ 5,964</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**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. (the 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 and Cash Equivalents

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 exceed federal depository insurance limits. At December 31, 2019 the amount of deposits in excess of federal depository insurance was \$3,278.

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, KIDStory sets and materials, and food for children's programs. Inventories are carried at the lower of cost 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.

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. The

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

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

Property and Equipment (Continued)

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>2019</u>	<u>2018</u>
Payroll services	\$ 4,825	\$ 5,434
Playgrounds	904,403	788,977
Vitamins	533,100	665,222
Storage	18,000	18,000
Other	<u>3,700</u>	<u>40,700</u>
	<u>\$ 1,464,028</u>	<u>\$ 1,518,333</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.

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 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:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end-		
Cash and cash equivalents	\$ 266,266	\$ 76,968
Investments	50,867	80,673
Contributions receivable	27,227	59,587
Pledges receivable, net	73,000	-
Current liabilities	(41,819)	(63,859)
Financial assets subject to donor restrictions	<u>(94,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 281,541</u>	<u>\$ 153,369</u>

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

**NOTE C INVESTMENTS**

At December 31 investments consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</u>
<u>2019</u>			
Cash and equivalents	\$ 2,765	\$ 2,765	\$ -
Bond funds	<u>48,154</u>	<u>48,102</u>	<u>(52)</u>
	<u>\$ 50,919</u>	<u>\$ 50,867</u>	<u>\$ (52)</u>
<u>2018</u>			
Cash and equivalents	\$ 68,956	\$ 68,956	\$ -
Bond funds	<u>13,086</u>	<u>11,717</u>	<u>(1,369)</u>
	<u>\$ 82,042</u>	<u>\$ 80,673</u>	<u>\$ (1,369)</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 are comprised of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 3,015	\$ 3,109
Realized and unrealized gain	1,530	(7,365)
Fees	<u>(1,351)</u>	<u>(1,878)</u>
	<u>\$ 3,194</u>	<u>\$ (6,134)</u>

**NOTE D PLEDGES RECEIVABLE**

During 2019 the Organization received pledges from donors for capital campaign purposes as well as for operations. Pledges receivable at December 31 have been 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.

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

NOTE D PLEDGES RECEIVABLE (Continued)

The amounts of the pledges are:

	2019
Current:	
Future contributions	\$ 25,000
Total current	25,000
Long-Term:	
Future contributions	50,000
Present value discount	(2,000)
Total long-term	48,000
Total	\$ 73,000

At December 31, the estimated value of pledges to be received in future periods is:

Fiscal Year End	Amounts Receivable	Present Value Discount	Net Present Value
2020	\$ 25,000	\$ -	\$ 25,000
2021	25,000	675	24,325
2022	25,000	1,325	23,675
	50,000	2,000	48,000
	\$ 75,000	\$ 2,000	\$ 73,000

NOTE E INVENTORIES

At December 31 inventories consist of the following:

	2019	2018
Playgrounds	\$ 1,380,000	\$ 1,102,650
KIDStory sets and materials	12,501	12,501
Food	406,103	406,567
	\$ 1,798,604	\$ 1,521,718

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

**NOTE F** PROPERTY AND EQUIPMENT

At December 31 property and equipment consists of the following:

	2019	2018
Vehicles	\$ 57,709	\$ 38,342
Leasehold improvements	9,200	9,200
Equipment	89,562	85,073
	156,471	132,615
Accumulated depreciation	(91,302)	(92,046)
	\$ 65,169	\$ 40,569

The total amount of assets capitalized under a capital lease arrangement as of December 31, 2019 and 2018 was \$7,420, and \$7,420, respectively, which is included in furniture, fixtures and equipment. As of December 31, 2019, and 2018 accumulated depreciation on this asset was \$5,006, and \$4,040, respectively. Depreciation expense related to this lease arrangement was \$966, and \$1,352, respectively.

The Organization recorded depreciation expense as of December 31, 2019 and 2018 of \$14,430 and \$15,991, respectively.

**NOTE G** LEASE COMMITMENTS

As of December 31, 2019, the Organization has four separate leases for facilities, which are 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, 2021. The monthly rent payment was \$3,387 through March, 2019. Effective April, 2019, the monthly rent payment is \$3,534.

The Organization entered into a non-cancelable lease for office and storage space that commenced on March 1, 2016 and expired on February 28, 2017. On March 1, 2017, the lease was extended to February 28, 2018, but payments in the same amount have continued. The lease provides that the lessee pay its pro rata share of property taxes. The rent is \$4,125 per month.



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

NOTE G LEASE COMMITMENTS (Continued)

The Organization entered into a non-cancelable lease for warehouse space that commenced on September 26, 2018 and expires September 25, 2019. The lease continues as a month to month. The rent is \$600 per month.

The Organization entered into a lease agreement for warehouse space that commenced on September 15, 2019 and expires on December 31, 2020. The lease includes an option to extend the lease for two additional years. The Organization has the right to terminate the lease with a 90 day notice effective January 1, 2020. Rent is \$1,312 per month.

Total minimum lease commitments under non-cancelable leases, excluding common area maintenance, as of December 31, 2019 are as follows:

2020		\$ 59,475
2021		<u>11,043</u>
		<u>\$ 70,518</u>

Total rent and common area maintenance charged to expense for the years ended December 31, 2019 and 2018 was \$120,605 and \$112,115, respectively.

NOTE H CAPITAL LEASE

In 2016 the Organization leased a copier. The original cost of this copier was \$7,420 and is being amortized. The total amortization expense as of December 31, 2019 and 2018, is \$4,040 and \$2,688, which is included together with depreciation expense. The terms of the lease provide for monthly payments of \$227 through August 2021 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 in 2019 and 2018 was \$481 and \$345, respectively, interest was recorded in miscellaneous expense on the functional expense. Future minimum payments under the lease are:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,665	\$ 198	\$ 1,863
2021	<u>1,200</u>	<u>42</u>	<u>1,242</u>
	<u>\$ 2,865</u>	<u>\$ 240</u>	<u>\$ 3,105</u>

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

**NOTE I** NOTE PAYABLE

In 2019 the Organization acquired a new truck. The truck was financed with a note that requires monthly payments of \$510, bears interest at 6.84% and matures in July, 2024. In an attempt to repay this obligation quicker, the Organization is making additional principle payments. Total interest paid in 2019 and 2018 was \$982 and \$0, respectively, interest was recorded in miscellaneous expense on the functional expense.

The following are the minimum payments:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 5,017	\$ 1,103	\$ 6,120
2021	5,271	849	6,120
2022	5,643	477	6,120
2023	<u>3,811</u>	<u>93</u>	<u>3,904</u>
	<u>\$ 19,742</u>	<u>\$ 2,522</u>	<u>\$ 22,264</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 \$13,994 and \$10,804 for the years ended December 31, 2019 and 2018, respectively. Plan administration fees charged to expense were \$2,568 and \$5,136 for the years ended December 31, 2019 and 2018, respectively.

**NOTE K** INCOME TAXES

The Organization has been determined by the Internal Revenue Service to be exempt from Federal income tax under 501 (a) as described under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established. The Organization files informational returns with the United States, Illinois and California. The Organization's informational returns for the three subsequent years are open, by statute, for review by authorities. At December 31, 2019 there are no ongoing audits or unresolved disputes with the various tax authorities the Organization currently files or has filed with.

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

**NOTE L NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions at June 30 are as follows:

	2019	2018
Restricted to time or purpose-		
Welding career development	\$ 21,000	\$ -
For future periods	73,000	-
 Total net assets with donor restrictions	 \$ 94,000	 \$ -

**NOTE M SUBSEQUENT EVENTS**

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 any preventative or protective actions that governments or the Organization may take in respect of this coronavirus may result in a period of business disruption and reduced operations. Any 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 results will depend on future 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.

The Organization has evaluated subsequent events through April 20, 2020, the date these financial statements were available for issuance, and determined there were no significant non-recognized events through that date.

**NOTE N RELATED PARTY TRANSACTIONS**

During the years ending December 31, the Organization contracted for services with companies that were owned by or employed members of the Board of Directors. The amounts paid for these services are as follows:

	2019	2018
Lundstrom Insurance	\$ -	\$ 13,770
Deeper Impressions	884	1,025
Prudential Insurance	6,974	7,312
	 \$ 7,858	 \$ 22,107

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

**NOTE O 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, 2019 and 2018, the Money Market funds totaling \$2,765 and \$68,956, respectively, were valued at cost and the Mutual Funds totaling \$48,162 and \$11,717, respectively, were valued at the net asset value (NAV) of the shares held by the Organization. Both Money Market funds and Mutual Funds were valued based on Level 1 inputs.

**NOTE P ENDOWMENT**

The Organization's Board designated endowment of \$52,000 in 2017 was to provide an additional source of support for the Organization's activities. As required by generally accepted accounting principles, net assets associated with endowments are classified and reported based on the existence or absence of original donor-imposed restrictions. In 2018 the Board removed the designation and eliminated the Board designated endowment. The Organization has no endowments with donor-imposed restrictions.

**NOTE Q NEW ACCOUNTING PRONOUNCEMENTS**

The Financial Accounting Standards Board (FASB) has issued a new pronouncements 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, 2021.

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.

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**Notes to Financial Statements**

NOTE R CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2019, the Organization adopted ASU 2014-09 *Revenue from Contracts with Customers*. The guidance requires the Organization to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgements, and assets recognized from the costs to obtain or fulfill a contract. The adoption of this accounting standard did not have an impact on the Organization's financial position, changes in its net deficit or revenue disclosure.