

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

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

December 31, 2020 and 2019



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SIEPERT & CO., LLP

Certified Public Accountants

[www.siepert.com](http://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, 2020 and 2019, 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, 2020 and 2019 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.

### Emphasis of Matter

As discussed in Note T to the financial statements, in 2020 the Organization has adopted, on a retrospective basis, Accounting Standards Update (ASU) No. 2016-18 *Statement of Cash Flows*. Our opinion is not modified with respect to this matter.

#### 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.

### **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.

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:

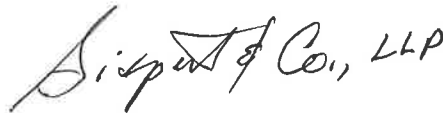
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, 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.

Board of Directors  
Kids Around the World, Inc.

- 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.

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.**

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

Beloit, Wisconsin  
March 12, 2021

**KIDS AROUND THE WORLD, INC.**  
**Statements of Financial Position**  
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 683,517	\$ 245,266
Investments	-	50,867
Contributions receivable	42,521	27,227
Pledges receivable	50,000	25,000
Inventories	1,424,754	1,798,604
Prepaid expenses	25,769	25,693
Total current assets	<u>2,226,561</u>	<u>2,172,657</u>
<b>Other Assets:</b>		
Property and equipment, net	597,787	65,169
Pledges receivable, net	24,325	48,000
Restricted cash	<u>127,182</u>	<u>21,000</u>
Total Assets	<u><u>\$ 2,975,855</u></u>	<u><u>\$ 2,306,826</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 38,894	\$ 25,824
Accrued payroll	9,313	9,313
Note payable, current portion	33,720	5,017
Lease payable, current portion	1,209	1,665
Total current liabilities	<u>83,136</u>	<u>41,819</u>
<b>Long-Term Liabilities:</b>		
Note payable	415,720	14,725
Lease payable	-	1,200
Total long-term liabilities	<u>415,720</u>	<u>15,925</u>
Total liabilities	<u>498,856</u>	<u>57,744</u>
<b>Net Assets:</b>		
Without donor restrictions	2,300,442	2,155,082
With donor restrictions	<u>176,557</u>	<u>94,000</u>
Total net assets	<u>2,476,999</u>	<u>2,249,082</u>
Total Liabilities and Net Assets	<u><u>\$ 2,975,855</u></u>	<u><u>\$ 2,306,826</u></u>

The accompanying notes are an integral part of this statement.



**KIDS AROUND THE WORLD, INC.**  
**Statements of Activities**  
For the Years Ended December 31, 2020 and 2019

	2020	2019
<b>Change in Net Assets Without Donor Restrictions:</b>		
Revenue and support-		
Contributions	\$ 1,544,419	\$ 2,089,249
In-kind contributions	578,647	1,464,028
Program revenue and support-		
Playground	365,297	821,571
Food	1,374,201	1,555,099
KIDStory	62,931	57,175
Shipping management services	91,466	-
Interest	285	7
Investment return, net	(670)	3,194
Gain (loss) on disposal of assets	(6,835)	3,781
Net assets released from purpose restrictions	46,000	-
Total revenue and support without donor restrictions	<u>4,055,741</u>	<u>5,994,104</u>
Expenses-		
Program activities	3,413,157	4,793,316
Supporting services-		
Management and general	280,541	377,553
Fundraising	215,308	245,175
Total expenses	<u>3,909,006</u>	<u>5,416,044</u>
Change in net assets without donor restrictions	<u>146,735</u>	<u>578,060</u>
<b>Change in Net Assets With Donor Restrictions:</b>		
Contributions	127,182	(94,000)
Net assets released from purpose restrictions	<u>(46,000)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>81,182</u>	<u>(94,000)</u>
Change in Net Assets	227,917	484,060
Net Assets, Beginning of Year	<u>2,249,082</u>	<u>1,765,022</u>
Net Assets, End of Year	<u><u>\$ 2,476,999</u></u>	<u><u>\$ 2,249,082</u></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, 2020

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising Activities	
Mission projects	\$ 2,187,873	\$ -	\$ -	\$ 2,187,873
Officer's 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>

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
Total Expenses	<u>\$ 4,793,316</u>	<u>\$ 377,553</u>	<u>\$ 245,175</u>	<u>\$ 5,416,044</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, 2020 and 2019

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 227,917	\$ 484,060
Adjustments to reconcile change in net assets to net cash from operating activities-		
Depreciation	19,706	14,430
Unrealized (gain) loss on investments	527	(1,530)
(Gain) loss on disposition of assets	6,835	(3,781)
Donated securities	(18,142)	(5,964)
Proceeds from donated securities	18,142	5,964
Net change in assets and liabilities-		
Contributions receivable	(15,294)	32,060
Pledges receivable	(1,325)	(73,000)
Inventories	373,850	(276,886)
Prepaid expenses	(76)	26,838
Accounts payable	13,070	(27,204)
Net cash from operating activities	<u>625,210</u>	<u>174,987</u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(619)	(103,015)
Proceeds from sale of investments	50,959	134,351
Purchase of property and equipment	(559,159)	(35,249)
Net cash from investing activities	<u>(508,819)</u>	<u>(3,913)</u>
<b>Cash Flows From Financing Activities:</b>		
Proceeds from note payable	448,750	25,761
Payments on note payable	(19,052)	(6,019)
Payments on capital leases	(1,656)	(1,518)
Net cash from financing activities	<u>428,042</u>	<u>18,224</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	544,433	189,298
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>266,266</u>	<u>76,968</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 810,699</u>	<u>\$ 266,266</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash payments for interest	<u>\$ 6,410</u>	<u>\$ 1,326</u>
Donated securities	<u>\$ 18,142</u>	<u>\$ 5,964</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash:		
Cash and cash equivalents	\$ 683,517	\$ 245,266
Cash restricted for purpose	<u>127,182</u>	<u>21,000</u>
Total Cash, Cash Equivalents and Restricted Cash	<u><u>\$ 810,699</u></u>	<u><u>\$ 266,266</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. (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, 2020 the amount of deposits in excess of federal depository insurance was \$289,379.

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. 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. 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>2020</u>	<u>2019</u>
Payroll services	\$ 5,802	\$ 4,825
Playgrounds	393,564	904,403
Vitamins	130,350	533,100
Storage	36,481	18,000
Other	<u>12,450</u>	<u>3,700</u>
	<u>\$ 578,647</u>	<u>\$ 1,464,028</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** **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 one revenue source that is accounted for as an exchange transaction, which includes a shipping agreement.

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.
2. The Organization also entered into an agreement with the organization to provide shipping. The arrangement calls for the charges to be paid as incurred.

Performance Obligations

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

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

**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:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end-		
Cash and cash equivalents	\$ 810,699	\$ 266,266
Investments	-	50,867
Contributions receivable	42,521	27,227
Pledges receivable, net	74,325	73,000
Financial assets subject to donor restrictions	<u>(176,557)</u>	<u>(94,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 750,988</u>	<u>\$ 323,360</u>

**NOTE D INVESTMENTS**

At December 31, 2020 the Organization had no investments. Investments at December 31, 2019 consist of the following:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</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>

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

**NOTE D INVESTMENTS (Continued)**

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 2020 and 2019 are comprised of the following:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 619	\$ 3,015
Realized and unrealized gain	(527)	1,530
Fees	<u>(762)</u>	<u>(1,351)</u>
	<u>\$ (670)</u>	<u>\$ 3,194</u>

**NOTE E PLEDGES RECEIVABLE**

During 2020 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.

The amounts of the pledges are:

	<u>2020</u>	<u>2019</u>
Current:		
Future contributions	<u>\$ 50,000</u>	<u>\$ 25,000</u>
Total current	<u>50,000</u>	<u>25,000</u>
Long-Term:		
Future contributions	25,000	50,000
Present value discount	<u>(675)</u>	<u>(2,000)</u>
Total long-term	<u>24,325</u>	<u>48,000</u>
Total	<u>\$ 74,325</u>	<u>\$ 73,000</u>

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

**NOTE E** PLEDGES RECEIVABLE (Continued)

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

<u>Fiscal Year End</u>	<u>Amounts Receivable</u>	<u>Present Value Discount</u>	<u>Net Present Value</u>
2021	\$ 50,000	\$ -	\$ 50,000
2022	25,000	675	24,325
	25,000	675	24,325
	<u>\$ 75,000</u>	<u>\$ 675</u>	<u>\$ 74,325</u>

**NOTE F** INVENTORIES

At December 31 inventories consist of the following:

	<u>2020</u>	<u>2019</u>
Playgrounds	\$ 1,237,500	\$ 1,380,000
KIDStory sets and materials	-	12,501
Food	187,254	406,103
	<u>\$ 1,424,754</u>	<u>\$ 1,798,604</u>

**NOTE G** PROPERTY AND EQUIPMENT

At December 31 property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 147,195	\$ -
Building	387,748	-
Vehicles	60,709	57,709
Leasehold improvements	-	9,200
Equipment	84,790	89,562
	680,442	156,471
Accumulated depreciation	(82,655)	(91,302)
	<u>\$ 597,787</u>	<u>\$ 65,169</u>

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

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

The total amount of assets capitalized under a capital lease arrangement as of December 31, 2020 and 2019 was \$7,420, and \$7,420, respectively, which is included in furniture, fixtures and equipment. As of December 31, 2020, and 2019 accumulated depreciation on this asset was \$5,696, and \$5,006, respectively. Depreciation expense related to this lease arrangement was \$690, and \$966, respectively.

The Organization recorded depreciation expense as of December 31, 2020 and 2019 of \$19,706 and \$14,430, respectively.

**NOTE H** **LEASE COMMITMENTS**

As of December 31, 2020, 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, 2021. The monthly rent payment was \$3,534 through March, 2020. Effective April, 2020, the monthly rent payment is \$3,681.

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

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. Rent is \$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, 2020, are as follows:

2021	\$ 27,543
2022	<u>16,500</u>
	<u>\$ 44,043</u>

Total rent and common area maintenance charged to expense for the years ended December 31, 2020 and 2019 was \$128,799 and \$120,605, respectively.

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

**NOTE I    CAPITAL LEASE**

In 2016 the Organization leased a copier. 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 2020 and 2019 was \$198 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>
2021	\$ 1,209	\$ 33	\$ 1,242

**NOTE J    LONG TERM DEBT**

Long term debt at December 31 consists of the follows:

	<u>2020</u>	<u>2019</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.	\$ 345,982	\$ -
Note payable in monthly installments of \$1,797 with interest at 3.00% and maturing August 1, 2025.	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.	<u>9,755</u>	<u>19,742</u>
	449,440	19,742
Less current portion	<u>(33,720)</u>	<u>(5,017)</u>
Total long term debt	<u>\$ 415,720</u>	<u>\$ 14,725</u>

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

**NOTE J**    **LONG TERM DEBT** (Continued)

Maturities of long term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$    33,720	\$    15,160	\$    48,880
2022	33,039	13,918	46,957
2023	29,890	12,875	42,765
2024	30,855	11,910	42,765
2025	24,537	10,942	35,479
Thereafter	<u>297,399</u>	<u>115,070</u>	<u>412,469</u>
	<u>415,720</u>	<u>164,715</u>	<u>580,435</u>
	<u>\$    449,440</u>	<u>\$    179,875</u>	<u>\$    629,315</u>

**NOTE K**    **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 \$17,296 and \$13,994 for the years ended December 31, 2020 and 2019, respectively. Plan administration fees charged to expense were \$2,484 and \$2,568 for the years ended December 31, 2020 and 2019, respectively.

**NOTE L**    **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 prior years are open, by statute, for review by authorities. At December 31, 2020 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 M** REFUNDABLE ADVANCE

In April 2020, the Organization received a loan in the amount of \$262,638 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 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 November 2, 2020. It is included in contributions in the Statement of Activities.

**NOTE N** NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Restricted to time or purpose-		
Welding career development	\$ 42,182	\$ 21,000
For future builds and travel	85,000	-
For future periods	<u>49,375</u>	<u>73,000</u>
 Total net assets with donor restrictions	 <u>\$ 176,557</u>	 <u>\$ 94,000</u>

**NOTE O** 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 March 12, 2021, the date these financial statements were available for issuance, and determined there were no significant non-recognized events through that date.



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

**NOTE P** **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:

	<u>2020</u>	<u>2019</u>
Deeper Impressions	\$ -	\$ 884
Prudential Insurance	<u>-</u>	<u>6,974</u>
	<u>\$ -</u>	<u>\$ 7,858</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, 2019, investments of \$50,867 including Money Market funds of \$2,765 valued at cost and Mutual Funds of \$48,102 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 S** **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 S 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 T CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2020 the Organization adopted, retrospectively, Accounting Standards Update (ASU) 2016-18 *Statement of Cash Flows*. ASU 2016-18 requires entities to include restricted cash and equivalents with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the Statement of Cash Flows.

The adoption of this accounting standard did not have an impact on the Organization's financial position or change in net assets.