

KIDS AROUND THE WORLD, INC.
Rockford, Illinois

Financial Statements
and
Independent Auditor's Report

December 31, 2022

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SIEPERT & CO., LLP

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 Statement of Financial Position as of December 31, 2022, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit 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 audit. 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 O to the financial statements, in 2022, the Organization adopted, on a modified retrospective basis, Accounting Standards Update (ASU) No. 2016-02 *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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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 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.

Board of Directors
Kids Around the World, Inc.

- 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.

Siepert & Co., LLP

Beloit, Wisconsin
May 2, 2023

KIDS AROUND THE WORLD, INC.
Statement of Financial Position
December 31, 2022

ASSETS

Current Assets:

Cash and cash equivalents	\$ 783,646
Restricted cash	19,288
Investments	913,974
Contributions receivable	76,107
Bequest receivable	4,292
ERC receivable	116,564
Inventories	1,512,377
Prepaid expenses	18,800
Total current assets	3,445,048

Other Assets:

Property and equipment, net	602,840
Operating lease right-of-use assets	236,156
Restricted cash	24,618
	863,614

Total Assets	\$ 4,308,662
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LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 24,281
Accrued payroll	21,547
Leases payable ROU, current portion	77,788
Note payable, current portion	29,889
Lease payable, current portion	1,260
Total current liabilities	154,765

Long-Term Liabilities:

Leases payable ROU	158,368
Note payable	353,040
Lease payable	6,328
Total long-term liabilities	517,736

Total liabilities	672,501
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Net Assets:

Without donor restrictions-	
Undesignated	2,678,281
Board designated	913,974
Total without donor restrictions	3,592,255
With donor restrictions	43,906
Total net assets	3,636,161

Total Liabilities and Net Assets	\$ 4,308,662
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The accompanying notes are an integral part of this statement.

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

Change in Net Assets Without Donor Restrictions:

Revenue and support-	
Contributions	\$ 1,895,902
In-kind contributions	1,268,706
Program revenue and support-	
Playground	135,163
Food	3,544,899
KIDStory	151,442
Shipping management services	182,427
Interest	1,475
Investment return, net	13,606
Loss on disposal of assets	(398)
Net assets released from purpose restrictions	110,000
Total revenue and support without donor restrictions	7,303,222

Expenses-	
Program activities	6,383,215
Supporting services-	
Management and general	273,609
Fundraising	359,365
Total expenses	7,016,189

Change in net assets without donor restrictions	287,033
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Change in Net Assets With Donor Restrictions:

Contributions	43,906
Net assets released from purpose restrictions	(110,000)

Change in net assets with donor restrictions	(66,094)
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Change in Net Assets	220,939
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Net Assets, Beginning of Year	3,415,222
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Net Assets, End of Year	\$ 3,636,161
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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	\$ 6,383,215	\$ 273,609	\$ 359,365	\$ 7,016,189

The accompanying notes are an integral part of this statement.

KIDS AROUND THE WORLD, INC.
Statement of Cash Flows
For the Year Ended December 31, 2022

Cash Flows From Operating Activities:

Change in net assets	\$ 220,939
Adjustments to reconcile change in net assets to net cash from operating activities-	
Depreciation	32,985
Unrealized loss on investments	365
Loss on disposal of assets	398
Operating lease right-of-use assets	(236,156)
Change in assets and liabilities-	
Contributions receivable	24,432
Pledges receivable	50,000
Bequest receivable	56,708
ERC receivable	(116,564)
Inventories	1,376
Prepaid expenses	6,752
Accounts payable	(6,218)
Accrued payroll	12,234
Leases payable ROU	236,156
Net cash from operating activities	283,407

Cash Flows From Investing Activities:

Purchases of investments	(13,971)
Proceeds from sale of investments	10,965
Purchase of property and equipment	(44,498)
Net cash from investing activities	(47,504)

Cash Flows From Financing Activities:

Payments on note payable	(28,812)
Payments on capital leases	(884)
Net cash from financing activities	(29,696)

Net Change in Cash, Cash Equivalents and Restricted Cash	206,207
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	621,345
Cash, Cash Equivalents and Restricted Cash, End of Year	\$ 827,552

KIDS AROUND THE WORLD, INC.
Statement of Cash Flows
For the Year Ended December 31, 2022

Supplemental Disclosure of Cash Flow Information:

Cash payments for interest	\$ 16,865
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Reconciliation of Cash, Cash Equivalents and Restricted Cash:

Cash and cash equivalents	\$ 783,646
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Cash restricted for time	24,618
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Cash restricted for purpose	19,288
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Total Cash, Cash Equivalents and Restricted Cash	<u>\$ 827,552</u>
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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, 2022, the amount of deposits in excess of federal depository insurance was \$285,993.

Investments

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

Inventories

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

Promises to Give

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

Property and Equipment

Property and equipment is recorded at cost, or if donated, at estimated fair value at the date of the donation. Such donations are reported as support without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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

Property and Equipment (Continued)

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

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

Contributed Services and Non-Cash Gifts

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

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

In-kind contributions recorded by the Organization at December 31, 2022 consist of the following:

Playgrounds	\$ 602,598
Vitamins	620,108
Storage	<u>46,000</u>
	<u>\$ 1,268,706</u>

Functional Allocation of Expenses

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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

Functional Allocation of Expenses (Continued)

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

Foreign Operations

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

Estimates

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

NOTE B REVENUE RECOGNITION

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

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

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

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE B REVENUE RECOGNITION (Continued)

Contract Balances

The timing of revenue recognition, billings, and cash collections results in contract accounts receivable. Amounts are billed in accordance with agreed-upon contractual terms, either at periodic intervals or upon achievement of contractual milestones. Contract assets represent the right to consideration based on satisfied performance obligations from contracts with customers. Contract liabilities represent payments received from customers prior to the satisfaction of the corresponding performance obligations. Contract liabilities are recognized as revenue once the corresponding performance obligations are satisfied based on the contract with the customer. The Organization had no contract accounts receivable, contract assets, or contract liabilities as of December 31, 2022 or January 1, 2022.

Performance Obligations

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

As of December 31, 2022, 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:

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE C LIQUIDITY AND AVAILABILITY (Continued)

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

NOTE D INVESTMENTS

Investments at December 31, 2022 consist of the following:

	Cost	Market	Unrealized Gain/(Loss)
Money market funds	\$ 913,974	\$ 913,974	\$ -

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 2022 are comprised of the following:

Interest and dividends	<u>\$ 13,971</u>
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NOTE E BEQUEST

In 2021, the Organization was informed they were named as a beneficiary of a trust. The Organization's portion was approximately \$541,000, of which \$61,000 was receivable at December 31, 2021. During 2022, the Organization received \$56,708 from this trust. The remaining balance of \$4,292 is recorded as a bequest receivable in the Statement of Financial Position.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE F INVENTORIES

At December 31, 2022, inventories consist of the following:

Playgrounds	\$ 1,247,500
Food	<u>264,877</u>
	<u>\$ 1,512,377</u>

NOTE G PROPERTY AND EQUIPMENT

At December 31, 2022, property and equipment consists of the following:

Land	\$ 147,195
Building	387,748
Vehicles	60,709
Equipment	<u>136,096</u>
	731,748
Accumulated depreciation	<u>(128,908)</u>
	<u>\$ 602,840</u>

The Organization recorded depreciation expense of \$32,985 during 2022.

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

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 Statement of Financial Position.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE H LEASE ARRANGEMENTS (Continued)

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 2 years.

Operating Leases:	
Operating lease right-of-use assets	<u>\$ 236,156</u>
Leases payable ROU, current portion	\$ 77,788
Leases payable ROU	<u>158,368</u>
Total operating lease liabilities	<u>\$ 236,156</u>
Financing Leases:	
Property and equipment	\$ 8,757
Accumulated depreciation	<u>(2,267)</u>
Property and equipment, net	<u>\$ 6,490</u>
Lease payable, current portion	\$ 1,260
Lease payable	<u>6,328</u>
Total finance lease liabilities	<u>\$ 7,588</u>

The following summarizes the weighted average remaining lease term and discount rates as of December 31, 2022:

Weighted Average Remaining Lease Term:	
Operating leases	3 Years
Financing leases	6 Years
Weighted Average Discount Rate:	
Operating leases	1.21%
Financing leases	35.98%

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE H LEASE ARRANGEMENTS (Continued)

Maturities of lease liabilities as of December 31, 2022 are as follows:

	<u>Operating</u>	<u>Financing</u>
2023	\$ 79,477	\$ 3,796
2024	84,573	3,796
2025	45,288	3,796
2026	32,856	2,214
2027	<u>2,745</u>	<u>-</u>
Total lease payments	244,939	13,602
Less: Interest	<u>(8,783)</u>	<u>(6,014)</u>
Present value of lease liabilities	<u>\$ 236,156</u>	<u>\$ 7,588</u>

The following summarizes the line items in the Statement of Activities which include the components of lease expense for the year ended December 31, 2022:

Operating lease expense:	
Mission projects in program services	\$ 71,761
Rent in management and general	<u>11,750</u>
Total operating lease cost	<u>\$ 83,511</u>
Finance lease cost:	
Miscellaneous expense in management and general	<u>\$ 2,912</u>

The following summarizes cash flow information related to leases for the year ending December 31, 2022:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operation leases	<u>\$ 83,511</u>
Financing cash flows from financing leases	<u>\$ 3,796</u>
Lease assets obtained in exchange for lease obligation:	
Operating leases	<u>\$ 342,592</u>

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE I LONG-TERM DEBT

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

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

Maturities of long-term debt as of December 31, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 29,889	\$ 12,876	\$ 42,765
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
Thereafter	<u>275,664</u>	<u>94,226</u>	<u>369,890</u>
	<u>353,040</u>	<u>137,500</u>	<u>490,540</u>
	<u>\$ 382,929</u>	<u>\$ 150,376</u>	<u>\$ 533,305</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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE J PROFIT SHARING PLAN (Continued)

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 \$25,283 for the year ended December 31, 2022. Plan administration fees charged to expense were \$3,479 for the year ended December 31, 2022.

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 has evaluated for and determined there are no uncertain tax positions as of December 31, 2022. The Organization is subject to informational reporting requirements in the United States federal jurisdiction and the States of Illinois, Oregon, and California. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. The Organization's informational returns for the three prior years are open, by statute, for review by authorities. At December 31, 2022, there are no ongoing income tax audits or unresolved disputes with the various tax authorities the Organization currently files, or has filed, with.

NOTE L BOARD DESIGNATED NET ASSETS

The Board has imposed designations on the use of net assets without donor restriction at December 31, 2022. The Board has designated an amount of \$913,974 for future projects.

NOTE M NET ASSETS WITH DONOR RESTRICTIONS

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

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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.

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

NOTE O CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which supersedes existing guidance in Topic 840, *Leases*. The Organization adopted Topic 842 effective January 1, 2022 using the modified retrospective transition method with the effective date as the date of initial application. The Organization elected to use all available practical expedients provided in the transition guidance. As of January 1, 2022, the adoption of Topic 842 resulted in an increase in operating lease right-of-use assets of \$342,562 and leases payable ROU of \$342,562. Adoption did not have a material effect on net assets or cash flows.

NOTE P SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through May 2, 2023, which was the date these financial statements were available for issuance, and determined there were no significant non-recognized subsequent events through that date.