

KIDS AROUND THE WORLD, INC.
Rockford, Illinois

Financial Statements
and
Independent Auditor's Report

December 31, 2025 and 2024

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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 Statements of Financial Position as of December 31, 2025 and 2024, 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, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

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

Responsibilities of Management for the Financial Statements

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

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Board of Directors
Kids Around the World, Inc.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

Board of Directors
Kids Around the World, Inc.

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

SIEPERT & CO., LLP

Siepert & Co., LLP

Rockton, Illinois
April 9, 2026

KIDS AROUND THE WORLD, INC.
Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,497,249	\$ 828,295
Investments	1,130,125	1,074,526
Contributions receivable	481,953	857,199
Inventories	1,442,662	1,493,501
Prepaid expenses	208,237	65,087
Total current assets	<u>4,760,226</u>	<u>4,318,608</u>
Other Assets:		
Property and equipment, net	585,348	559,254
Operating lease right-of-use assets	<u>225,990</u>	<u>271,699</u>
Total Assets	<u><u>\$ 5,571,564</u></u>	<u><u>\$ 5,149,561</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 14,613	\$ 80,595
Accrued payroll	55,030	21,547
Deposits payable	3,396	3,714
Lease liabilities, current portion	142,409	88,221
Notes payable, current portion	10,796	24,536
Lease payable, current portion	-	1,971
Total current liabilities	<u>226,244</u>	<u>220,584</u>
Long-Term Liabilities:		
Long-term lease liabilities	89,825	185,033
Note payable	288,621	298,047
Lease payable	1,971	2,561
Total long-term liabilities	<u>380,417</u>	<u>485,641</u>
Total liabilities	<u>606,661</u>	<u>706,225</u>

The accompanying notes are an integral part of these statements.

KIDS AROUND THE WORLD, INC.
Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Net Assets:		
Without donor restrictions-		
Undesignated	3,845,034	3,368,810
Board designated	1,119,869	1,074,526
Total net assets	<u>4,964,903</u>	<u>4,443,336</u>
 Total Liabilities and Net Assets	 <u><u>\$ 5,571,564</u></u>	 <u><u>\$ 5,149,561</u></u>

KIDS AROUND THE WORLD, INC.
Statements of Activities
For the Years Ended December 31, 2025 and 2024

	2025	2024
Change in Net Assets Without Donor Restrictions:		
Revenue and support-		
Contributions	\$ 2,416,497	\$ 1,766,343
In-kind contributions	1,437,060	1,063,977
Program revenue and support-		
Playground	1,896,185	1,351,257
Food	4,280,262	4,648,422
KIDStory	225,991	146,074
Shipping management services	11,879	10,582
Interest	3,631	5,199
Investment return, net	45,348	55,723
Gain on disposal of assets	3,000	-
Net assets released from purpose restrictions	-	22,176
Total revenue and support without donor restrictions	<u>10,319,853</u>	<u>9,069,753</u>
Expenses-		
Program activities	8,804,811	7,701,668
Supporting services-		
Management and general	425,303	421,316
Fundraising	568,172	442,447
Total expenses	<u>9,798,286</u>	<u>8,565,431</u>
Change in net assets without donor restrictions	<u>521,567</u>	<u>504,322</u>
Change in Net Assets With Donor Restrictions:		
Net assets released from purpose restrictions	-	(22,176)
Change in net assets with donor restrictions	<u>-</u>	<u>(22,176)</u>
Change in Net Assets	521,567	482,146
Net Assets, Beginning of Year	<u>4,443,336</u>	<u>3,961,190</u>
Net Assets, End of Year	<u><u>\$ 4,964,903</u></u>	<u><u>\$ 4,443,336</u></u>

The accompanying notes are an integral part of these statements.

KIDS AROUND THE WORLD, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2025

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Mission projects	\$ 5,789,810	\$ -	\$ -	\$ 5,789,810
Officer compensation	88,582	14,764	44,291	147,637
Other salaries and wages	1,839,448	96,231	386,625	2,322,304
Other employee benefits	417,181	28,936	65,340	511,457
Payroll taxes	124,812	7,184	27,891	159,887
Professional fees	-	101,036	-	101,036
Supplies	8,129	16,505	-	24,634
Telephone	19,818	5,662	2,831	28,311
Rent	72,547	3,070	1,535	77,152
Utilities	17,735	5,457	4,093	27,285
Printing and postage	11,215	-	1,246	12,461
Travel	271,851	2,774	2,774	277,399
Depreciation	16,459	16,459	8,229	41,147
Insurance	44,602	44,602	-	89,204
Fundraising	-	-	23,317	23,317
Interest	8,046	8,047	-	16,093
Miscellaneous	74,576	74,576	-	149,152
Total Expenses	<u>\$ 8,804,811</u>	<u>\$ 425,303</u>	<u>\$ 568,172</u>	<u>\$ 9,798,286</u>

KIDS AROUND THE WORLD, INC.
Statement of Functional Expenses
For the Year Ended December 31, 2024

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Mission projects	\$ 5,107,616	\$ -	\$ -	\$ 5,107,616
Officer compensation	106,555	13,319	13,320	133,194
Other salaries and wages	1,475,856	128,614	302,366	1,906,836
Other employee benefits	332,646	28,255	58,970	419,871
Payroll taxes	105,132	9,430	20,973	135,535
Professional fees	-	104,960	-	104,960
Supplies	7,567	15,364	-	22,931
Telephone	18,637	5,325	2,662	26,624
Rent	75,009	2,688	1,344	79,041
Utilities	15,606	4,802	3,601	24,009
Printing and postage	3,770	-	419	4,189
Travel	350,027	3,572	3,571	357,170
Depreciation	13,190	13,190	6,594	32,974
Insurance	24,474	24,474	-	48,948
Fundraising	-	-	28,627	28,627
Credit loss expense	-	1,742	-	1,742
Interest	7,133	7,133	-	14,266
Miscellaneous	58,450	58,448	-	116,898
Total Expenses	<u>\$ 7,701,668</u>	<u>\$ 421,316</u>	<u>\$ 442,447</u>	<u>\$ 8,565,431</u>

The accompanying notes are an integral part of these statements.

KIDS AROUND THE WORLD, INC.
Statements of Cash Flows
For the Years Ended December 31, 2025 and 2024

	2025	2024
Cash Flows From Operating Activities:		
Change in net assets	\$ 521,567	\$ 482,146
Adjustments to reconcile change in net assets to net cash from operating activities-		
Depreciation	41,147	32,974
Gain on disposal of assets	(3,000)	-
Donated securities	(21,626)	(6,455)
Proceeds from donated securities	11,183	6,455
Operating lease right-of-use assets	45,709	(81,519)
Change in assets and liabilities-		
Contributions receivable	375,246	(503,305)
Bequest receivable	-	4,292
Inventories	50,839	10,775
Prepaid expenses	(143,150)	(35,719)
Accounts payable	(65,982)	71,037
Deposits payable	(318)	1,235
Lease liabilities	(41,020)	83,074
Net cash from operating activities	<u>804,078</u>	<u>64,990</u>
Cash Flows From Investing Activities:		
Purchases of investments	(45,342)	(53,411)
Purchase of property and equipment	(67,241)	(16,984)
Net cash from investing activities	<u>(109,397)</u>	<u>(70,395)</u>
Cash Flows From Financing Activities:		
Payments on notes payable	(23,166)	(30,609)
Payments on capital leases	(2,561)	(1,796)
Net cash from financing activities	<u>(25,727)</u>	<u>(32,405)</u>
Net Change in Cash and Cash Equivalents	668,954	(37,810)
Cash and Cash Equivalents, Beginning of Year	<u>828,295</u>	<u>866,105</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,497,249</u>	<u>\$ 828,295</u>
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	<u>\$ 16,093</u>	<u>\$ 14,266</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE A NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

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

Basis of Accounting

The Organization's financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and support are being reported when earned regardless of when received and expenses are reported when incurred regardless of when payment is made.

Classification of Net Assets

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

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

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each FDIC insured depository institution. Throughout the year, the Organization's bank depository account balances exceeded FDIC insurance limits. At December 31, 2025 and 2024, the amount of deposits in excess of FDIC insurance was \$1,029,817 and \$319,307, respectively.

There was no cash paid for income taxes during 2025 and 2024.

Investments

The Organization reports investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the Statements of Financial Position. Realized and unrealized gains and losses are reflected within Investment return, net in the Statements of Activities. Money market funds held in the organization's investment accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 for all accounts. As of December 31, 2025 and 2024, the Organization had balances in excess of SIPC coverages of \$619,869 and \$574,526, respectively.

Receivables

Management has evaluated receivables as of December 31, 2025 and 2024, and management feels the amounts are fully collectable.

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.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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

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 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 \$1,000 or more. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Leasehold Improvements	7-40 Years
Equipment	5-10 Years
Vehicles	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.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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

Contributed Services and Non-Cash Gifts (Continued)

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

	<u>2025</u>	<u>2024</u>
Playgrounds	\$ 1,077,159	\$ 828,001
Vitamins	275,069	159,420
Storage	59,832	64,667
Supplies	25,000	5,290
Capital assets	<u>-</u>	<u>6,599</u>
	<u>\$ 1,437,060</u>	<u>\$ 1,063,977</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.

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

As part of its mission, the Organization conducts activities in foreign countries, which includes the installation of playgrounds. Foreign operations are subject to risks inherent in operating under different legal systems and various political and economic environments. Among the risks are changes in existing tax laws, possible limitations on foreign investment and income repatriation, government price or foreign exchange controls, and restriction on currency exchange. The potential impact of these risks could have a negative impact on the Organization's ability to support its mission.

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE B REVENUE RECOGNITION (Continued)

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 receivables, contract assets, or contract liabilities as of December 31, 2025, December 31, 2024, and January 1, 2024.

Performance Obligations

The Organization had no material unsatisfied performance obligations as of December 31, 2025, December 31, 2024, and January 1, 2024.

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 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 Statement of Financial Position date to meet general expenditures:

	<u>2025</u>	<u>2024</u>
Financial assets at year-end-		
Cash and cash equivalents	\$ 1,497,249	\$ 828,295
Investments	1,130,125	1,074,526
Contributions receivable	<u>481,953</u>	<u>857,199</u>
Financial assets available to meet cash needs		
for general expenditures within one year	<u>\$ 3,109,327</u>	<u>\$ 2,760,020</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE D INVESTMENTS

At December 31, investments consist of the following:

<u>2025</u>	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain/(Loss)</u>
Money market funds	<u>\$ 1,130,125</u>	<u>\$ 1,130,125</u>	<u>\$ -</u>
<u>2024</u>			
Money market funds	<u>\$ 1,074,526</u>	<u>\$ 1,074,526</u>	<u>\$ -</u>

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

Investment return, net is comprised of the following:

	<u>2025</u>	<u>2024</u>
Interest and dividends	<u>\$ 45,348</u>	<u>\$ 55,723</u>

NOTE E INVENTORIES

At December 31, inventories consist of the following:

	<u>2025</u>	<u>2024</u>
Playgrounds	<u>\$ 1,130,000</u>	<u>\$ 1,200,000</u>
Food	<u>312,662</u>	<u>293,501</u>
	<u>\$ 1,442,662</u>	<u>\$ 1,493,501</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE F PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Land	\$ 147,195	\$ 147,195
Building	387,748	387,748
Vehicles	118,552	65,217
Equipment	<u>151,704</u>	<u>147,085</u>
	805,199	747,245
Accumulated depreciation	<u>(219,851)</u>	<u>(187,991)</u>
Property and equipment, net	<u>\$ 585,348</u>	<u>\$ 559,254</u>

The Organization recorded depreciation expense of \$41,147 and \$32,974 during 2025 and 2024, respectively.

The total amount of assets capitalized under a financing lease arrangement as of December 31, 2025 and 2024 was \$8,757, which is included in equipment. As of December 31, 2025 and 2024, accumulated depreciation on these assets was \$7,882 and \$6,130 respectively. In 2025 and 2024, depreciation expense related to this lease arrangement was \$1,752.

NOTE G LEASE ARRANGEMENTS

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

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

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE G LEASE ARRANGEMENTS (Continued)

The Organization leases certain office space for administrative purposes. The Organization's leases have remaining terms of 1 years to 3 years, some of which have options to extend the leases for up to 3 years.

	<u>2025</u>	<u>2024</u>
Operating Leases:		
Operating lease right-of-use assets	\$ 225,990	\$ 271,699
Lease liabilities, current portion	\$ 142,409	\$ 88,221
Long-term lease liabilities	89,825	185,033
Total operating lease liabilities	<u>\$ 232,234</u>	<u>\$ 273,254</u>
Financing Leases:		
Property and equipment	\$ 8,757	\$ 8,757
Accumulated depreciation	(7,882)	(6,130)
Property and equipment, net	<u>\$ 875</u>	<u>\$ 2,627</u>
Lease payable, current portion	\$ 1,971	\$ 1,971
Lease payable	-	2,561
Total finance lease liabilities	<u>\$ 1,971</u>	<u>\$ 4,532</u>

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

	<u>2025</u>	<u>2024</u>
Weighted Average Remaining Lease Term:		
Operating leases	2 Years	2 Years
Financing leases	0 Years	1 Year
Weighted Average Discount Rate:		
Operating leases	4.13%	3.43%
Financing leases	35.98%	35.98%

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE G LEASE ARRANGEMENTS (Continued)

Maturities of lease liabilities as of December 31, 2025 are as follows:

	<u>Operating</u>	<u>Financing</u>
2026	151,175	2,214
2027	74,064	-
2028	<u>18,502</u>	<u>-</u>
Total lease payments	243,741	2,214
Less: Interest	<u>(11,507)</u>	<u>(243)</u>
Present value of lease liabilities	<u>\$ 232,234</u>	<u>\$ 1,971</u>

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

	<u>2025</u>	<u>2024</u>
Operating lease expense:		
Mission projects in program services	\$ 149,882	\$ 108,674
Rent in management and general	<u>15,351</u>	<u>13,400</u>
Total operating lease cost	<u>\$ 165,233</u>	<u>\$ 122,074</u>
Finance lease cost:		
Depreciation	\$ 1,752	\$ 1,752
Interest	<u>1,235</u>	<u>1,999</u>
	<u>\$ 2,987</u>	<u>\$ 3,751</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 165,233</u>	<u>\$ 122,074</u>
Operating cash flows from financing leases	<u>\$ 1,235</u>	<u>\$ 1,999</u>
Financing cash flows from financing leases	<u>\$ 2,561</u>	<u>\$ 1,796</u>
Lease assets obtained in exchange for lease obligation:		
Operating leases	<u>\$ 91,181</u>	<u>\$ 192,703</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE G LEASE ARRANGEMENTS (Continued)

The organization has a number of short-term leases for warehouse and storage space. Total amounts recorded as short-term lease expense for the years ending December 31, 2025 and 2024 was \$6,500 and \$6,000, respectively.

NOTE H LONG-TERM DEBT

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

	<u>2025</u>	<u>2024</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.	\$ 299,417	\$ 308,466
Note payable in monthly installments of \$1,797 with interest at 3.00% and maturing August 1, 2025.	<u>-</u>	<u>14,117</u>
	299,417	322,583
Less: Current portion	<u>(10,796)</u>	<u>(24,536)</u>
Total long-term debt	<u>\$ 288,621</u>	<u>\$ 298,047</u>

Maturities of long-term debt as of December 31, 2025 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 10,796	10,406	21,202
2027	11,187	10,016	21,203
2028	11,592	9,611	21,203
2029	12,011	9,191	21,202
2030	12,446	8,757	21,203
Thereafter	<u>241,385</u>	<u>67,089</u>	<u>308,474</u>
	<u>288,621</u>	<u>104,664</u>	<u>393,285</u>
	<u>\$ 299,417</u>	<u>\$ 115,070</u>	<u>\$ 414,487</u>

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE I **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 \$26,246 and \$22,478 for the years ended December 31, 2025 and 2024, respectively. Plan administration fees charged to expense were \$1,850 and \$2,490 for the years ended December 31, 2025 and 2024, respectively.

NOTE J **INCOME TAXES**

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

Management of the Organization has evaluated for and determined there are no uncertain tax positions as of December 31, 2025. 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 information returns remain open for federal and state examination for the past three years. At December 31, 2025, there are no ongoing income tax audits or unresolved disputes with the various taxing authorities the Organization currently files, or has filed, with.

NOTE K **BOARD DESIGNATED NET ASSETS**

The Board has imposed designations for future projects on the use of net assets without donor restrictions at December 31, 2025 and 2024 in the amounts of \$1,119,869 and \$1,074,526, respectively.

NOTE L **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:

KIDS AROUND THE WORLD, INC.
Notes to Financial Statements

NOTE L FAIR VALUE MEASUREMENTS (Continued)

- 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, 2025 and 2024, investments of \$1,130,125 and \$1,074,526, respectively, consisted of money market funds, which were valued based on Level 1 inputs.

NOTE M SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through April 9, 2026, which was the date these financial statements were available for issuance, and determined there were no significant non-recognized subsequent events through that date.