



**RANDLE & ASSOCIATES, LLC**  
**Certified Public Accountants**

**KIDS IN THE MIDDLE, INC.**

Financial Statements

December 31, 2019 and 2018

(With Independent Auditors' Report Thereon)



# **RANDLE & ASSOCIATES, LLC, CPAs**

Certified Public Accountants

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70 Black Jack Ct.  
Florissant, MO 63033

## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Kids In The Middle, Inc.

We have audited the accompanying financial statements of Kids In The Middle, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

# KIDS IN THE MIDDLE, INC.

## FINANCIAL STATEMENTS

December 31, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Kids In The Middle, Inc.

We have audited the accompanying financial statements of Kids In The Middle, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids In The Middle, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Randall & Associates, LLC, CPAs*

Florissant, Missouri

April 29, 2020

KIDS IN THE MIDDLE, INC.  
Statements of Financial Position  
December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 481,845	\$ 586,261
Investments	5,952	-
Unconditional promises to give	247,802	244,627
Accounts receivable	19,381	10,911
Prepaid expenses and deposits	30,076	31,846
Total current assets	<u>785,056</u>	<u>873,645</u>
 Cash - restricted for scholarship	 10,945	 16,340
 Fixed assets - net	 <u>69,220</u>	 <u>70,749</u>
 Total Assets	 <u><u>\$ 865,221</u></u>	 <u><u>\$ 960,734</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 13,681	\$ 9,570
Accrued salaries and related liabilities	54,126	58,918
Deferred revenue	-	15,836
Notes payable - current portion	1,598	3,642
Total current liabilities	<u>69,405</u>	<u>87,966</u>
 Deferred rent	 26,148	 34,864
Notes payable - non-current portion	<u>-</u>	<u>1,598</u>
 Total Liabilities	 \$ 95,553	 \$ 124,428
 Net Assets		
Without donor restrictions		
Investment in fixed assets	67,622	65,509
Operations	458,555	514,642
Total without donor restrictions	<u>526,177</u>	<u>580,151</u>
With donor restrictions	243,491	256,155
Total Net Assets	<u>769,668</u>	<u>836,306</u>
 Total Liabilities and Net Assets	 <u><u>\$ 865,221</u></u>	 <u><u>\$ 960,734</u></u>

*The accompanying notes are an integral part of these financial statements.*

KIDS IN THE MIDDLE, INC.  
Statements of Activities  
For the Years Ended December 31, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	
<b>PUBLIC SUPPORT AND REVENUE</b>				
Public support:				
Contributions	\$ 215,955	\$ 24,561	\$ 240,516	
In-kind donations	7,178	-	7,178	\$ 306,224
United Way	-	232,546	232,546	7,084
Revenue:				239,815
Fees for services:				
Local government fees	396,451	-	396,451	
Client fees	252,321	-	252,321	490,971
Special events (net of direct expenses of \$98,348 and \$93,023)	193,540	-	193,540	284,374
Realized loss on investments	(16)	-	(16)	
Unrealized gain on investments	44	-	44	234,137
Net investment income	1,152	24	1,176	(301)
Other	336	-	336	-
Total	1,066,961	257,131	1,324,092	863
Net assets released from restrictions	269,795	(269,795)	-	1,539
Total support and revenue	1,336,756	(12,664)	1,324,092	1,564,706
<b>EXPENSES:</b>				
Program Services				
Agency based services	948,628	-	948,628	968,346
School based services	-	-	-	110,067
Court programs	29,015	-	29,015	36,509
Community education and outreach	34,909	-	34,909	34,524
Total program services	1,012,552	-	1,012,552	1,149,446
Supporting Services				
Management and general	200,245	-	200,245	175,748
Development and fundraising	177,933	-	177,933	189,710
Total supporting services	378,178	-	378,178	365,458
Total expenses	1,390,730	-	1,390,730	1,514,904
Loss on disposal of fixed assets	-	-	-	-
Change in net assets	(53,974)	(12,664)	(66,638)	2,018
Net assets, beginning of year	580,151	256,155	836,306	788,522
Net assets, end of year	526,177	243,491	769,668	836,306

The accompanying notes are an integral part of these financial statements.

KIDS IN THE MIDDLE, INC.  
Statements of Cash Flows  
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (66,638)	\$ 47,784
Adjustments to reconcile change in net assets :		
Depreciation and amortization	23,410	25,721
Loss on disposal of fixed assets	-	2,018
Unrealized gain on investments	(44)	-
Increase in accounts receivable	(8,470)	(7,504)
(Increase)/decrease in promises to give	(3,175)	16,684
(Increase)/decrease in prepaid expenses	1,770	(3,274)
Decrease in deferred rent	(8,716)	(8,716)
Increase/(decrease) in deferred revenue	(15,836)	4,551
Donated securities	(5,908)	-
Donated fixed assets	(2,436)	-
Increase/(decrease) in accounts payable and accrued expenses	(681)	3,674
Net cash provided/(used) by operating activities	<u>(86,724)</u>	<u>80,938</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	<u>(19,445)</u>	<u>(11,402)</u>
Net cash used in investing activities	<u>(19,445)</u>	<u>(11,402)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal payments on loan	<u>(3,642)</u>	<u>(3,385)</u>
Net cash used in financing activities	<u>(3,642)</u>	<u>(3,385)</u>
Net increase/ (decrease) in cash and cash equivalents	(109,811)	66,151
Cash and cash equivalents - beginning of year	602,601	536,450
Cash and cash equivalents - end of year	\$ <u><u>492,790</u></u>	\$ <u><u>602,601</u></u>
<b>Supplemental Disclosure</b>		
Cash paid during the year for interest	\$ <u><u>264</u></u>	\$ <u><u>521</u></u>
<b>CASH AND CASH EQUIVALENTS consist of the following:</b>		
Cash and cash equivalents - Unrestricted	\$ 481,845	\$ 586,261
Cash and cash equivalents - Restricted for scholarships	10,945	16,340
	\$ <u><u>492,790</u></u>	\$ <u><u>602,601</u></u>

*The accompanying notes are an integral part of these financial statements.*



KIDS IN THE MIDDLE, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2019

	Program Services				Supporting Services		2019 Total
	Agency Based Services	School Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising	
Salaries	\$ 544,639	\$ -	\$ 20,742	\$ 25,993	\$ 144,243	\$ 125,406	\$ 861,023
Employee benefits	50,860	-	2,668	2,906	14,516	10,822	81,772
Payroll taxes	42,411	-	1,564	1,969	10,632	9,540	66,116
Occupancy	169,985	-	1,909	1,909	11,456	5,729	190,988
Technology	37,261	-	1,253	1,253	4,543	8,669	52,979
Professional fees	33,103	-	183	183	8,891	551	42,911
In-kind services	4,741	-	-	-	-	-	4,741
Supplies	7,867	-	14	14	328	779	9,002
Liability Insurance	15,809	-	178	178	1,065	533	17,763
Marketing	1,027	-	8	8	46	1,163	2,252
Board/volunteer	2,061	-	23	23	180	69	2,356
Printing	934	-	1	1	6	3	945
Staff expenses	9,084	-	56	56	1,094	1,298	11,588
Phone	5,133	-	197	197	722	656	6,905
Postage	559	-	6	6	38	192	801
Equipment maintenance	1,021	-	14	14	95	63	1,207
Travel expense	430	-	-	-	-	-	430
Other fund development expenses	-	-	-	-	-	10,999	10,999
Depreciation and amortization	21,232	-	198	198	1,188	594	23,410
Miscellaneous	471	-	1	1	938	867	2,278
Interest expense	-	-	-	-	264	-	264
Total	<u>\$ 948,628</u>	<u>\$ -</u>	<u>\$ 29,015</u>	<u>\$ 34,909</u>	<u>\$ 200,245</u>	<u>\$ 177,933</u>	<u>\$ 1,390,730</u>

The accompanying notes are an integral part of these financial statements.

KIDS IN THE MIDDLE, INC.  
Statement of Functional Expenses  
For the Year Ended December 31, 2018

	Program Services				Supporting Services		2018 Total
	Agency Based Services	School Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising	
Salaries	\$ 559,713	\$ 79,519	\$ 26,630	\$ 25,833	\$ 129,593	\$ 132,581	\$ 953,869
Employee benefits	58,168	10,051	3,820	2,734	12,052	10,786	97,611
Payroll taxes	43,885	6,587	2,080	2,030	10,011	10,391	74,984
Occupancy	163,466	3,778	1,880	1,880	11,275	5,636	187,915
Technology	32,626	6,863	1,140	1,140	3,172	8,621	53,562
Professional fees	37,368	526	276	276	3,553	858	42,857
In-kind services	7,084	-	-	-	-	-	7,084
Supplies	9,422	1,058	37	15	218	290	11,040
Liability Insurance	11,353	421	132	132	793	397	13,228
Marketing	1,332	-	1	1	6	843	2,183
Board/volunteer	1,272	29	15	15	158	44	1,533
Printing	3,207	-	-	-	-	-	3,207
Staff expenses	6,588	28	46	46	645	1,515	8,868
Phone	4,189	586	172	172	473	651	6,243
Postage	1,021	20	10	10	63	31	1,155
Equipment maintenance	2,177	28	20	17	94	70	2,406
Travel expense	1,090	29	-	-	-	-	1,119
Other fund development expenses	-	-	-	-	-	12,444	12,444
Depreciation and amortization	22,748	541	221	221	1,327	663	25,721
Miscellaneous	1,637	3	29	2	1,794	3,889	7,354
Interest expense	-	-	-	-	521	-	521
Total	<u>\$ 968,346</u>	<u>\$ 110,067</u>	<u>\$ 36,509</u>	<u>\$ 34,524</u>	<u>\$ 175,748</u>	<u>\$ 189,710</u>	<u>\$ 1,514,904</u>

The accompanying notes are an integral part of these financial statements.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES**  
December 31, 2019 and 2018

**NOTE 1 – Summary of Significant Accounting Policies**

Nature of Activities

Kids in The Middle, Inc. (the "Organization") is a not-for-profit organization formed for the purpose of providing services for children and parents experiencing the effects of separation, divorce, remarriage and other family transitions. The Organization is supported primarily through client fees, contributions, grants, and the United Way.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization's financial statement presentation follows the requirements of the Financial Accounting Standards Board. Accordingly, the Organization reports its financial position and activities in two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions generally consist of resources available for the various programs and supporting activities of the Organization which have not been restricted by the donor. This class of net assets also includes resources that have been designated by the Organization's governing board for specified purposes.

Net assets with donor restrictions consist of resources that are to be used for specified purposes according to donor-imposed restrictions. These restrictions may expire either by the passage of time or by actions taken by the Organization which fulfill the restriction. This class of net assets also includes resources with perpetual restrictions, and the income from such assets is available for either general operations or specific purposes in accordance with donor stipulations.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

The Organization's cash and cash equivalents consist of demand accounts, cash management funds and money market accounts. Cash and cash equivalents are stated at fair value. Earnings on the cash and equivalents are reflected in the statement of activities.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Investments

Investments are reported at fair value. For contributed investments, fair value of the gift is determined by the market value at the date of donation.

Fair Value Measurements

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Assets and liabilities that are required to be recorded at fair value in the statement of position are categorized based on the inputs to valuation technique as follows:

*Level 1.* These are assets and liabilities where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to access. At December 31, 2019, these assets include listed equity securities and certain money market funds.

*Level 2.* These are assets and liabilities where values are based on the following inputs:

- Quoted prices for similar assets in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

At December 31, 2019, there are no Level 2 assets or liabilities.

*Level 3.* These are assets and liabilities where inputs to the valuation methodology are unobservable and significant to the fair value measurement. At December 31, 2019, there are no Level 3 assets or liabilities.

The fair value measurement level within value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Contributions

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. The Organization reports gifts of cash, grants and other assets as restricted support 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 a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Prepaid Expenses and Deposits

Prepaid expenses include rent, insurance, deposits, and other unexpired user fees. Upon the expiration of the costs, the prepayments are expensed.

Fixed Assets

Fixed assets are stated at cost, if purchased, and fair value at the time of donation, if donated. According to the Organization's capitalization policy, all fixed assets purchased or donated exceeding \$500 are capitalized. Maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from 3 to 10 years.

Deferred Revenues and Expenses

The Organization had deferred revenues in the amount of \$15,836 as of December 31, 2018, which were primarily comprised of donor contributions for fund-raising activities held in 2019. These revenues are recognized in income in the year of the event. There were no deferred revenues recognized in December 31, 2019.

In addition, the Organization has deferred rent expense balances in the amount of \$26,148 and \$34,864, for 2019 and 2018, respectively, to reflect rent-free periods allotted by the lessor. In accordance with ASC 840-20-25-1 through 25-2, lease agreements with rent free or reduced rent periods are required to have the rent expense or rental income be recognized on a straight-line basis over the term of the lease based on the total rental periods.

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. The majority of those expenses are allocated based upon the square footage of the Organization's facilities utilized by the program or supporting activity. Technology, equipment and phone expenses are allocated based upon the full-time equivalent headcount associated with the program or supporting activity. Allocations of salaries and the related compensation expenses are based upon estimates of time and effort.

Revenue Recognition

The Organization reports contributions received and promises to give as increases in net assets without donor restrictions or donor-restricted net assets, depending on the existence and/or nature of any donor restrictions.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

New Accounting Standards Implemented

During 2019, the Organization implemented two newly effective Accounting Standards Updates (ASU). ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update is that the Organization recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. ASU No. 2018-08, *Not-For-Profit Entities (Topic): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions. The adoption of the new standards did not have any impact on previously reported net assets.

Contributed Goods and Services

Contributed services are recognized at fair value if the services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Accordingly, the fair value of legal services and goods donated to the Organization have been recorded in the financial statements and totaled \$7,178 and \$7,084 in 2019 and 2018, respectively.

Many additional individuals volunteer their time and perform a variety of tasks that assist the Organization in carrying out its mission. The value of these contributed services does not meet the criteria for recognition in the financial statements, accordingly, no amount is recognized related to the contributed time.

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.

Income Tax Status

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Service Code. As such, the Organization is only taxed on income from any activities unrelated to its charitable purpose. The Program did not have any unrelated business income for 2019 or 2018; therefore, the statements do not include any provision for income taxes. Additionally, the Organization qualifies for charitable contribution deductions under Section 170(b)(1)(A).

The Organization has adopted the standards for accounting for uncertainty in income taxes and management is not aware of any uncertain tax provisions of the Organization related to the tax filings.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 1 – Summary of Significant Accounting Policies (continued)**

Income Tax Status (continued)

The Organization continually evaluates the effects of all tax positions taken including expiring statutes of limitations, tax examinations, unrelated business income and new authoritative rulings. The Organization files federal information returns (Form 990). The statutes of limitations for information returns filed for the years ended December 31, 2016, through 2019 have not expired and therefore are subject to examination.

Reclassifications

Certain amounts in the prior year statement of activities and functional expenses presented have been reclassified to conform to the current year financial statement presentation. These reclassifications have no effect on previously reported net assets.

**NOTE 2 – Concentration of Credit Risk**

The Organization maintains cash deposits in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization's cash deposit accounts, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

The Organization generates receivables and revenues from grant agencies and services provided in the normal course of business. The Organization does not require collateral to secure receivables from these agencies or its clients.

**NOTE 3 – Investments**

Investments are measured and recorded on a recurring basis at fair value and have been categorized based upon the fair value hierarchy for the year ended December 31, 2019.

Investment consist of the following as of December 31, 2019:

	Fair Value	
	Cost Donated Basis	Level 1
Common stock	\$ <u>5,908</u>	\$ <u>5,952</u>

Investment return on the investments consist of unrealized gains of \$44 as of December 31, 2019.

The Organization did not hold any investments at December 31, 2018.

**KIDS IN THE MIDDLE, INC.**  
FINANCIAL STATEMENT NOTES – Continued

**NOTE 4 – Accounts Receivable**

The Organization has receivables related to fees from clients and governmental entities for services performed. Management evaluates the collectability of the receivables on a continuous basis and based upon this analysis, no allowance is recognized at December 31, 2019 and 2018, respectively.

**NOTE 5 – Unconditional Promises to Give**

Unconditional promises to give are recorded as without donor restrictions or with donor restrictions, depending on the existence or nature of any donor-imposed restrictions. The Organization received promises from the United Way and other donors in which payments are scheduled to be made for future operations.

Future payments pursuant to the promises are as follows:

Year Ended December 31,	<u>2019</u>	<u>2018</u>
2019	\$ -0-	\$ 244,627
2020	<u>247,802</u>	<u>-0-</u>
Total	\$ <u>247,802</u>	\$ <u>244,627</u>

**NOTE 6 – Special Events**

Income from special events for the years ended December 31, 2019 and 2018, consist of the following:

<u>2019</u>				
	<u>Annual Gala</u>	<u>Wine Tasting</u>	<u>Other Events</u>	<u>Total</u>
Revenues	\$ 219,521	\$ 72,367	\$ -	\$ 291,888
Expenses	<u>79,187</u>	<u>19,161</u>	<u>-</u>	<u>98,348</u>
Net Income	\$ <u>140,334</u>	\$ <u>53,206</u>	\$ <u>-</u>	\$ <u>193,540</u>

  

<u>2018</u>				
	<u>Annual Gala</u>	<u>Wine Tasting</u>	<u>Other Events</u>	<u>Total</u>
Revenues	\$ 272,330	\$ 54,510	\$ 320	\$ 327,160
Expenses	<u>75,819</u>	<u>17,204</u>	<u>-</u>	<u>93,023</u>
Net Income	\$ <u>196,511</u>	\$ <u>37,306</u>	\$ <u>320</u>	\$ <u>234,137</u>



**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 7 – Fixed Assets**

Fixed assets consist of the following at December 31,

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 171,949	\$ 173,855
Software and license	<u>31,791</u>	<u>35,697</u>
	203,740	209,552
Less: Accumulated depreciation and amortization	<u>(134,520)</u>	<u>(138,803)</u>
Net fixed assets	\$ <u>69,220</u>	\$ <u>70,749</u>

Depreciation and amortization charged against revenues amounted to \$23,410 and \$25,721 during the years ended December 31, 2019 and 2018, respectively.

**NOTE 8 – Note Payable and Equipment Financing**

During 2015, the Organization entered into a financing agreement with Toshiba Financial Services, for purchase of office equipment. This agreement paid the balance of two prior equipment leases and established a note in the amount of \$16,307 with an interest rate of 7.34%. The agreement requires 60 monthly payments of \$326. The balance of the note as of December 31, 2019 and 2018 was \$1,598 and \$5,240, respectively. This obligation is secured by the financed equipment.

**NOTE 9 – Operating Lease Commitments**

In June 2012, the Organization entered into a lease agreement to house all of its administrative and clinical services. The lease term is for 120 months, commencing January 1, 2013, with two five year options. The monthly base rent ranges from \$14,167 to \$17,692 per month.

Rental expense under the Organization's lease commitment totaled \$188,431 and \$183,623 in 2019 and 2018, respectively. Additionally, the Organization was responsible for a portion of the common area maintenance charges in the amounts of \$190 and \$1,648 for the years ended December 31, 2019 and 2018, respectively. Rent and common area maintenance expenses are recorded in occupancy expense in the statements of functional expenses.

**KIDS IN THE MIDDLE, INC.**  
FINANCIAL STATEMENT NOTES – Continued

**NOTE 9 – Operating Lease Commitments (continued)**

Following is a schedule of required future minimum lease payments as of December 31, 2019:

Year Ended December 31,	Amount
2020	\$ 202,076
2021	207,128
2022	<u>212,306</u>
Total	\$ <u>621,510</u>

**NOTE 10 – Letter of Credit**

The Organization has an open-end letter of credit in the amount of \$50,000. Advances on the letter of credit are subject to finance charges from the date of transaction to the date payment is made to the lender. The periodic rate of the finance charge is subject to change, based on the value of a prime rate index. The letter of credit will expire on May 19, 2020. No balance was outstanding as of December 31, 2019 or 2018.

**NOTE 11 – Net Assets**

The Organization's net assets at December 31, 2019 and 2018 were comprised of the following:

	<u>2019</u>	<u>2018</u>
Net Assets		
Without donor restrictions		
Undesignated	\$ 506,177	\$ 560,151
Board-designated funds for medical insurance deductible reimbursement plan	<u>20,000</u>	<u>20,000</u>
Subtotal	526,177	580,151
With donor restrictions:		
Time restricted for future operations	232,546	239,815
Purpose restricted for scholarship funds	9,945	15,340
Perpetual restriction	<u>1,000</u>	<u>1,000</u>
Subtotal	<u>243,491</u>	<u>256,155</u>
Total Net Assets	\$ <u>769,668</u>	\$ <u>836,306</u>

The Organization subsidizes a portion of the annual deductible for its employees under its medical insurance coverage. Board-designated net assets are funds used to pay for claims made by employees under this plan.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 11 – Net Assets (continued)**

Net assets restricted for future operations are comprised of contributions and promises to give for program services and events beyond 2019 and 2018 for the respective years.

Purpose restricted net assets are earmarked as scholarships used to assist with the payment of client service fees for individuals that are in need. Perpetually restricted net assets are maintained in an interest-bearing money market account. Interest earned on this account is used to fund these scholarships.

**Note 12 – Liquidity and Availability of Resources**

The Organization's liquidity management policy is to structure its financial assets so that they are available as general expenditures, liabilities and other obligations come due. As part of this policy, the Organization invests cash in excess of daily requirements in money market funds and certificates of deposits. The Organization has a goal to maintain financial assets on hand sufficient to meet 90 days of normal operating expenses.

As of December 31, 2019 and 2018, financial assets available for general expenses within one year consist of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 481,845	\$ 586,261
Investments	5,952	-
Unconditional promises to give	247,802	244,627
Accounts receivable	19,381	10,911
Prepaid expenses and deposits	<u>30,076</u>	<u>31,846</u>
Total current assets	785,056	873,645
Less:		
Prepaid expenses	(30,076)	(31,846)
Board-designated funds for medical insurance deductible reimbursement plan	<u>(20,000)</u>	<u>(20,000)</u>
Financial assets available to meet cash needs for general expenses within one year	\$ <u>734,980</u>	\$ <u>821,799</u>

As more fully described in Note 10, the Organization also has a letter of credit in the amount of \$50,000, which could be drawn upon in the event of an unanticipated liquidity need.

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 13 – Related Party Transaction**

The Organization paid a company owned by a board member for staffing services. Cost incurred for these services totaled \$7,379 for the year ended December 31, 2019.

**NOTE 14 – Retirement Plan**

The Organization offers employees the opportunity to participate in a Simple Plan. Generally, employees are eligible to participate in the plan if they expect to receive at least \$5,000 in annual compensation. The Organization matches employee contributions from 1% to 3% of the employee's compensation for the calendar year. The Organization matched employee contributions up to 3% in 2019 and 2018. Retirement plan expenses for the calendar years 2019 and 2018 were \$21,675 and \$25,322, respectively.

**NOTE 15 – Contingencies**

The Organization is subject to oversight and audits by various granting organizations, as a condition of contracting with the grant agencies. Such oversight or audits could lead to the disallowance of services and repayment of revenues earned. Management elects not to establish an allowance of potential contingencies, as it believes there is only a minimum likelihood of services being disallowed or cost being repaid.

**NOTE 16 – Subsequent Events**

The Organization has evaluated subsequent events through April 29, 2020, the date the financial statements were available for issue.

During March and April 2020, the Organization's operating activities were restricted as a result of the Coronavirus (COVID-19) outbreak experienced throughout the world. The (COVID-19) resulted in the Organization limiting the services offered and the overall impact and implications on the Organization's operations is unknown at the date the financial statements availability.

On April 22, 2020, the Organization entered into a loan agreement with PNC Bank for \$188,200. This financing was made under the U.S. Small Business Administration's Paycheck Protection Program ("PPP") and was issued pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The financing is a two-year, term note and carries an interest rate of 1.0% per annum. While interest still accrues, interest and principal payments are deferred for six months from the date of loan origination ("deferral period").

**KIDS IN THE MIDDLE, INC.**  
**FINANCIAL STATEMENT NOTES – Continued**

**NOTE 16 – Subsequent Events – (continued)**

The financing facility includes a forgiveness provision, whereby all or a portion of the facility may be forgiven in accordance with the provisions of the PPP program. These provisions require that the loan proceeds be used principally for payroll costs and that staffing be maintained at the same levels prior to the outbreak of the pandemic. The proceeds can also be used for a limited number of operating costs such as rent and utilities, as long as these costs do not exceed 25% of the total amount forgiven.

On the expiration of the deferral period, the outstanding principal balance will convert to an amortizing term loan, payable in equal monthly installments over the remaining term of the loan.

The Organization intends to use the proceeds specifically for payroll and rent costs and anticipates that essentially all of the indebtedness will be forgiven.