



RANDLE & ASSOCIATES, LLC
Certified Public Accountants

KIDS IN THE MIDDLE, INC.

Financial Statements

December 31, 2020 and 2019

(With Independent Auditors' Report Thereon)

KIDS IN THE MIDDLE, INC.

FINANCIAL STATEMENTS

December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kids In The Middle, Inc.

Opinion

We have audited the accompanying financial statements of Kids In The Middle, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids In The Middle, Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Kids In The Middle, Inc. 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.

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 Kids In The Middle, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material

misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kids In The Middle, Inc.'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 Kids In The Middle, Inc.'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.

Rundle & Associates, LLC, CPA

Florissant, Missouri

March 30, 2021

KIDS IN THE MIDDLE, INC.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 499,678	\$ 481,845
Investments	2,607	5,952
Unconditional promises to give	230,601	247,802
Accounts receivable	16,078	19,381
Prepaid expenses and deposits	27,229	30,076
Total current assets	<u>776,193</u>	<u>785,056</u>
Cash restricted for scholarship	7,619	10,945
Fixed assets - net	<u>69,670</u>	<u>69,220</u>
Total Assets	<u>\$ 853,482</u>	<u>\$ 865,221</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 4,452	\$ 13,681
Accrued salaries and related liabilities	52,746	54,126
Accrued interest	1,317	-
Deferred revenue	50,576	-
Notes payable - current portion	-	1,598
Total current liabilities	<u>109,091</u>	<u>69,405</u>
Deferred rent	17,432	26,148
Notes payable - non-current portion	<u>188,200</u>	<u>-</u>
Total Liabilities	\$ 314,723	\$ 95,553
Net Assets		
Without donor restrictions		
Investment in fixed assets	69,670	67,622
Operations	275,433	458,555
Total without donor restrictions	<u>345,103</u>	<u>526,177</u>
With donor restrictions	193,656	243,491
Total Net Assets	<u>538,759</u>	<u>769,668</u>
Total Liabilities and Net Assets	<u>\$ 853,482</u>	<u>\$ 865,221</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, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Public support:						
Contributions	\$ 352,336	\$ 11,100	\$ 363,436	\$ 215,955	\$ 24,561	\$ 240,516
In-kind donations	1,804	-	1,804	7,178	-	7,178
United Way	-	186,037	186,037	-	232,546	232,546
Revenue:						
Fees for services:						
Local government fees	271,368	-	271,368	396,451	-	396,451
Client fees	162,497	-	162,497	252,321	-	252,321
Special events (net of direct expenses of \$36,317 and \$98,348)	50,810	-	50,810	193,540	-	193,540
Realized loss on investments	(22)	-	(22)	(16)	-	(16)
Unrealized gain on investments	30	-	30	44	-	44
Net investment income	353	4	357	1,152	24	1,176
Other	1,190	-	1,190	336	-	336
Total	840,366	197,141	1,037,507	1,066,961	257,131	1,324,092
Net assets released from restrictions	246,976	(246,976)	-	269,795	(269,795)	-
Total support and revenue	1,087,342	(49,835)	1,037,507	1,336,756	(12,664)	1,324,092
EXPENSES:						
Program Services						
Agency based services	840,349	-	840,349	948,628	-	948,628
Court programs	29,469	-	29,469	29,015	-	29,015
Community education and outreach	29,399	-	29,399	34,909	-	34,909
Total program services	899,217	-	899,217	1,012,552	-	1,012,552
Supporting Services						
Management and general	192,412	-	192,412	200,245	-	200,245
Development and fundraising	170,069	-	170,069	177,933	-	177,933
Total supporting services	362,481	-	362,481	378,178	-	378,178
Total expenses	1,261,698	-	1,261,698	1,390,730	-	1,390,730
Loss on disposal of fixed assets	6,718	-	6,718	-	-	-
Change in net assets	(181,074)	(49,835)	(230,909)	(53,974)	(12,664)	(66,638)
Net assets, beginning of year	526,177	243,491	769,668	580,151	256,155	836,306
Net assets, end of year	345,103	193,656	538,759	526,177	243,491	769,668

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (230,909)	\$ (66,638)
Adjustments to reconcile change in net assets :		
Depreciation and amortization	21,369	23,410
Loss on disposal of fixed assets	6,718	-
Unrealized gain on investments	(30)	(44)
(Increase)/decrease in accounts receivable	3,303	(8,470)
(Increase)/decrease in promises to give	17,201	(3,175)
(Increase)/decrease in prepaid expenses	2,847	1,770
Decrease in deferred rent	(8,716)	(8,716)
Increase/(decrease) in deferred revenue	50,576	(15,836)
Donated securities	(2,577)	(5,908)
Donated fixed assets	-	(2,436)
Increase/(decrease) in accounts payable and accrued expenses	(9,292)	(681)
Net cash provided/(used) by operating activities	(149,510)	(86,724)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	5,952	-
Purchase of fixed assets	(28,537)	(19,445)
Net cash used in investing activities	(22,585)	(19,445)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program loan	188,200	-
Principal payments on loan	(1,598)	(3,642)
Net cash used in financing activities	186,602	(3,642)
Net increase/ (decrease) in cash and cash equivalents	14,507	(109,811)
Beginning cash, cash equivalents, and restricted cash	492,790	602,601
Ending cash, cash equivalents, and restricted cash	\$ <u>507,297</u>	\$ <u>492,790</u>
Supplemental Disclosure		
Cash paid during the year for interest	\$ <u>30</u>	\$ <u>264</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, 2020

	Program Services			Supporting Services		2020 Total
	Agency Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising	
Salaries	\$ 436,756	\$ 20,870	\$ 21,333	\$ 139,734	\$ 117,043	\$ 735,736
Employee benefits	55,676	2,495	2,146	16,256	9,159	85,732
Payroll taxes	33,498	1,565	1,610	10,376	8,749	55,798
Occupancy	178,169	2,002	2,002	12,011	6,006	200,190
Technology	38,393	1,379	1,379	5,907	9,525	56,583
Professional fees	32,077	202	202	1,994	603	35,078
In-kind services	1,804	-	-	-	-	1,804
Supplies	8,557	32	32	226	110	8,957
Liability Insurance	16,475	185	185	1,110	555	18,510
Marketing	2,879	2	2	12	1,146	4,041
Board/volunteer	602	7	7	41	20	677
Printing	1,670	5	5	31	15	1,726
Staff expenses	4,989	272	43	358	987	6,649
Phone	5,456	237	237	1,028	949	7,907
Postage	1,012	7	7	44	181	1,251
Equipment maintenance	2,881	32	32	172	107	3,224
Travel expense	-	-	-	-	-	-
Other fund development expenses	-	-	-	-	11,766	11,766
Depreciation and amortization	19,416	177	177	1,067	532	21,369
Miscellaneous	39	-	-	698	2,616	3,353
Interest expense	-	-	-	1,347	-	1,347
Total	<u>\$ 840,349</u>	<u>\$ 29,469</u>	<u>\$ 29,399</u>	<u>\$ 192,412</u>	<u>\$ 170,069</u>	<u>\$ 1,261,698</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	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	\$ 948,628	\$ 29,015	\$ 34,909	\$ 200,245	\$ 177,933	\$ 1,390,730

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

KIDS IN THE MIDDLE, INC.
FINANCIAL STATEMENT NOTES
December 31, 2020 and 2019

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 Company reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions: Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets with Donor Restrictions: Net assets whose use is limited by donor-imposed time and/or purpose restrictions. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restriction unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations or donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization currently has a policy to classify donor restricted contributions as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

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, 2020 and 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, 2020 and 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, 2020 and 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

Deferred revenue reflects amounts received from one of the Organization's local government funders. Such amounts were paid as part of the funder's emergency COVID program and may need to be returned if the funder determines that the funds effectively duplicate amounts the Organization received under other government COVID assistance. These funds will remain classified as deferred revenue until this contingency can be resolved.

In addition, the Organization has deferred rent expense balances in the amount of \$17,432 and \$26,148, for 2020 and 2019, 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 2020, the Organization implemented a newly effective Accounting Standards Update (ASU). ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The objective of this change is to reduce diversity that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This requires that amounts generally described as restricted cash be included with cash when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. The adoption of the new standard did not have any impact on previously reported net assets.

Recent Accounting Pronouncements Issued Not Yet Effective: Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

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 \$1,804 and \$7,178 in 2020 and 2019, 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.

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

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 2020 or 2019; 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.

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, 2017, through 2020 have not expired and therefore are subject to examination.

Paycheck Protection Program Loan

The Organization has a loan that is part of the Paycheck Protection Program (PPP) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and administered by the U.S. Small Business Administration (SBA). In accordance with the requirements of the CARES Act, the Organization expects to use the proceeds from the loan exclusively for qualified expenses under the PPP, including payroll costs and rent, as further detailed in the CARES Act and applicable guidance issued by the SBA. The Organization considers the PPP loan to be debt, subject to the provisions GASB Statement No 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees.

The loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the debtor has been legally released or (2) the debtor pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record an inflow of resources. The Organization intends to apply for forgiveness of all principal and interest, in an amount equal to the sum of qualified expenses under the PPP incurred during the 24 weeks following initial disbursement. Notwithstanding the Organization's expected eligibility for forgiveness, no assurance can be given that the Organization will obtain forgiveness of all or any portion of amounts due.

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.

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

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 years ended December 31, 2020 and 2019.

Investment consists of the following as of December 31, 2020:

	Fair Value	
	Cost Donated Basis	Level 1
Common stock	\$ <u>2,577</u>	\$ <u>2,607</u>

Investment return on the investments consist of unrealized gains of \$30 as of December 31, 2020.

Investment consists 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.

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, 2020 and 2019, 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>2020</u>	<u>2019</u>
2020	\$ -0-	\$ 247,802
2021	<u>230,601</u>	<u>-0-</u>
Total	\$ <u>230,601</u>	\$ <u>247,802</u>

NOTE 6 – Special Events

Income from special events for the years ended December 31, 2020 and 2019, consist of the following:

<u>2020</u>			
	<u>Annual Gala</u>	<u>Wine Tasting</u>	<u>Total</u>
Revenues	\$ 87,127	\$ -	\$ 87,127
Expenses	<u>36,317</u>	<u>-</u>	<u>36,317</u>
Net Income	\$ <u>50,810</u>	\$ <u>-</u>	\$ <u>50,810</u>

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

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

NOTE 7 – Fixed Assets

Fixed assets consist of the following at December 31,

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 159,889	\$ 171,949
Software and license	<u>45,541</u>	<u>31,791</u>
	205,430	203,740
Less: Accumulated depreciation	<u>(135,760)</u>	<u>(134,520)</u>
Net fixed assets	\$ <u>69,670</u>	\$ <u>69,220</u>

Depreciation and amortization charged against revenues amounted to \$21,369 and \$23,410 during the years ended December 31, 2020 and 2019, 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. This obligation was secured by the financed equipment. During 2020, the note was paid in full. It had an outstanding balance of \$1,598 at December 31, 2019.

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 \$198,723 and \$188,431 in 2020 and 2019, respectively. Additionally, the Organization was responsible for a portion of the common area maintenance charges in the amounts of \$5,363 and \$190 for the years ended December 31, 2020 and 2019, respectively. Rent and common area maintenance expenses are recorded in occupancy expense in the statements of functional expenses.

Following is a schedule of required future minimum lease payments as of December 31, 2020:

Year Ended December 31,	Amount
2021	\$ 207,128
2022	<u>212,306</u>
Total	\$ <u>419,434</u>

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

NOTE 10 – Paycheck Protection Program Term Note

On April 22, 2020, the Organization received proceeds of \$188,200 under a term note entered into between the Kids in the Middle, Inc. and PNC Bank pursuant to the Paycheck Protection Program (PPP) guidance established under the CARES Act and administered by the SBA. Loan payments are deferred for the first six months after the date of the disbursement of the funds. After that, the loan and interest would be paid back over a period of 18 months, if the loan is not forgiven under the terms of the PPP. The loan bears interest at a fixed rate of 1% and may be prepaid at any time prior to the maturity date of April 22, 2022, without penalty. The loan contains customary provisions related to events of default, including, among others, failure to make payments, bankruptcy, breaches of representations, significant changes in ownership, and material adverse effects. The occurrence of an event of default may result in the collection of the borrowed amount plus accrued interest. The Organization's obligations are not secured by any collateral or personal guarantees. (see Note 17)

NOTE 11 – 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, 2021. No balance was outstanding as of December 31, 2020 or 2019.

NOTE 12 – Net Assets

The Organization's net assets at December 31, 2020 and 2019 were comprised of the following:

	<u>2020</u>	<u>2019</u>
Net Assets		
Without donor restrictions		
Undesignated	\$ 325,103	\$ 506,177
Board-designated funds for medical insurance deductible reimbursement plan	<u>20,000</u>	<u>20,000</u>
Subtotal	345,103	526,177
With donor restrictions:		
Time restricted for future operations	186,037	232,546
Purpose restricted for scholarship funds	6,619	9,945
Perpetual restriction	<u>1,000</u>	<u>1,000</u>
Subtotal	<u>193,656</u>	<u>243,491</u>
Total Net Assets	\$ <u>538,759</u>	\$ <u>769,668</u>

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

NOTE 12 – Net Assets (continued)

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.

Net assets restricted for future operations are comprised of contributions and promises to give for program services and events beyond 2020 and 2019 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 13 – 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, 2020, and 2019, financial assets available for general expenses within one year consist of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 499,678	\$ 481,845
Investments	2,607	5,952
Unconditional promises to give	230,601	247,802
Accounts receivable	16,078	19,381
Prepaid expenses and deposits	<u>27,229</u>	<u>30,076</u>
Total current assets	776,193	785,056
Less:		
Prepaid expenses	(27,229)	(30,076)
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>728,964</u>	\$ <u>734,980</u>

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

Note 13 – Liquidity and Availability of Resources (continued)

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.

NOTE 14 – Related Party Transaction

The Organization paid a company owned by a board member for staffing services. Cost incurred for these services totaled \$1,966 and \$7,379 for the years ended December 31, 2020 and 2019, respectively.

NOTE 15 – 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 2020 and 2019. Retirement plan expenses for the calendar years 2020 and 2019 were \$19,520 and \$21,675, respectively.

NOTE 16 – 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 17 – Subsequent Events

The Organization has evaluated subsequent events through March 30, 2021, the date the financial statements were available for issue.

On January 15, 2021, the Organization received notification that they met the requirements of the PPP loan forgiveness provisions. This resulted in the balance from the PPP loan issued on April 22, 2020, with principal balance in the amount of \$188,200 plus accrued interest of \$1,385 being forgiven and the note was considered paid in full and account was closed.

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

NOTE 17 – Subsequent Events (continued)

On February 20, 2021, the Organization entered into a loan agreement with PNC Bank for \$194,977. The financing was a second draw made under the U.S. Small Business Administration's PPP loan program. The financing is a five-year, term note that carries an interest rate of 1.0% per annum. Similar to the first draw financing, the facility includes forgiveness provisions whereby all or a portion of the facility may be forgiven in accordance with the details of the PPP program. These provisions require that loan proceeds be used principally for payroll costs and a limited number of other operating costs such as rent and utilities, as long as these other operating costs do not exceed 40% of the total amount forgiven.

While interest still accrues, interest and principal payments generally are deferred until any forgiven amount is remitted by the SBA to the Bank, or a determination has been made by the SBA that no portion of the facility will be forgiven. Upon 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.