



RANDLE & ASSOCIATES, LLC
Certified Public Accountants

KIDS IN THE MIDDLE, INC.

Financial Statements

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

KIDS IN THE MIDDLE, INC.

FINANCIAL STATEMENTS

December 31, 2022 and 2021

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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 of the statement of financial position as of December 31, 2022 and 2021 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, 2022 and 2021, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, for the year ended December 31, 2022, Kids In The Middle, Inc. adopted new accounting guidance *ASU 2016-02, Leases (Topic 842)*. Our opinions are not modified with respect to this matter.

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.

Randall & Associates, LLC, CPAs

Florissant, Missouri

March 29, 2023

KIDS IN THE MIDDLE, INC.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 255,884	\$ 476,648
Unconditional promises to give	198,302	193,513
Accounts receivable	37,910	38,633
Prepaid expenses and deposits	17,310	25,255
Total current assets	<u>509,406</u>	<u>734,049</u>
Cash restricted for scholarship	1,501	3,834
Operating lease right-of-use asset	885,704	-
Fixed assets - net	<u>41,008</u>	<u>54,855</u>
Total Assets	<u>\$ 1,437,619</u>	<u>\$ 792,738</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 995	\$ 4,289
Accrued salaries and related liabilities	40,301	42,648
Current portion of right-of-use operating lease liability	174,910	-
Total current liabilities	<u>216,206</u>	<u>46,937</u>
Deferred rent	-	8,716
Right-of-use operating lease liability, net of current portion	<u>710,794</u>	<u>-</u>
Total Liabilities	<u>\$ 927,000</u>	<u>\$ 55,653</u>
Net Assets		
Without donor restrictions		
Investment in fixed assets	41,008	54,855
Operations	272,308	487,553
Total without donor restrictions	<u>313,316</u>	<u>542,408</u>
With donor restrictions	197,303	194,677
Total Net Assets	<u>510,619</u>	<u>737,085</u>
Total Liabilities and Net Assets	<u>\$ 1,437,619</u>	<u>\$ 792,738</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, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE						
Public support:						
Contributions	\$ 393,914	\$ 17,944	\$ 411,858	\$ 279,466	\$ 13,694	\$ 293,160
In-kind donations	4,047	-	4,047	6,879	-	6,879
Governmental grant PPP	-	-	-	385,911	-	385,911
United Way	-	195,802	195,802	-	190,843	190,843
Revenue:						
Fees for services:						
Local government fees	270,257	-	270,257	307,341	-	307,341
Client fees	221,091	-	221,091	183,473	-	183,473
Special events (net of direct expenses of \$59,469 and \$59,451)	100,576	-	100,576	114,222	-	114,222
Realized loss on investments	(33)	-	(33)	(90)	-	(90)
Net investment income	87	1	88	102	1	103
Other	1,346	-	1,346	910	-	910
Total	991,285	213,747	1,205,032	1,278,214	204,538	1,482,752
Net assets released from restrictions	211,121	(211,121)	-	203,517	(203,517)	-
Total support and revenue	1,202,406	2,626	1,205,032	1,481,731	1,021	1,482,752
EXPENSES:						
Program Services						
Agency based services	1,023,571	-	1,023,571	907,703	-	907,703
Court programs	26,482	-	26,482	24,490	-	24,490
Community education and outreach	16,169	-	16,169	16,260	-	16,260
Total program services	1,066,222	-	1,066,222	948,453	-	948,453
Supporting Services						
Management and general	176,045	-	176,045	187,421	-	187,421
Development and fundraising	189,231	-	189,231	148,552	-	148,552
Total supporting services	365,276	-	365,276	335,973	-	335,973
Total expenses	1,431,498	-	1,431,498	1,284,426	-	1,284,426
Change in net assets	(229,092)	2,626	(226,466)	197,305	1,021	198,326
Net assets, beginning of year	542,408	194,677	737,085	345,103	193,656	538,759
Net assets, end of year	313,316	197,303	510,619	542,408	194,677	737,085

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (226,466)	\$ 198,326
Adjustments to reconcile change in net assets :		
Depreciation and amortization	18,358	22,778
PPP loan forgiveness	-	(383,177)
Realized and unrealized (gain)/loss on investments	33	90
(Increase)/decrease in accounts receivable	723	(22,555)
(Increase)/decrease in promises to give	(4,789)	37,088
Decrease in prepaid expenses	7,945	1,974
Decrease in deferred rent	(8,716)	(8,716)
Decrease in deferred revenue	-	(50,576)
Donated securities	(1,774)	(15,781)
Decrease in accounts payable and accrued expenses	(5,641)	(11,578)
Net cash used in operating activities	(220,327)	(232,127)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	1,741	18,298
Purchase of fixed assets	(4,511)	(7,963)
Net cash provided by/ (used) in investing activities	(2,770)	10,335
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Payroll Protection Program loan	-	194,977
Net cash provided by financing activities	-	194,977
Net increase/ (decrease) in cash and cash equivalents	(223,097)	(26,815)
Beginning cash, cash equivalents, and restricted cash	480,482	507,297
Ending cash, cash equivalents, and restricted cash	\$ <u>257,385</u>	\$ <u>480,482</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, 2022

	Program Services			Supporting Services			2022 Total
	Agency Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising		
Salaries	\$ 540,642	\$ 18,035	\$ 8,408	\$ 127,680	\$ 102,301	\$	\$ 797,066
Employee benefits	58,644	2,327	2,367	11,649	10,667		85,654
Payroll taxes	40,127	1,345	645	9,549	7,695		59,361
Occupancy	185,068	2,080	2,079	12,476	6,238		207,941
Technology	42,513	1,563	1,563	7,338	11,608		64,585
Professional fees	88,728	465	440	3,384	35,968		128,985
In-kind services	4,047	-	-	-	-		4,047
Supplies	4,035	26	26	175	217		4,479
Liability Insurance	20,296	228	228	1,368	684		22,804
Marketing	8,136	-	-	2	1,321		9,459
Board/volunteer	883	10	10	60	30		993
Printing	1,072	-	-	-	-		1,072
Staff expenses	6,065	42	42	251	125		6,525
Phone	4,887	219	219	1,030	957		7,312
Postage	199	2	2	13	295		511
Equipment maintenance	728	7	7	37	29		808
Other fund development expenses	-	-	-	-	10,249		10,249
Depreciation and amortization	16,943	129	129	771	386		18,358
Miscellaneous	558	4	4	262	461		1,289
Interest expense	-	-	-	-	-		-
Total	<u>\$ 1,023,571</u>	<u>\$ 26,482</u>	<u>\$ 16,169</u>	<u>\$ 176,045</u>	<u>\$ 189,231</u>	<u>\$</u>	<u>\$ 1,431,498</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, 2021

	Program Services			Supporting Services		2021 Total
	Agency Based Services	Court Programs	Community Education & Outreach	Management and General	Development and Fundraising	
Salaries	\$ 440,673	\$ 16,131	\$ 8,875	\$ 133,338	\$ 96,761	\$ 695,778
Employee benefits	52,117	2,828	2,371	17,309	10,207	84,832
Payroll taxes	33,037	1,207	690	9,811	7,546	52,291
Occupancy	179,595	2,018	2,018	12,108	6,053	201,792
Technology	40,781	1,535	1,535	7,877	11,345	63,073
Professional fees	82,277	155	155	1,651	465	84,703
In-kind services	6,879	-	-	-	-	6,879
Supplies	4,993	20	20	223	141	5,397
Liability Insurance	17,125	192	192	1,154	577	19,240
Marketing	14,647	-	-	-	1,020	15,667
Board/volunteer	508	6	6	34	17	571
Printing	179	-	-	-	-	179
Staff expenses	7,324	50	50	302	541	8,267
Phone	4,326	200	200	998	932	6,656
Postage	471	5	5	32	16	529
Equipment maintenance	1,385	1	1	7	4	1,398
Other fund development expenses	-	-	-	-	10,461	10,461
Depreciation and amortization	21,241	140	140	838	419	22,778
Miscellaneous	145	2	2	322	2,047	2,518
Interest expense	-	-	-	1,417	-	1,417
Total	<u>\$ 907,703</u>	<u>\$ 24,490</u>	<u>\$ 16,260</u>	<u>\$ 187,421</u>	<u>\$ 148,552</u>	<u>\$ 1,284,426</u>

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

KIDS IN THE MIDDLE, INC.
FINANCIAL STATEMENT NOTES

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.

Change in Accounting Principles

For the year ended December 31, 2022, the Organization implemented FASB, *ASU 2016-02, Leases (Topic 842)*. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset. These changes were incorporated in the Organization’s December 31, 2022 financial statements, but did not have an effect on the beginning net assets.

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 assets and liabilities.

Basis of Presentation

The Organization 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.

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

NOTE 1 – Summary of Significant Accounting Policies (continued)

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.

Right to Use Leased Asset

The Organization has recorded right to use lease assets as a result of implementing *ASU 2016-02, Leases (Topic 842)*. The right to use assets are initially measured at an amount to the initial measurement of the related lease liability. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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.

Contributions

Contributions are considered 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.

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.

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

NOTE 1 – Summary of Significant Accounting Policies (continued)

Deferred Revenues and Expenses

The Organization has deferred rent expense balances in the amount of \$8,716 at December 31, 2021, 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. The Organization did not have deferred revenue at December 31, 2022.

Allocation of Expenses

The costs of providing the various programs and activities and in-kind expenses have been allocated among the program services and supporting services benefitted and are summarized on a functional basis in the statement of activities and changes in net assets. These allocations are based on estimates determined by management. All other expenses are directly charged to the functions they benefit.

The expenses that are allocated include the following:

<u>Expenses</u>	<u>Method of Allocation</u>
Salaries and payroll taxes	Estimated time and effort
Employee benefits	Estimated time and effort
Professional fees	Square footage
Supplies	Square Footage
Equipment expenses, technology, and phone	FTE/Square Footage
Occupancy	Square Footage
All other operating expenses	Square Footage

Revenue Recognition

Contributions

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.

Counseling Services

Fees for services are derived from contracts with customers under ASC 606. Client fees consist of revenue from counseling services and is recorded when earned. In addition, fees are also incurred from providing counseling services to children and families and is recognized over time as counseling services are provided. The Organization bills local government agencies on a monthly basis based on the number of units provided for that month, and payment is due upon invoice. The Organization has determined that they act as a principal when providing counseling services and, accordingly, revenue and expenses associated with the services provided are recorded on a gross basis.

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

NOTE 1 – Summary of Significant Accounting Policies (continued)

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 donated to the Organization have been recorded in the financial statements and totaled \$4,047 and \$6,879 in 2022 and 2021, 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.

New Accounting Standards Implemented

The Financial Accounting Standards Board issued Accounting Standards Update *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The ASU is applicable for the Organization's fiscal year 2022, but the Organization elected to early adopt the standard in fiscal year 2021. The new standard require that contributed nonfinancial assets are presented separately in the statement of activities. New disclosures were also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques.

New Accounting Standards Implemented (continued)

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842)*, which require a lessee to recognize assets and liabilities for leases with terms of more than twelve months. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a financing or operating lease. However, unlike current GAAP-which requires only capital leases to be recognized on the statement of financial position- the new ASU will require both financing and operating leases to be recognized on the statement of financial position. Various subsequent accounting standards have been issued by the FASB that clarify, modify, or expand the guidance for Topic 842. In November 2019, the FASB issued *ASU No. 2019-10, Financial Instruments-Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates for Certain Entities*, which provide certain entities that had not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Topic 842 with an additional year deferral of implementation of topic 842. The guidance set forth in Topic 842 is now effective for private companies for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. For the year ended December 31, 2022, the Organization implemented FASB, *ASU 2016-02, Leases (Topic 842)*.

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 2022 or 2021; 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.

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, 2019, through 2022 have not expired and therefore are subject to examination.

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.

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.

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

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, 2022 and 2021. The Organization did not hold any investments at December 31, 2022 and 2021.

The Organization generated net investment income of \$55 and \$13 for the years ended December 31, 2022 and 2021, respectively, consisting of realized and unrealized gains and losses and interest income.

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, 2022 and 2021, 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>2022</u>	<u>2021</u>
2022	\$ -0-	\$ 193,513
2023	<u>198,302</u>	<u>-0-</u>
Total	\$ <u>198,302</u>	\$ <u>193,513</u>

NOTE 6 – Special Events

Income from special events for the years ended December 31, 2022 and 2021, consist of the following:

<u>Annual Gala</u>		
	<u>2022</u>	<u>2021</u>
	<u>Gala</u>	<u>Gala</u>
Revenues	\$ 160,045	\$ 173,673
Expenses	<u>59,469</u>	<u>59,451</u>
Net Income	\$ <u>100,576</u>	\$ <u>114,222</u>

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

NOTE 7 – Fixed Assets

Fixed assets consist of the following at December 31,

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 137,096	\$ 133,904
Software and license	<u>27,500</u>	<u>45,541</u>
	164,596	179,445
Less: Accumulated depreciation	<u>(123,588)</u>	<u>(124,590)</u>
Net fixed assets	\$ <u>41,008</u>	\$ <u>54,855</u>

Depreciation and amortization charged against revenues amounted to \$18,358 and \$22,778 during the years ended December 31, 2022 and 2021, respectively.

NOTE 8 – Operating Lease Commitments

In June 2012, the Organization entered into an operating lease agreement to house all of its administrative and clinical services. The lease term of 120 months, commenced January 1, 2013, with two five-year options. The monthly base rent ranges from \$14,167 to \$17,692 per month. The lease was amended to extend the lease for a 60-month period with payments of \$15,000 per month. The Organization has the right to terminate the lease any time after December 30, 2025. For the year ended December 31, 2022, lease expense consisted of short-term lease cost of \$206,775.

Supplemental cash flow information related to the lease is as follows:

	For the Year Ended December 31,	
	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ -	\$ -
Right-of-use assets obtained in exchange for lease obligations:		
Operating lease	885,704	-

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

NOTE 8 – Lease Commitments (continued)

Supplemental statement of financial position related to leases are as follows:

	For the Year Ended December 31,	
	2022	2021
<i>Operating lease:</i>		
Operating lease right-of-use asset	\$ <u>885,704</u>	\$ _____ -
Other current liabilities	\$ 174,910	\$ _____ -
Operating lease liabilities	<u>710,794</u>	_____ -
Total operating lease liabilities	\$ <u>885,704</u>	\$ _____ -
 <i>Weighted Average Remaining Lease Term</i>		
Operating lease	5 years	0 years
 <i>Weighted Average Discount Rate</i>		
Operating lease	3.16%	0%

Maturities of lease liabilities are as follows:

Year Ended December 31,	Operating Lease
2023	\$ 180,000
2024	180,000
2025	180,000
2026	180,000
2027	<u>180,000</u>
Total lease payments	900,000
Less imputed interest	<u>(14,296)</u>
Total	\$ <u>885,704</u>

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

NOTE 9 – Paycheck Protection Program Term Notes

On April 22, 2020 and February 19, 2021, the Organization received proceeds of \$188,200 and \$194,977, respectively, under term notes 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 were deferred for the first six months after the date of the disbursement of the funds. After that, the loan and interest were to be paid back over a period of 18 months, if the loans were not forgiven under the terms of the program. The loans carried a fixed interest rate of 1%, which could be prepaid at any time prior to the maturity dates of April 22, 2022 and February 19, 2023 without penalty. The loans contained 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 could result in the collection of the borrowed amount plus accrued interest. These obligations were not secured by any collateral or personal guarantees.

During the year ended December 31, 2021, the Organization had used the proceeds from the loans exclusively for qualified expenses under the PPP, including payroll costs and rent. On January 15, 2021 and October 29, 2021, the Organization received notifications from the Small Business Administration, that the full amounts of the loans and the related accrued interest had been forgiven in their entirety. The total loans forgiveness of \$385,911 is reflected as a governmental grant in the statement of activities.

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, 2023. No balance was outstanding as of December 31, 2022 or 2021.

NOTE 11 – Donated Services and Goods

The values of noncash donations included in contributions in the financial statements and the corresponding expenses are as follows:

	For the year ended December 31,	
	2022	2021
Contribution services – in-kind	\$ <u>4,047</u>	\$ <u>6,879</u>
Professional services	\$ <u>4,047</u>	\$ <u>6,879</u>

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

NOTE 12 – Net Assets

The Organization's net assets at December 31, 2022 and 2021 were comprised of the following:

	<u>2022</u>	<u>2021</u>
Net Assets		
Without donor restrictions		
Undesignated	\$ 293,316	\$ 522,408
Board-designated funds for medical insurance deductible reimbursement plan	<u>20,000</u>	<u>20,000</u>
Subtotal	<u>313,316</u>	542,408
With donor restrictions:		
Time restricted for future operations	195,802	190,843
Purpose restricted for scholarship funds	501	2,831
Perpetual restriction	<u>1,000</u>	<u>1,000</u>
Subtotal	<u>197,303</u>	<u>194,677</u>
Total Net Assets	\$ <u>510,619</u>	\$ <u>737,085</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.

Net assets restricted for future operations are comprised of contributions and promises to give for program services and events beyond 2022 and 2021 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.

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

Note 13 – Liquidity and Availability of Resources (continued)

As of December 31, 2022, and 2021, financial assets available for general expenses within one year consist of the following:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 255,884	\$ 476,648
Unconditional promises to give	198,302	193,513
Accounts receivable	<u>37,910</u>	<u>38,633</u>
Total financial assets	492,096	708,794
Less:		
Perpetually restricted net assets	(1,000)	(1,000)
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>471,096</u>	\$ <u>687,794</u>

As more fully described in Note 11, 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 engaged a company to assist with the production of its annual gala. A board member is the company's managing partner. Cost incurred for these services totaled \$16,490 and \$13,625 for the years ended December 31, 2022 and 2021, 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 2022 and 2021. Retirement plan expenses for the calendar years 2022 and 2021 were \$21,481 and \$16,728, 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.

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

NOTE 17 – Subsequent Events

The Organization has evaluated subsequent events through March 29, 2023, the date the financial statements were available for issue.