



**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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## **RANDLE & ASSOCIATES, LLC, CPA**

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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

|  | 2022         | 2021       |
|--|--------------|------------|
| <b>ASSETS</b>  |              |            |
| 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   | 509,406      | 734,049    |
| Cash restricted for scholarship                                | 1,501        | 3,834      |
| Operating lease right-of-use asset                             | 885,704      | -          |
| Fixed assets - net   | 41,008       | 54,855     |
| Total Assets   | \$ 1,437,619 | \$ 792,738 |
| <b>LIABILITIES AND NET ASSETS</b>                              |              |            |
| 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                                      | 216,206      | 46,937     |
| Deferred rent  | -            | 8,716      |
| Right-of-use operating lease liability, net of current portion | 710,794      | -          |
| Total Liabilities  | \$ 927,000   | \$ 55,653  |
| Net Assets   |              |            |
| Without donor restrictions                                     |              |            |
| Investment in fixed assets                                     | 41,008       | 54,855     |
| Operations   | 272,308      | 487,553    |
| Total without donor restrictions                               | 313,316      | 542,408    |
| With donor restrictions  | 197,303      | 194,677    |
| Total Net Assets   | 510,619      | 737,085    |
| Total Liabilities and Net Assets                               | \$ 1,437,619 | \$ 792,738 |

*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<br>Restrictions | With Donor<br>Restrictions | Total      | Without Donor<br>Restrictions | With Donor<br>Restrictions | Total      |
| <b>PUBLIC SUPPORT AND REVENUE</b>                                   |                               |                            |            |                               |                            |            |
| 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<br>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  |
| <b>EXPENSES:</b>  |                               |                            |            |                               |                            |            |
| 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

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>          |                   |                   |
| 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                 | <b>(220,327)</b>  | <b>(232,127)</b>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>          |                   |                   |
| 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  | <b>(2,770)</b>    | <b>10,335</b>     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>          |                   |                   |
| Proceeds from Payroll Protection Program loan         | -                 | 194,977           |
| Net cash provided by financing activities             | <b>-</b>          | <b>194,977</b>    |
| Net increase/ (decrease) in cash and cash equivalents | <b>(223,097)</b>  | <b>(26,815)</b>   |
| Beginning cash, cash equivalents, and restricted cash | <b>480,482</b>    | <b>507,297</b>    |
| Ending cash, cash equivalents, and restricted cash    | <b>\$ 257,385</b> | <b>\$ 480,482</b> |

*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<br>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<br>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               |
| <b>Total</b>                    | <b>\$ 907,703</b>     | <b>\$ 24,490</b> | <b>\$ 16,260</b>               | <b>\$ 187,421</b>      | <b>\$ 148,552</b>           | <b>\$</b> | <b>\$ 1,284,426</b> |

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:

| Annual Gala |                   |                   |
|-------------|-------------------|-------------------|
|             | <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>           |
|                                | <b>164,596</b>          | <b>179,445</b>          |
| Less: Accumulated depreciation | <u>(123,588)</u>        | <u>(124,590)</u>        |
| Net fixed assets               | <b>\$ <u>41,008</u></b> | <b>\$ <u>54,855</u></b> |

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   | <b>885,704</b>                  | -    |

**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>               | \$ _____ - |
| <br><i>Weighted Average Remaining Lease Term</i> |                                 |            |
| Operating lease                                  | 5 years                         | 0 years    |
| <br><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   | <b>313,316</b>           | 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   | <b>\$ <u>510,619</u></b> | <b>\$ <u>737,085</u></b> |

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   | <u>492,096</u>    | 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.