

KIDS IN NEED FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Kids in Need Foundation
Roseville, Minnesota

We have audited the accompanying financial statements of Kids in Need Foundation (the Foundation), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Board of Directors
Kids in Need Foundation

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids in Need Foundation 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 22, 2021

**KIDS IN NEED FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 633,579	\$ 138,505
Promises to Give	991,145	370,845
Inventory	7,531,358	5,122,160
Prepaid Expenses	21,246	27,615
Total Current Assets	9,177,328	5,659,125
EQUIPMENT AND IMPROVEMENTS, NET	102,834	137,656
OTHER ASSETS		
Investments	951,251	873,682
Deposits	11,214	13,242
Promises to Give, Long-Term	15,000	85,868
Total Other Assets	977,465	972,792
Total Assets	\$ 10,257,627	\$ 6,769,573
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 163,516	\$ 49,315
Accrued Expenses and Deferred Revenue	288,242	57,718
Current Maturities of Note Payable	2,300	-
Total Current Liabilities	454,058	107,033
NOTES PAYABLE, NET OF CURRENT PORTION	147,700	-
Total Liabilities	601,758	107,033
NET ASSETS		
Without Donor Restrictions	9,237,712	6,308,100
With Donor Restrictions	418,157	354,440
Total Net Assets	9,655,869	6,662,540
Total Liabilities and Net Assets	\$ 10,257,627	\$ 6,769,573

See accompanying Notes to Financial Statements.

KIDS IN NEED FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS						
Public Support:						
Donations	\$ 664,687	\$ 7,000	\$ 671,687	\$ 515,569	\$ 179,778	\$ 695,347
Government Grant Revenue	323,700	-	323,700	-	-	-
In-Kind - Merchandise	47,769,945	-	47,769,945	62,809,682	-	62,809,682
In-Kind - Services	243,531	-	243,531	19,660	-	19,660
Twin Cities Resource Center	126,206	-	126,206	224,087	-	224,087
Second Responder Program	177,387	-	177,387	141,533	-	141,533
School Ready Supplies Program	1,533,703	-	1,533,703	1,392,546	100,000	1,492,546
Teacher Supply Box/Grants	768,503	210,251	978,754	313,660	15,000	328,660
Total Public Support	<u>51,607,662</u>	<u>217,251</u>	<u>51,824,913</u>	<u>65,416,737</u>	<u>294,778</u>	<u>65,711,515</u>
Revenue:						
Affiliate Network Revenue	17,250	-	17,250	16,750	-	16,750
Net Investment Return	64,716	8,972	73,688	124,296	9,662	133,958
Special Events, Net	7,742	-	7,742	189,496	-	189,496
Backpack Purchase Program	2,200	-	2,200	11,866	-	11,866
Summit	-	-	-	6,250	-	6,250
Total Revenue	<u>91,908</u>	<u>8,972</u>	<u>100,880</u>	<u>348,658</u>	<u>9,662</u>	<u>358,320</u>
Net Assets Released from Restrictions	<u>162,506</u>	<u>(162,506)</u>	<u>-</u>	<u>4,101,249</u>	<u>(4,101,249)</u>	<u>-</u>
Total Revenue, Support, and Gains	51,862,076	63,717	51,925,793	69,866,644	(3,796,809)	66,069,835
EXPENSES						
Program Services	46,659,392	-	46,659,392	63,294,162	-	63,294,162
Management and General	1,462,970	-	1,462,970	818,236	-	818,236
Fundraising	810,102	-	810,102	556,348	-	556,348
Total Expenses	<u>48,932,464</u>	<u>-</u>	<u>48,932,464</u>	<u>64,668,746</u>	<u>-</u>	<u>64,668,746</u>
CHANGE IN NET ASSETS	2,929,612	63,717	2,993,329	5,197,898	(3,796,809)	1,401,089
Net Assets - Beginning of Year	<u>6,308,100</u>	<u>354,440</u>	<u>6,662,540</u>	<u>1,110,202</u>	<u>4,151,249</u>	<u>5,261,451</u>
NET ASSETS - END OF YEAR	<u>\$ 9,237,712</u>	<u>\$ 418,157</u>	<u>\$ 9,655,869</u>	<u>\$ 6,308,100</u>	<u>\$ 354,440</u>	<u>\$ 6,662,540</u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Wages, and Benefits	\$ 561,176	\$ 987,420	\$ 676,634	\$ 2,225,230
Professional Fees	4,198	181,239	18,624	204,061
Utilities	6,641	29,885	14,943	51,469
Supplies and Postage	4,584	1,235	1,010	6,829
Dues and Fees	1,875	9,003	22,696	33,574
Depreciation	-	44,007	-	44,007
Travel	18,689	100	-	18,789
Gift-in-Kind Distribution	44,951,063	-	-	44,951,063
Insurance	785	3,532	1,766	6,083
Fundraising	-	-	7,258	7,258
Advertising	-	69,102	-	69,102
Board Meetings	-	2,346	-	2,346
Development	-	-	-	-
Freight	101,412	2,356	965	104,733
Product Purchases	961,637	-	-	961,637
Equipment and Lease Expense	919	4,135	2,068	7,122
Occupancy	31,648	55,709	38,170	125,527
Bad Debt Expense	-	337	-	337
Information Technology	14,696	66,657	33,066	114,419
Other Expenses	69	5,907	160	6,136
Total Operating Expenses by Function	<u>46,659,392</u>	<u>1,462,970</u>	<u>817,360</u>	<u>48,939,722</u>
Direct Special Events Expense	<u>-</u>	<u>-</u>	<u>(7,258)</u>	<u>(7,258)</u>
Total Expenses	<u><u>\$ 46,659,392</u></u>	<u><u>\$ 1,462,970</u></u>	<u><u>\$ 810,102</u></u>	<u><u>\$ 48,932,464</u></u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Wages, and Benefits	\$ 642,033	\$ 372,142	\$ 459,677	\$ 1,473,852
Professional Fees	17,806	173,843	8,933	200,582
Utilities	13,969	255	680	14,904
Supplies and Postage	43,439	31,965	25,077	100,481
Dues and Fees	5,004	15,428	3,988	24,420
Depreciation	-	47,888	-	47,888
Travel	41,281	57,483	32,716	131,480
Gift-in-Kind Distribution	61,281,815	14,756	1,270	61,297,841
Insurance	-	11,262	-	11,262
Fundraising	-	-	99,044	99,044
Advertising	25,127	60,256	17,006	102,389
Board Meetings	-	15,579	-	15,579
Development	5,000	-	-	5,000
Freight	155,473	3,268	931	159,672
Product Purchases	900,212	-	-	900,212
Equipment and Lease Expense	8,011	4,888	52	12,951
Occupancy	132,649	6,178	5,814	144,641
Bad Debt Expense	813	1,055	-	1,868
Other Expenses	21,530	1,990	204	23,724
Total Operating Expenses by Function	<u>63,294,162</u>	<u>818,236</u>	<u>655,392</u>	<u>64,767,790</u>
Direct Special Events Expense	<u>-</u>	<u>-</u>	<u>(99,044)</u>	<u>(99,044)</u>
Total Expenses	<u><u>\$ 63,294,162</u></u>	<u><u>\$ 818,236</u></u>	<u><u>\$ 556,348</u></u>	<u><u>\$ 64,668,746</u></u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,993,329	\$ 1,401,089
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Depreciation	44,007	47,888
Bad Debt Expense	337	1,868
Unrealized Gain on Investments	(28,637)	(103,628)
Realized Gain on Investments	(15,765)	(21,397)
Decrease in In-Kind Inventory	(2,409,198)	(1,136,101)
(Increase) Decrease in Assets:		
Pledges Receivable	(549,769)	(288,857)
Deposits	2,028	-
Prepaid Expenses	6,369	10,102
Decrease (Increase) in Liabilities:		
Accounts Payable	114,201	(57,060)
Accrued Expenses and Deferred Revenue	230,524	(165,535)
Net Cash Provided (Used) by Operating Activities	387,426	(311,631)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	(9,185)	(50,589)
Proceeds from Sales of Investments	125,029	530,566
Purchases of Investments	(158,196)	(244,660)
Net Cash Provided (Used) by Investing Activities	(42,352)	235,317
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Line of Credit	342,712	-
Payments on Line of Credit	(342,712)	-
Proceeds from Long-Term Debt	150,000	-
Net Cash Provided by Financing Activities	150,000	-
CHANGE IN CASH AND CASH EQUIVALENTS	495,074	(76,314)
Cash and Cash Equivalents - Beginning of Year	138,505	214,819
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 633,579	\$ 138,505

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

By partnering with teachers and students in under-resourced schools, Kids in Need Foundation (the Foundation) provides the support needed for teachers to teach and learners to learn. Each year through our programs and National Network of Resource Centers, we serve an estimated five million students and 205,000 teachers. The following program and supporting services are included in the accompanying financial statements:

National Network of Resource Centers – The Foundation partners with over 40 resource centers across the country to help distribute much-needed school supplies to students who would otherwise go without. These organizations focus on schools with high percentages of students enrolled in the federal free and reduced lunch program. The resource centers are independently operated by nonprofit organizations that meet the Foundation’s requirements.

Supply A Teacher – Focuses on core mission of providing essential school supplies to the classrooms of children most in need. Successful applicants receive two large boxes containing a predetermined assortment of core items with a retail value of approximately \$500.

Supply A Student – The Foundation seeks sponsors to provide school supplies to children in need. Under this program, the Foundation provides backpacks containing school supplies for children in need. These school supplies are shipped to various schools and approved charities.

Second Responder® – The Foundation provides free school supplies to students who have been affected by a natural disaster, such as a tornado, hurricane, wildfire, or flood, to facilitate their recovery from the trauma of their experiences and help them resume their normal routines.

Kids in Need Foundation Teacher Resource Center - Kids in Need Foundation operates its flagship teacher resource center in Roseville, Minnesota. Our resource center provides educators at eligible schools with critical supplies, at zero cost to them, to empower teaching and educational success. Teachers are eligible to receive free school supplies from Kids in Need Foundation Teacher Resource Center if they teach in a Minnesota school where 50% or more of the student population is enrolled in the National School Lunch Program (NSLP). Our Resource Center serves Minnesota teachers through a variety of distribution channels. For teachers located within the Twin Cities area, we offer an in-store shopping experience or curbside pick-up at our location in Roseville. We also support teachers who are located outside of the Twin Cities through extended services to ensure product makes its way into the hands of under-resourced teachers and students who need them most.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as restricted revenue when received and released from restrictions when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

The Foundation's support comes primarily from corporate and foundation contributions. The Foundation also receives substantial support of in-kind donations. For the year ended December 31, 2020, two donors contributed 34% of the in-kind donations received by the Foundation. For the year ended December 31, 2019, two donors contributed 31% of the in-kind donations received by the Foundation.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of functional expenses. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The main expenses that are allocated include salaries and wages and related employee benefits and payroll taxes which are allocated on the basis of estimates of time and effort.

In-Kind Contributions

Contributed goods and services are recorded at fair value at the date of donation. The Foundation has recorded in-kind donations of products in the amount of \$47,769,945 and \$62,809,682 for the years ended December 31, 2020 and 2019, respectively. The Foundation also receives in-kind services and has recorded in-kind services in the amount of \$243,531 and \$19,660 for the years ended December 31, 2020 and 2019, respectively.

Cash and Cash Equivalents

Cash and short-term investments with original maturities of three months or less are classified as cash equivalents. Periodically during the year, the Foundation may have cash deposits in excess of federally insured limits. The Foundation has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectible promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. At December 31, 2020 and 2019 no allowance was deemed necessary.

Inventory

Inventory consists of in-kind school supplies and backpacks valued at fair market value on the date of the donation. The inventory is distributed through the Twin Cities Resource Center and the School Ready Supplies and Second Responder® Programs. The Center provides classroom supplies to low-income students in the Twin Cities area. Teachers shop free-of-charge at the Center. The backpacks are distributed to low-income students too.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment additions over \$500 are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Affiliate Network Revenue

The Foundation recognizes affiliate network revenue as the funds are received for membership dues. These dues are from those affiliate member organizations joining the Foundation's National Network of Kids in Need Resource Centers.

Advertising Expense

Advertising costs are expensed as incurred. Advertising and promotion expense was \$69,102 and \$102,389 for the years ended December 31, 2020 and 2019, respectively.

Income Taxes

The Foundation is organized as nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). The Foundation is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Foundation is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purpose. The Foundation believes it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Subsequent Events

We have evaluated subsequent events through September 22, 2021, the date the financial statements were available to be issued.

Subsequent to year-end, the Foundation received a loan in the amount of \$397,800 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance to the program.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 633,579	\$ 138,505
Promises to Give	991,145	370,845
Investments	951,251	873,682
Total Financial Assets	<u>2,575,975</u>	<u>1,383,032</u>
Less: Those Unavailable for General Expenditure Within One Year Due to:		
Donor-Restricted to be Maintained in Perpetuity	(162,375)	(163,065)
Donor-Restricted for Specific Programs	(240,251)	(60,000)
Board-Designated for Endowment	<u>(20,141)</u>	<u>(10,084)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,153,208</u>	<u>\$ 1,149,883</u>

NOTE 3 PROMISES TO GIVE

Unconditional promises to give are estimated to be collected as follows at December 31:

	<u>2020</u>	<u>2019</u>
Less than One Year	\$ 991,145	\$ 370,845
In One to Five Years	15,000	85,868
Total	<u>\$ 1,006,145</u>	<u>\$ 456,713</u>

At December 31, 2020, one donor accounted for 65% of total promises to give. At December 31, 2019, three donors accounted for 82% of total promises to give.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31:

	<u>2020</u>	<u>2019</u>
Furniture and Equipment	\$ 72,010	\$ 73,080
Computer Equipment	206,019	205,481
Leasehold Improvements	4,523	4,523
Total	<u>282,552</u>	<u>283,084</u>
Less: Accumulated Depreciation Equipment and Improvements, Net	<u>179,718</u>	<u>145,428</u>
	<u>\$ 102,834</u>	<u>\$ 137,656</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$44,007 and \$47,888, respectively.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES

Certain assets are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

The following table present assets measured at fair value on a recurring basis, at December 31:

	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Mutual Funds	\$ 904,288	\$ -	\$ -	\$ 904,288
Money Market Fund	46,963	-	-	46,963
Total	<u>\$ 951,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,251</u>
	2019			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Mutual Funds	\$ 799,079	\$ -	\$ -	\$ 799,079
Money Market Fund	74,603	-	-	74,603
Total	<u>\$ 873,682</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 873,682</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

Total net assets with donor restrictions are as follows at December 31:

	2020	2019
Subject to Expenditure for Specified Purpose or Time:		
Twin Cities Resource Center	\$ 30,000	45,000
Supply A Teacher	210,251	15,000
Time Restrictions	15,531	131,375
Total Purpose and Time Restrictions	<u>255,782</u>	<u>191,375</u>
Endowment Fund to be Maintained in Perpetuity	<u>162,375</u>	<u>163,065</u>
Total Net Assets with Donor Restrictions	<u>\$ 418,157</u>	<u>\$ 354,440</u>

Net assets were released from donor restrictions as expenses were incurred satisfying the restricted purposes or by the passage of time or the occurrence of other events specified by donors as follows for the years ended December 31:

	2020	2019
Expiration of Time Restrictions	\$ 132,506	\$ 75,000
Satisfaction of Purpose Restrictions:		
Twin Cities Resource Center	15,000	15,000
Supply A Student	-	25,190
Supply A Teacher	15,000	-
Inventory	-	3,986,059
Total Net Assets Released from Donor Restrictions	<u>\$ 162,506</u>	<u>\$ 4,101,249</u>

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 ENDOWMENT

The endowment was established by donors to provide annual funding for general operations. The endowment also includes certain net assets without donor restrictions that have been designated for endowment by the board of directors.

The board of directors has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At December 31, 2020, there were no such donor stipulations. As a result of this interpretation, the Foundation retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts including promises to give at fair value) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. The Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

Endowment net asset composition by type was as follows for the years ended December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	2020 <u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 162,375	\$ 162,375
Board-Designated Endowment Funds	20,141	-	20,141
Total Endowment Net Assets	<u>\$ 20,141</u>	<u>\$ 162,375</u>	<u>\$ 182,516</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	2019 <u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 163,065	\$ 163,065
Board-Designated Endowment Funds	10,084	-	10,084
Total Endowment Net Assets	<u>\$ 10,084</u>	<u>\$ 163,065</u>	<u>\$ 173,149</u>

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 7 ENDOWMENT (CONTINUED)

Endowment related activities were as follows for the years ended December 31:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - January 1, 2020	\$ 10,084	\$ 163,065	\$ 173,149
Contributions	-	3,923	3,923
Investment Income	395	5,049	5,444
Transfer	9,662	(9,662)	-
Endowment Net Assets - December 31, 2020	<u>\$ 20,141</u>	<u>\$ 162,375</u>	<u>\$ 182,516</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - January 1, 2019	\$ -	\$ 5,000	\$ 5,000
Contributions	-	148,403	148,403
Investment Income	10,084	9,662	19,746
Endowment Net Assets - December 31, 2019	<u>\$ 10,084</u>	<u>\$ 163,065</u>	<u>\$ 173,149</u>

Investment and Spending Policies

The Foundation's investment policy for the endowment attempts to provide a predictable stream of funding for operations while seeking to maintain the purchasing power of the endowment assets. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the endowment investments.

The Foundation has not yet adopted a spending policy for the endowment, as funds were recently contributed and not yet at the level for which they would be spent from.

NOTE 8 OPERATING LEASES

The Foundation has an operating lease that started in October 2014 and expires November 2024 for space. The lease has an option to renew for an additional five years. Terms of the lease include tenant inducements, which are abatements to the rental amounts due along with a graduated rent schedule. Tenant abatements of \$10,587 pertained to the first two months of rent. During 2018, the lease agreement was amended to increase the area rented by the Foundation effective January 1, 2018. As a result of the amendment the original base rent amounts were not increased; however, an additional amount is being charged for the additional space.

The Foundation leases office equipment under an operating lease agreement for a monthly payment of \$211. The lease agreement terminated July 2020; however, the Foundation continues to lease the equipment at the same rate month-to-month.

Rent expense on these leases was \$125,527 and \$144,641 for the years ended December 31, 2020 and 2019, respectively.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 8 OPERATING LEASES (CONTINUED)

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 73,509
2022	75,047
2023	76,586
2024	58,305
Total	<u>\$ 283,447</u>

NOTE 9 EMPLOYEE BENEFITS

The Foundation adopted an individual retirement account plan in July 2008 that covers substantially all employees. The covered employees may contribute up to the annual allowable amount as set by the IRS. The Foundation is required to match 100% of its covered employees' elective contributions up to 3% of gross compensation. Beginning in July 2020, the Foundation adopted a 401(k) retirement plan. Employer contributions for the years ended December 31, 2020 and 2019 were \$39,572 and \$31,616, respectively.

NOTE 10 LINE OF CREDIT

Kids in Need Foundation has available for operating needs a secured line of credit with Waterford Bank, which allows it to borrow up to \$450,000 with interest accruing at 4%. It was entered into on July 3, 2020. As of December 31, 2020 and 2019, there was a balance outstanding of \$-0-. The Foundation also had a secured line of credit with Merrill Lynch open from February 2020 to July 2020. Total available borrowings were up to \$419,000 and the interest was based on a rate determined by adding the spread of 2.875% to the one-month LIBOR rate. As of December 31, 2020 and 2019, there was a balance outstanding of \$-0-.

NOTE 11 NOTES PAYABLE

Kids in Need Foundation entered into a loan agreement on July 3, 2020 with the United States Small Business Administration for an Economic Injury Disaster Loan of \$150,000. The loan requires monthly payments of approximately \$613 with an interest rate of 2.75% and matures on July 3, 2050. Below are the future minimum payments:

<u>Year Ending December 31,</u>	<u>Amount</u>
2021	\$ 2,300
2022	3,328
2023	3,421
2024	3,516
2025	3,614
Thereafter	133,821
Total	<u>\$ 150,000</u>

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 12 PAYCHECK PROTECTION PROGRAM

Kids in Need Foundation received a \$313,700 loan under the Paycheck Protection Program created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan was received on May 6, 2020 and was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. This loan has been forgiven subsequent to year-end; however, it is recognized as government grant revenue on the statement of activities as conditions were met to recognize as of December 31, 2020. The SBA may review funding eligibility and usage of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on the Company's financial position.

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