

**KIDS IN NEED FOUNDATION**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**

**KIDS IN NEED FOUNDATION  
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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, which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
December 15, 2020

**KIDS IN NEED FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2019**

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	138,505
Promises to Give		370,845
Inventory		5,122,160
Prepaid Expenses		27,615
Total Current Assets		5,659,125

**EQUIPMENT AND IMPROVEMENTS, Net**

137,656

**OTHER ASSETS**

Investments		873,682
Deposits		13,242
Promises to Give, Long-Term		85,868
Total Other Assets		972,792

Total Assets

\$ 6,769,573

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	49,315
Accrued Expenses and Deferred Revenue		57,718
Total Current Liabilities		107,033

Total Liabilities

107,033

**NET ASSETS**

Without Donor Restrictions		6,308,100
With Donor Restrictions		354,440
Total Net Assets		6,662,540

Total Liabilities and Net Assets

\$ 6,769,573

*See accompanying Notes to Financial Statements.*

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE, SUPPORT, AND GAINS</b>			
Public Support:			
Donations	\$ 515,569	\$ 179,778	\$ 695,347
In-Kind - Merchandise	62,809,682	-	62,809,682
In-Kind - Services	19,660	-	19,660
Twin Cities Resource Center	224,087	-	224,087
Second Responder Program	141,533	-	141,533
School Ready Supplies Program	1,392,546	100,000	1,492,546
Teacher Supply Box/Grants	313,660	15,000	328,660
Total Public Support	<u>65,416,737</u>	<u>294,778</u>	<u>65,711,515</u>
Revenue:			
Affiliate Network Revenue	16,750	-	16,750
Investment Return, Net \$8,342 of Expenses	124,296	9,662	133,958
Gala Recognition Dinner, Net \$99,044 of Related Expenses	189,496	-	189,496
Backpack Purchase Program	11,866	-	11,866
Summit	6,250	-	6,250
Total Revenue	<u>348,658</u>	<u>9,662</u>	<u>358,320</u>
Net Assets Released from Restrictions	<u>4,101,249</u>	<u>(4,101,249)</u>	<u>-</u>
Total Revenue, Support, and Gains	69,866,644	(3,796,809)	66,069,835
<b>EXPENSES</b>			
Program Services	63,294,162	-	63,294,162
Management and General	818,236	-	818,236
Fundraising	556,348	-	556,348
Total Expenses	<u>64,668,746</u>	<u>-</u>	<u>64,668,746</u>
<b>CHANGE IN NET ASSETS</b>	5,197,898	(3,796,809)	1,401,089
Net Assets - Beginning of Year	<u>1,110,202</u>	<u>4,151,249</u>	<u>5,261,451</u>
<b>NET ASSETS - END OF YEAR</b>	<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, 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>\$ 63,294,162</u>	<u>\$ 818,236</u>	<u>\$ 556,348</u>	<u>\$ 64,668,746</u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2019**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$ 1,401,089
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Used by Operating Activities:	
Depreciation	47,888
Bad Debt Expense	1,868
Unrealized (Gain) Loss on Investments	(103,628)
Increase (Decrease) in In Kind Inventory	(1,136,101)
(Increase) Decrease in Assets:	
Pledges Receivable	(288,857)
Prepaid Expenses	10,102
Decrease in Liabilities:	
Accounts Payable	(57,060)
Accrued Expenses and Deferred Revenue	(165,535)
Net Cash Used by Operating Activities	<u>(290,234)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of Equipment	(50,589)
Proceeds from Sales of Investments	530,566
Purchases of Investments	<u>(266,057)</u>
Net Cash Provided by Investing Activities	<u>213,920</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

	(76,314)
Cash and Cash Equivalents - Beginning of Year	<u>214,819</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 138,505</u></u>

*See accompanying Notes to Financial Statements.*



**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

Kids in Need Foundation (the Foundation) is a nonprofit organization established to ensure that every child is prepared to learn and succeed by providing free school supplies nationally to students most in need. 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.

*Teacher Supply Box Program* – 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. A total of 668 teachers received supply boxes in 2019.

*School Ready Supplies Program* – 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. The Foundation served 53,391 students in 2019.

*Second Responder® Program* – 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. This program served 3,510 students in 2019.

*Summit* – The Foundation has an annual conference which offers the staff and volunteers of the Resource Centers in the National Network and other free stores for teachers across the U.S. an opportunity to share best practices and participate in training sessions related to fundraising, merchandising, inventory management, store design, marketing, and other areas of operation.

To avoid the closing of the Twin Cities Resource Center, the Foundation took over the operations of the Center in May 2012. The Center provides school supplies for use in the classrooms by low-income students in the Minneapolis and St. Paul school districts. The Foundation donates to the Twin Cities Resource Center using the same process as the other network resource centers.

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 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, 2019, two donors contributed 31% of the in-kind donations received by the Foundation. For the year ended December 31, 2018, one donor contributed 14% of the contributions received by the Foundation.

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 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 are recorded at fair value at the date of donation. The Foundation has recorded in-kind donations of products in the amount of \$62,829,342 for the year ended December 31, 2019.

**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, 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 STATEMENT  
DECEMBER 31, 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 \$102,389 for the year ended December 31, 2019.

**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 IRC 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.

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**New Accounting Pronouncements**

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in the update assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The Foundation's financial statements reflect the application of ASU 2018-08 guidance using the prospective approach. The adoption of this accounting standard did not impact the Foundation's reported revenue in total.

**Subsequent Events**

We have evaluated subsequent events through December 15, 2020, the date the financial statements were available to be issued.

Subsequent to year-end, a pandemic of COVID-19 was declared by the World Health Organization. This event could impact future transactions and revenue. As of December 15, 2020, the amount and likelihood of loss relating to this event is not determinable. The Foundation received a loan in the amount of \$313,700 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. In addition, the Foundation received a loan in the amount of \$150,000 through the COVID-19 Economic Injury Disaster Loan Application.

**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:

Cash and Cash Equivalents	\$ 138,505
Pledges Receivable	370,845
Investments	<u>873,682</u>
Total Financial Assets	1,383,032
Less: Those Unavailable for General Expenditure	
Within One Year Due to:	
Donor-Restricted to be Maintained in Perpetuity	(153,403)
Board-Designated for Endowment	(10,084)
Pledges Receivable Not to be Received Within the	
Next Year	<u>(85,868)</u>
Financial Assets Available to Meet Cash Needs	
for General Expenditures Within One Year	<u><u>\$ 1,133,677</u></u>

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 3 PROMISES TO GIVE**

Unconditional promises to give are estimated to be collected as follows at December 31, 2019:

Less than One Year	\$ 370,845
In One to Five Years	85,868
Total	<u>\$ 456,713</u>

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

**NOTE 4 PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31, 2019:

Furniture and Equipment	\$ 73,080
Computer Equipment	205,481
Leasehold Improvements	4,523
Total	<u>283,084</u>
Less: Accumulated Depreciation	145,428
Equipment and Improvements, Net	<u>\$ 137,656</u>

Depreciation expense for the year ended December 31, 2019 was \$47,888.

**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.

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)**

*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.

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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**

Net assets with donor restrictions are as follows at December 31, 2019:

Subject to Expenditure for Specified Purpose or Time:	
Twin Cities Resource Center	\$ 45,000
Supply Box Program: Classroom	15,000
Time Restrictions	<u>131,375</u>
Total Purpose and Time Restrictions	191,375
Endowment Fund to be Maintained in Perpetuity	<u>153,403</u>
Total Net Assets with Donor Restrictions	<u>\$ 344,778</u>

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)**

Net assets were released from donor restrictions for the year ended December 31, 2019:

Expiration of Time Restrictions	\$ 75,000
Satisfaction of Purpose Restrictions:	
Twin Cities Resource Center	15,000
School Ready Supplies Program	25,190
Inventory	<u>3,986,059</u>
Total Net Assets Released from Donor Restrictions	<u><u>\$ 4,101,249</u></u>

**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, 2019, 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



**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 7 ENDOWMENT (CONTINUED)**

Endowment net asset composition by type for the year ended December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 153,403	\$ 153,403
Board-Designated Endowment Funds	10,084	-	10,084
Total Endowment Net Assets	<u>\$ 10,084</u>	<u>\$ 153,403</u>	<u>\$ 163,487</u>

Endowment related activities for the year ended December 31, 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment Net Assets - Beginning of Year	\$ -	\$ 5,000	\$ 5,000
Contributions	-	138,741	138,741
Investment Income	10,084	9,662	19,746
Endowment Net Assets - End of Year	<u>\$ 10,084</u>	<u>\$ 153,403</u>	<u>\$ 163,487</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.

**KIDS IN NEED FOUNDATION  
NOTES TO FINANCIAL STATEMENT  
DECEMBER 31, 2019**

**NOTE 8 OPERATING LEASES (CONTINUED)**

The Foundation is recognizing rent expense on a straight line basis so that the graduated rent and benefits of the abatement are spread evenly over the initial lease term. Deferred rent at December 31, 2019 was \$4,344. The Foundation is responsible for "operating expenses" for all interior maintenance and repairs, taxes, and insurance. These expenses are added to the monthly lease payment.

The Foundation leases office equipment under an operating lease agreement for a monthly payment of \$211, which expires July 2020.

Rent expense on these leases was \$144,641 for the year ended December 31, 2019.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 141,759
2021	73,509
2022	75,047
2023	76,586
2024	58,305
Total	<u>\$ 425,206</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 Internal Revenue Service. The Foundation is required to match 100% of its covered employees' elective contributions up to 3% of gross compensation. Employer contributions for the year ended December 31, 2019 were \$31,616.