

KIDS IN NEED FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**KIDS IN NEED FOUNDATION
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	4
STATEMENTS OF FUNCTIONAL EXPENSES	5
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8



INDEPENDENT AUDITORS' REPORT

Board of Directors
Kids in Need Foundation
Roseville, Minnesota

Report on the Audit of the Financial Statements

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the changes in 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kids in Need Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids in Need Foundation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.


Auditors' 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 auditors' 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 GAAS 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 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 GAAS, 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 Need Foundation'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 Need Foundation'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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 11, 2022

**KIDS IN NEED FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,020,434	\$ 633,579
Promises to Give	16,789,897	991,145
Inventory	5,441,006	7,531,358
Prepaid Expenses	20,778	21,246
Total Current Assets	23,272,115	9,177,328
EQUIPMENT AND IMPROVEMENTS, NET	62,013	102,834
OTHER ASSETS		
Investments	1,059,704	951,251
Deposits	11,214	11,214
Promises to Give, Long-Term	-	15,000
Total Other Assets	1,070,918	977,465
Total Assets	\$ 24,405,046	\$ 10,257,627
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 43,973	\$ 163,516
Accrued Expenses and Deferred Revenue	343,323	288,242
Current Maturities of Note Payable	-	2,300
Total Current Liabilities	387,296	454,058
NOTES PAYABLE, NET OF CURRENT PORTION	150,000	147,700
Total Liabilities	537,296	601,758
NET ASSETS		
Without Donor Restrictions	23,204,265	9,237,712
With Donor Restrictions	663,485	418,157
Total Net Assets	23,867,750	9,655,869
Total Liabilities and Net Assets	\$ 24,405,046	\$ 10,257,627

See accompanying Notes to Financial Statements.

KIDS IN NEED FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS						
Public Support:						
Donations - General	\$ 1,113,597	\$ 103,560	\$ 1,217,157	\$ 664,687	\$ 7,000	\$ 671,687
Government Grant Revenue	528,492	-	528,492	323,700	-	323,700
In-Kind - Merchandise	140,532,660	-	140,532,660	47,769,945	-	47,769,945
In-Kind - Services	40,956	-	40,956	243,531	-	243,531
Donations - Programs						
Twin Cities Resource Center	17,500	-	17,500	126,206	-	126,206
Second Responder Program	200,264	-	200,264	177,387	-	177,387
Supply A Student Program	501,993	-	501,993	1,533,703	-	1,533,703
Supply A Teacher Program	1,714,251	378,845	2,093,096	768,503	210,251	978,754
Total Public Support	<u>144,649,713</u>	<u>482,405</u>	<u>145,132,118</u>	<u>51,607,662</u>	<u>217,251</u>	<u>51,824,913</u>
Revenue:						
Affiliate Network Revenue	30,000	-	30,000	17,250	-	17,250
Net Investment Return	80,264	24,981	105,245	64,716	8,972	73,688
Special Events, Net	85,861	-	85,861	7,742	-	7,742
Backpack Purchase Program	-	-	-	2,200	-	2,200
Total Revenue	<u>196,125</u>	<u>24,981</u>	<u>221,106</u>	<u>91,908</u>	<u>8,972</u>	<u>100,880</u>
Net Assets Released from Restrictions	<u>262,058</u>	<u>(262,058)</u>	<u>-</u>	<u>162,506</u>	<u>(162,506)</u>	<u>-</u>
Total Revenue, Support, and Gains	145,107,896	245,328	145,353,224	51,862,076	63,717	51,925,793
EXPENSES						
Program Services	128,874,185	-	128,874,185	46,659,392	-	46,659,392
Management and General	1,435,965	-	1,435,965	1,462,970	-	1,462,970
Fundraising	831,193	-	831,193	810,102	-	810,102
Total Expenses	<u>131,141,343</u>	<u>-</u>	<u>131,141,343</u>	<u>48,932,464</u>	<u>-</u>	<u>48,932,464</u>
CHANGE IN NET ASSETS	13,966,553	245,328	14,211,881	2,929,612	63,717	2,993,329
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 23,204,265</u>	<u>\$ 663,485</u>	<u>\$ 23,867,750</u>	<u>\$ 9,237,712</u>	<u>\$ 418,157</u>	<u>\$ 9,655,869</u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Wages, and Benefits	\$ 760,865	\$ 1,126,048	\$ 719,249	\$ 2,606,162
Professional Fees	19,579	113,860	21,899	155,338
Utilities	30,511	19,444	11,618	61,573
Supplies and Postage	1,253	12,016	912	14,181
Dues and Fees	11,888	11,065	26,942	49,895
Depreciation	-	40,477	-	40,477
Travel	1,285	9,788	-	11,073
Gift-in-Kind Distribution	127,274,800	-	-	127,274,800
Insurance	2,437	1,553	928	4,918
Advertising	-	10,012	-	10,012
Freight	215,674	-	-	215,674
Product Purchases	466,955	-	-	466,955
Equipment and Lease Expense	2,907	1,852	1,107	5,866
Occupancy	37,055	54,844	35,028	126,927
Bad Debt Expense	-	-	-	-
Information Technology	48,666	31,014	18,531	98,211
Other Expenses	310	3,992	118	4,420
Total Operating Expenses by Function	<u>128,874,185</u>	<u>1,435,965</u>	<u>836,332</u>	<u>131,146,482</u>
Direct Special Events Expense	<u>-</u>	<u>-</u>	<u>(5,139)</u>	<u>(5,139)</u>
Total Expenses	<u><u>\$ 128,874,185</u></u>	<u><u>\$ 1,435,965</u></u>	<u><u>\$ 831,193</u></u>	<u><u>\$ 131,141,343</u></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
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
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 14,211,881	\$ 2,993,329
Adjustments to Reconcile Change in Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	40,477	44,007
Bad Debt Expense	-	337
Unrealized Gain on Investments	(73,480)	(28,637)
Realized Gain on Investments	(15,411)	(15,765)
Decrease (Increase) in In-Kind Inventory	2,090,352	(2,409,198)
(Increase) Decrease in Assets:		
Pledges Receivable	(15,783,752)	(549,769)
Deposits	-	2,028
Prepaid Expenses	812	6,369
Increase (Decrease) in Liabilities:		
Accounts Payable	(119,543)	114,201
Accrued Expenses and Deferred Revenue	55,081	230,524
Net Cash Provided by Operating Activities	406,417	387,426
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	-	(9,185)
Proceeds from Sales of Investments	68,619	125,029
Purchases of Investments	(88,181)	(158,196)
Net Cash Used by Investing Activities	(19,562)	(42,352)
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	386,855	495,074
Cash and Cash Equivalents - Beginning of Year	633,579	138,505
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,020,434	\$ 633,579

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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. In 2021, through its programs and National Network of Resource Centers, the Foundation served an estimated 7 million students and 316,000 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 nonprofit organizations across the country to distribute much-needed school supplies to teachers in under-resourced schools. These organizations focus on schools with high percentages of students enrolled in the National School Lunch Program (NSLP). The resource centers are independently operated by nonprofit organizations that meet the Foundation’s requirements.

Supply A Teacher – Provides teachers in underserved schools with a semester’s worth of essential school supplies for their class of students. Donors and partners can fund an individual teacher, school, or entire district with critically needed learning resources.

Supply A Student – Provides a backpack filled with school supplies to a student in need. While individuals can provide support for students, this program inspires groups and companies to come together to host backpack builds, fundraise to adopt an underserved school, or provide company match programs.

Second Responder® – Provides supplies to teachers and students affected by natural disasters. KINF works with local authorities, schools, and sponsors to help students return to their routines with the tools they need to continue their education.

Kids in Need Foundation Teacher Resource Center - Kids in Need Foundation operates its flagship teacher resource center in Roseville, Minnesota. Our Kids in Need Foundation Teacher Resource Center (KINFTRC) 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 KINFTRC if they teach in a Minnesota school where 50% or more of the student population is enrolled in the NSLP. Our KINFTRC serves Minnesota teachers through a variety of distribution channels. For teachers located within the Twin Cities area, we offer an in-store shopping experience 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, 2021 AND 2020**

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, 2021, three donors contributed 72% of the in-kind donations received by the Foundation. For the year ended December 31, 2020, two donors contributed 34% of the in-kind donations received by the Foundation.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 \$140,532,660 and \$47,769,945 for the years ended December 31, 2021 and 2020, respectively. The Foundation also receives in-kind services and has recorded in-kind services in the amount of \$40,956 and \$243,531 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020 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, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment additions over \$2,500 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.

Government Grant Revenue

Grants from the government are recognized when all conditions of such grants are fulfilled or there is reasonable assurance that they will be fulfilled. In 2021, the Foundation complied with the conditions of Employee Retention Credit (ERC) in the amount of \$130,692. The Foundation recognized \$130,692 of government grant revenue related to performance requirements being met and costs being incurred in compliance with the program during the year ended December 31, 2021. The receivable is included in promises to give on the statement of financial position.

Advertising Expense

Advertising costs are expensed as incurred. Advertising and promotion expense was \$10,011 and \$69,102 for the years ended December 31, 2021 and 2020, 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.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

We have evaluated subsequent events through August 11, 2022, the date the financial statements were available to be issued.

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>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,020,434	\$ 633,579
Promises to Give	547,513	137,930
Investments	<u>1,059,704</u>	<u>951,251</u>
Total Financial Assets	2,627,651	1,722,760
Less: Those Unavailable for General Expenditure Within One Year Due to:		
Donor-Restricted to be Maintained in Perpetuity	(166,010)	(162,375)
Donor-Restricted for Specific Programs	(378,845)	(240,251)
Board-Designated for Endowment	<u>-</u>	<u>(20,141)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,082,796</u>	<u>\$ 1,299,993</u>

NOTE 3 PROMISES TO GIVE

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

	<u>2021</u>		<u>2020</u>	
	<u>Gift In Kind</u>	<u>Cash</u>	<u>Gift In Kind</u>	<u>Cash</u>
Less than One Year	\$ 16,242,384	\$ 547,513	\$ 853,215	\$ 137,930
In One to Five Years	-	-	-	15,000
Total	<u>\$ 16,242,384</u>	<u>\$ 547,513</u>	<u>\$ 853,215</u>	<u>\$ 152,930</u>

At December 31, 2021, one donor accounted for 96% of total promises to give. This was a significant one-time donation that crossed fiscal years. At December 31, 2020, one donor accounted for 65% of total promises to give.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31:

	2021	2020
Furniture and Equipment	\$ 72,010	\$ 72,010
Computer Equipment	205,674	206,019
Leasehold Improvements	4,523	4,523
Total	282,207	282,552
Less: Accumulated Depreciation	220,194	179,718
Equipment and Improvements, Net	\$ 62,013	\$ 102,834

Depreciation expense for the years ended December 31, 2021 and 2020 was \$40,477 and \$44,007, respectively.

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.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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:

	2021			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Mutual Funds	\$ 668,320	\$ -	\$ -	\$ 668,320
Fixed Income Mutual Funds	328,410	-	-	328,410
Money Market Fund	62,974	-	-	62,974
Total	<u>\$ 1,059,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,704</u>
	2020			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Mutual Funds	\$ 572,043	\$ -	\$ -	\$ 572,043
Fixed Income Mutual Funds	332,245	-	-	332,245
Money Market Fund	46,963	-	-	46,963
Total	<u>\$ 951,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 951,251</u>

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Subject to Expenditure for Specified Purpose or Time:		
Twin Cities Resource Center	\$ -	\$ 30,000
Supply A Teacher	378,845	210,251
Endowment Earnings	36,003	-
Time Restrictions	82,627	15,531
Total Purpose and Time Restrictions	<u>497,475</u>	<u>255,782</u>
Endowment Fund to be Maintained in Perpetuity	<u>166,010</u>	<u>162,375</u>
Total Net Assets with Donor Restrictions	<u>\$ 663,485</u>	<u>\$ 418,157</u>

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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:

	2021	2020
Expiration of Time Restrictions	\$ 12,688	\$ 132,506
Endowment Spending	9,119	-
Satisfaction of Purpose Restrictions:		
Twin Cities Resource Center	30,000	15,000
Supply A Student	-	-
Supply A Teacher	210,251	15,000
Total Net Assets Released from Donor Restrictions	\$ 262,058	\$ 162,506

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, 2021, 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 STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 ENDOWMENT (CONTINUED)

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

	Without Donor Restrictions	With Donor Restrictions		2021 Total
		Time or Purpose	Perpetual	
Donor-Restricted Endowment Funds	\$ -	\$ 36,003	\$ 166,010	\$ 202,013
Board-Designated Endowment Funds	-	-	-	-
Total Endowment Net Assets	<u>\$ -</u>	<u>\$ 36,003</u>	<u>\$ 166,010</u>	<u>\$ 202,013</u>

	Without Donor Restrictions	With Donor Restrictions		2020 Total
		Time or Purpose	Perpetual	
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>\$ -</u>	<u>\$ 162,375</u>	<u>\$ 182,516</u>

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

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Endowment Net Assets - January 1, 2021	\$ 20,141	\$ -	\$ 162,375	\$ 182,516
Contributions	-	-	3,635	3,635
Investment Income	-	24,981	-	24,981
Distribution	-	(9,119)	-	(9,119)
Transfer	(20,141)	20,141	-	-
Endowment Net Assets - December 31, 2021	<u>\$ -</u>	<u>\$ 36,003</u>	<u>\$ 166,010</u>	<u>\$ 202,013</u>

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
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>\$ -</u>	<u>\$ 162,375</u>	<u>\$ 182,516</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 adopted a spending policy in 2021. After considering returns in the portfolio and the factors listed in the spending policy, up to 5% of the calculated average value of the portfolio may be distributed to support the Foundation programming annually.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 \$129,458 and \$125,527 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 75,047
2023	76,586
2024	58,305
Total	<u>\$ 209,938</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. The Foundation is now required to match 100% of its covered employees' elective contributions up to 5% of gross compensation. Employer contributions for the years ended December 31, 2021 and 2020 were \$74,336 and \$39,572, 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, 2021 and 2020, there was a balance outstanding of \$-0-.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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. Payments were deferred until June 2023. Below are the future minimum payments:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ -
2023	1,710
2024	3,516
2025	3,614
2026	3,715
Thereafter	137,445
Total	<u>\$ 150,000</u>

NOTE 12 PAYCHECK PROTECTION PROGRAM

Kids in Need Foundation received a \$397,800 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 January 26, 2021 and was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. This loan was forgiven on October 22, 2021, and is recognized as government grant revenue on the statement of activities. 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 Foundation's financial position.



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.