

KIDS IN NEED FOUNDATION
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022



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YEARS ENDED DECEMBER 31, 2023 AND 2022**

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, Kids in Need Foundation has restated its net assets as of December 31, 2022 to correct in-kind contribution revenue and promises to give. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids in 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 16, 2024

**KIDS IN NEED FOUNDATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022**

	2023	(Restated) 2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,093,585	\$ 1,991,320
Promises to Give	10,726,925	38,620,563
Inventory	5,389,750	6,691,573
Prepaid Expenses and Other Assets	72,934	41,089
Total Current Assets	18,283,194	47,344,545
EQUIPMENT AND IMPROVEMENTS, NET	66,926	94,132
OTHER ASSETS		
Investments	1,022,487	902,111
Deposits	11,214	11,214
Right-of-Use Asset - Operating Lease	100,777	138,934
Total Other Assets	1,134,478	1,052,259
Total Assets	\$ 19,484,598	\$ 48,490,936
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 72,993	\$ 103,533
Accrued Expenses and Deferred Revenue	197,736	298,682
Operating Lease Liabilities	79,600	70,721
Current Maturities of Note Payable	3,516	3,328
Total Current Liabilities	353,845	476,264
LONG-TERM LIABILITIES		
Operating Lease Liabilities	38,217	69,586
Notes Payable, Net of Current Portion	140,943	144,811
Total Liabilities	533,005	690,661
NET ASSETS		
Without Donor Restrictions	18,085,367	46,560,088
With Donor Restrictions	866,226	1,240,187
Total Net Assets	18,951,593	47,800,275
Total Liabilities and Net Assets	\$ 19,484,598	\$ 48,490,936

See accompanying Notes to Financial Statements.

KIDS IN NEED FOUNDATION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023			2022 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS						
Public Support:						
Donations - General	\$ 1,107,752	\$ -	\$ 1,107,752	\$ 1,187,715	\$ 60,533	\$ 1,248,248
Foundation Grants	187,960	-	187,960	110,000	160,000	270,000
Government Grant Revenue	10,000	-	10,000	-	-	-
In-Kind - Merchandise and Services	41,861,766	-	41,861,766	135,766,059	-	135,766,059
Donations - Programs:						
Twin Cities Resource Center	34,400	-	34,400	30,000	-	30,000
Second Responder Program	133,333	66,667	200,000	143,078	67,000	210,078
Supply A Student Program	2,191,162	186,200	2,377,362	2,076,874	115,000	2,191,874
Supply A Teacher Program	982,372	417,951	1,400,323	1,327,599	585,703	1,913,302
Total Public Support	<u>46,508,745</u>	<u>670,818</u>	<u>47,179,563</u>	<u>140,641,325</u>	<u>988,236</u>	<u>141,629,561</u>
Revenue:						
Affiliate Network Revenue	6,000	-	6,000	30,750	-	30,750
Net Investment Return	119,898	23,456	143,354	(122,589)	(30,061)	(152,650)
Gain on Sale of Equipment	-	-	-	100	-	100
Special Events, Net	61,892	-	61,892	96,383	80,000	176,383
Total Revenue	<u>187,790</u>	<u>23,456</u>	<u>211,246</u>	<u>4,644</u>	<u>49,939</u>	<u>54,583</u>
Net Assets Released from Restrictions	<u>1,068,235</u>	<u>(1,068,235)</u>	<u>-</u>	<u>461,473</u>	<u>(461,473)</u>	<u>-</u>
Total Revenue, Support, and Gains	47,764,770	(373,961)	47,390,809	141,107,442	576,702	141,684,144
EXPENSES						
Program Services	73,552,993	-	73,552,993	115,404,724	-	115,404,724
Management and General	1,702,349	-	1,702,349	1,465,918	-	1,465,918
Fundraising	984,149	-	984,149	880,977	-	880,977
Total Expenses	<u>76,239,491</u>	<u>-</u>	<u>76,239,491</u>	<u>117,751,619</u>	<u>-</u>	<u>117,751,619</u>
CHANGE IN NET ASSETS	(28,474,721)	(373,961)	(28,848,682)	23,355,823	576,702	23,932,525
Net Assets - Beginning of Year as Restated	<u>46,560,088</u>	<u>1,240,187</u>	<u>47,800,275</u>	<u>23,204,265</u>	<u>663,485</u>	<u>23,867,750</u>
NET ASSETS - END OF YEAR	<u>\$ 18,085,367</u>	<u>\$ 866,226</u>	<u>\$ 18,951,593</u>	<u>\$ 46,560,088</u>	<u>\$ 1,240,187</u>	<u>\$ 47,800,275</u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2023**

	Program Services	Management and General	Fundraising	Total
Salaries, Wages, and Benefits	\$ 1,263,524	\$ 1,284,972	\$ 807,533	\$ 3,356,029
Professional Fees	23,785	120,571	10,044	154,400
Lobbyist Fees	-	101,000	-	101,000
Utilities	29,793	19,839	12,581	62,213
Supplies and Postage	11,508	3,911	2,083	17,502
Dues and Fees	3,996	4,634	27,693	36,323
Depreciation	-	27,206	-	27,206
Travel	4,339	3,924	61,408	69,671
Gift-in-Kind Distribution	70,953,330	-	-	70,953,330
Insurance	3,442	2,292	1,454	7,188
Advertising	-	13,311	-	13,311
Freight	226,907	-	-	226,907
Product Purchases	774,072	-	-	774,072
Equipment and Lease Expense	3,135	2,088	1,324	6,547
Occupancy	89,785	70,203	44,119	204,107
Information Technology	68,882	45,868	29,087	143,837
Teacher Grants	125,085	-	-	125,085
Other Expenses	24,063	11,736	20,726	56,525
Total Operating Expenses by Function	73,605,646	1,711,555	1,018,052	76,335,253
Direct Special Events Expense	(52,653)	(9,206)	(33,903)	(95,762)
Total Expenses	<u>\$ 73,552,993</u>	<u>\$ 1,702,349</u>	<u>\$ 984,149</u>	<u>\$ 76,239,491</u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries, Wages, and Benefits	\$ 1,326,910	\$ 1,154,230	\$ 743,370	\$ 3,224,510
Professional Fees	24,467	72,862	12,607	109,936
Utilities	30,490	20,769	11,047	62,308
Supplies and Postage	1,037	22,778	21,493	45,308
Dues and Fees	16,011	14,589	35,731	66,331
Depreciation	-	30,804	-	30,804
Travel	34,241	23,324	12,406	69,971
Gift-in-Kind Distribution	112,719,327	-	-	112,719,327
Insurance	2,654	1,808	962	5,424
Advertising	-	7,042	-	7,042
Freight	291,359	-	-	291,359
Product Purchases	764,219	-	-	764,219
Equipment and Lease Expense	4,186	2,683	1,517	8,386
Occupancy	62,834	54,657	35,203	152,694
Information Technology	56,119	38,226	20,333	114,678
Teacher Grants	50,000	-	-	50,000
Other Expenses	20,870	22,146	7,425	50,441
Total Operating Expenses by Function	<u>115,404,724</u>	<u>1,465,918</u>	<u>902,094</u>	<u>117,772,736</u>
Direct Special Events Expense	<u>-</u>	<u>-</u>	<u>(21,117)</u>	<u>(21,117)</u>
Total Expenses	<u><u>\$ 115,404,724</u></u>	<u><u>\$ 1,465,918</u></u>	<u><u>\$ 880,977</u></u>	<u><u>\$ 117,751,619</u></u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>(Restated) 2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (28,848,682)	\$ 23,932,525
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	27,206	30,804
Unrealized Loss (Gain) on Investments	(108,562)	187,462
Realized Gain on Investments	15,728	(7,955)
(Gain) Loss on Disposal of Assets	-	(100)
Change in Operating Lease Asset and Liability	15,667	1,373
Decrease (Increase) in In-Kind Inventory	1,301,823	(1,250,567)
(Increase) Decrease in Assets:		
Promises to Give	27,893,638	(21,830,666)
Prepaid Expenses	(31,845)	(20,311)
Increase (Decrease) in Liabilities:		
Accounts Payable	(30,540)	59,560
Accrued Expenses and Deferred Revenue	(100,946)	(44,641)
Net Cash Provided by Operating Activities	<u>133,487</u>	<u>1,057,484</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Equipment	-	(62,823)
Proceeds from Sales of Investments	345,119	170,174
Purchases of Investments	<u>(372,661)</u>	<u>(192,088)</u>
Net Cash Used by Investing Activities	(27,542)	(84,737)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on Notes Payable	<u>(3,680)</u>	<u>(1,861)</u>
Net Cash Used by Financing Activities	<u>(3,680)</u>	<u>(1,861)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	102,265	970,886
Cash and Cash Equivalents - Beginning of Year	<u>1,991,320</u>	<u>1,020,434</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,093,585</u>	<u>\$ 1,991,320</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
ROU Asset Obtained in Exchange for New Operating Lease Liability	<u>\$ -</u>	<u>\$ 205,587</u>

See accompanying Notes to Financial Statements.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 2023, the Foundation and our national network supported over 3,966,345 students and 191,519 teachers in 12,857 under-resourced schools, with KINF distributing free school supplies and classroom resources nationwide. 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, 2023 AND 2022**

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, 2023, three donors contributed 52% of the in-kind donations received by the Foundation. For the year ended December 31, 2022, two donors contributed 69% of the in-kind donations received by the Foundation.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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.

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, 2023 and 2022 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 Twin Cities Resource Center provides classroom supplies to low-income students in the Twin Cities area. Teachers shop free-of-charge at the Twin Cities Resource Center. The backpacks are distributed to low-income students too.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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 5 to 7 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.

Leases

Kids in Need Foundation leases office space and equipment and determines if an arrangement is a lease at inception. Operating leases are reported on the financial position as a right-of-use (ROU) asset and lease liability.

ROU assets represent the Foundation's right to use an underlying asset for the lease term and lease liabilities represent the Foundation's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Foundation has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheets.

The individual lease contracts do not provide information about the rate implicit in the lease. Therefore, the Foundation has elected to use the incremental borrowing rate determined using a weighted average of all current outstanding debt. The Foundation has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

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.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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) and is waiting to be received as of August 16, 2024.

Advertising Expense

Advertising costs are expensed as incurred. Advertising and promotion expense was \$5,633 and \$7,042 for the years ended December 31, 2023 and 2022, 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.

Reclassification

Certain 2022 amounts in the accompanying financial statements have been reclassified to conform to the 2023 presentation. These reclassifications have no impact on total net assets.

Subsequent Events

We have evaluated subsequent events through August 16, 2024, the date the financial statements were available to be issued.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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>2023</u>	<u>2022</u>
Cash and Cash Equivalents	\$ 2,093,585	\$ 1,991,320
Promises to Give	490,117	582,013
Investments	<u>1,022,487</u>	<u>902,111</u>
Total Financial Assets	3,606,189	3,475,444
Less: Those Unavailable for General Expenditure Within One Year Due to:		
Donor-Restricted to be Maintained in Perpetuity	(166,010)	(166,010)
Donor-Restricted for Specific Programs	<u>(670,818)</u>	<u>(1,007,702)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,769,361</u>	<u>\$ 2,301,732</u>

NOTE 3 PROMISES TO GIVE

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

	<u>2023</u>		<u>2022 (Restated)</u>	
	<u>Gift In Kind</u>	<u>Cash</u>	<u>Gift In Kind</u>	<u>Cash</u>
Less than One Year	\$ 10,236,808	\$ 490,117	\$ 38,038,550	\$ 582,013
In One to Five Years	-	-	-	-
Total	<u>\$ 10,236,808</u>	<u>\$ 490,117</u>	<u>\$ 38,038,550</u>	<u>\$ 582,013</u>

At December 31, 2023, one donor accounted for 91% of total promise to give. At December 31, 2022, one donor accounted for 98% of total promises to give. This was a significant one-time donation that crossed fiscal years.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment were as follows at December 31:

	<u>2023</u>	<u>2022</u>
Furniture and Equipment	\$ 81,265	\$ 81,265
Computer Equipment	208,380	208,380
Leasehold Improvements	<u>46,654</u>	<u>46,654</u>
Total	336,299	336,299
Less: Accumulated Depreciation	<u>269,373</u>	<u>242,167</u>
Equipment and Improvements, Net	<u>\$ 66,926</u>	<u>\$ 94,132</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$27,206 and \$30,804, respectively.

**KIDS IN NEED FOUNDATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

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
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NOTE 5 FAIR VALUE MEASUREMENTS AND DISCLOSURES (CONTINUED)

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

	2023			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Mutual Funds	\$ 717,885	\$ -	\$ -	\$ 717,885
Fixed Income Mutual Funds	278,191	-	-	278,191
Money Market Fund	26,411	-	-	26,411
Total	\$ 1,022,487	\$ -	\$ -	\$ 1,022,487
	2022			Total
	Level 1	Level 2	Level 3	
Investments:				
Equity Mutual Funds	\$ 613,821	\$ -	\$ -	\$ 613,821
Fixed Income Mutual Funds	244,415	-	-	244,415
Money Market Fund	43,875	-	-	43,875
Total	\$ 902,111	\$ -	\$ -	\$ 902,111

NOTE 6 NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Supply A Teacher	\$ 417,951	\$ 585,702
Supply A Student	186,200	115,000
Rural School Supplies Program	-	160,000
Second Responder	66,667	67,000
Special Events	-	80,000
Endowment Earnings	29,398	5,942
Time Restrictions	-	60,533
Total Purpose and Time Restrictions	700,216	1,074,177
Endowment Fund to be Maintained in Perpetuity	166,010	166,010
Total Net Assets With Donor Restrictions	\$ 866,226	\$ 1,240,187

**KIDS IN NEED FOUNDATION
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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:

	<u>2023</u>	<u>2022</u>
Expiration of Time Restrictions	\$ 60,533	\$ 82,628
Endowment Spending	-	-
Satisfaction of Purpose Restrictions:		
Special Events	80,000	-
Second Responder	67,000	-
Rural School Supplies Program	160,000	-
Supply A Student	115,000	-
Supply A Teacher	<u>585,702</u>	<u>378,845</u>
Total Net Assets Released from Donor Restrictions	<u>\$ 1,068,235</u>	<u>\$ 461,473</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, 2023, 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
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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		2023 Total
		Time or Purpose	Perpetual	
Donor-Restricted Endowment Funds	\$ -	\$ 29,398	\$ 166,010	\$ 195,408
Board-Designated Endowment Funds	-	-	-	-
Total Endowment Net Assets	<u>\$ -</u>	<u>\$ 29,398</u>	<u>\$ 166,010</u>	<u>\$ 195,408</u>

	Without Donor Restrictions	With Donor Restrictions		2022 Total
		Time or Purpose	Perpetual	
Donor-Restricted Endowment Funds	\$ -	\$ 5,942	\$ 166,010	\$ 171,952
Board-Designated Endowment Funds	-	-	-	-
Total Endowment Net Assets	<u>\$ -</u>	<u>\$ 5,942</u>	<u>\$ 166,010</u>	<u>\$ 171,952</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, 2023	\$ -	\$ 5,942	\$ 166,010	\$ 171,952
Contributions	-	-	-	-
Investment Income	-	23,456	-	23,456
Distribution	-	-	-	-
Transfer	-	-	-	-
Endowment Net Assets - December 31, 2023	<u>\$ -</u>	<u>\$ 29,398</u>	<u>\$ 166,010</u>	<u>\$ 195,408</u>

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual	
Endowment Net Assets - January 1, 2022	\$ -	\$ 36,003	\$ 166,010	\$ 202,013
Contributions	-	-	-	-
Investment Income	-	(30,061)	-	(30,061)
Distribution	-	-	-	-
Transfer	-	-	-	-
Endowment Net Assets - December 31, 2022	<u>\$ -</u>	<u>\$ 5,942</u>	<u>\$ 166,010</u>	<u>\$ 171,952</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
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NOTE 8 LEASES

The Foundation leases office space and equipment for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2024.

The following table provides quantitative information concerning the Foundation's leases:

	2023	2022
Operating Lease Costs	\$ 84,337	\$ 76,421
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	\$ 76,585	\$ 75,047
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -	\$ 205,587
Weighted Average Remaining Lease Term:		
Operating Leases	1.3 Years	1.8 Years
Weighted Average Discount Rate:		
Operating Leases	5.75%	5.75%
<u>Year Ending December 31,</u>		
2024	<u>Leases</u>	
2025	\$ 84,062	
Total Lease Payments	38,400	
Less: Interest	122,462	
Present Value of Lease Liabilities	(4,645)	
	\$ 117,817	

Rent expense on these leases was \$94,586 and \$84,126 for the years ended December 31, 2023 and 2022, respectively.

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, 2023 and 2022 were \$102,813 and \$91,047, 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 the greater of 4% per annum or the prime rate. It was entered into on July 3, 2020. As of December 31, 2023 and 2022, there was a balance outstanding of \$-0-.

**KIDS IN NEED FOUNDATION
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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>
2024	\$ 3,516
2025	3,614
2025	3,715
2027	3,818
2028	3,925
Thereafter	<u>125,871</u>
Total	<u><u>\$ 144,459</u></u>

NOTE 12 CONTRIBUTED NONFINANCIAL ASSETS

The value of donated materials and services included in the financial statements for the years ended December 31 is as follows:

	<u>2023</u>	<u>Restated 2022</u>
School Supplies	\$ 35,540,855	\$ 48,077,171
Health and Personal Care Products	4,235,939	80,379,887
Student Incentives	510,213	5,405,687
Wearables	-	663,107
Gift Cards & Professional Services	-	347,935
Other - Miscellaneous	<u>725,900</u>	<u>544,336</u>
Total Contributed Nonfinancial Assets	<u><u>\$ 41,012,907</u></u>	<u><u>\$ 135,418,123</u></u>

All goods and services donated were utilized for programmatic activities and there were no donor restrictions on their use. Contributed goods and services are recorded at fair value at the date of donation. Primarily, the Foundation uses the donor declared value to determine the value. The donor declared value is assumed to be fair value and is reviewed by a member of the Foundation's staff for reasonableness. If the donor declared value is stated at cost on the donor declaration form, then the assumption of cost to fair market value is 2.2 to 1 and that is used for fair market value. If inventory items are purchased (not donated), the value of the inventory is the purchased price. Lastly, if the donor declared value is not provided, the Foundation must reasonably ascertain the valuation. This is done by finding the exact product online via the barcode or conducting valuation research to find a like product online.

**KIDS IN NEED FOUNDATION
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NOTE 12 CONTRIBUTED NONFINANCIAL ASSETS (CONTINUED)

School supplies include items for students to use everyday such as pens, markers, notebooks, arts and craft supplies, games, and other office supplies for the teachers. Health and Personal Care Products include hand sanitizer, Lysol wipes, soap, and other cleaning products. Student Incentives include items teachers could potentially pass out to students as prizes or awards for a job well done such as headphones, assorted sports novelties, board games, etc. Wearables include items such as hats, coats, and other gear. Gift Cards and Professional Services is mainly up of gift cards to various vendors that are given to teachers as well as professional services related to special events held. The other category includes miscellaneous items that do not fit any other category above.

NOTE 13 RESTATEMENT

The December 31, 2022 financial statements were restated to correct the 2022 in-kind contribution revenue and promises to give, decreasing net assets without donor restriction and decreasing promises to give by \$7,917,773.



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