

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2022 AND 2021

**TUGGLE, BURTON & CO., P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Dallas, Texas
972-661-5562**

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITOR

DECEMBER 31, 2022 AND 2021

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REPORT OF INDEPENDENT AUDITOR

To the Board of Directors
Kids in Need of Development, Education, and Relief
Dallas, Texas

Opinion

We have audited the accompanying financial statements of Kids in Need of Development, Education, and Relief (a Texas nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities and change in net assets, cash flows and functional expenses 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 of Development, Education, and Relief as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kids in Need of Development, Education, and Relief 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 of Development, Education, and Relief's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

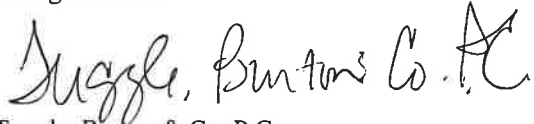
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kids in Need of Development, Education, and Relief'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 of Development, Education, and Relief'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.

A handwritten signature in dark ink, appearing to read "Tuggle, Burton & Co. P.C.", with a stylized flourish at the end.

Tuggle, Burton & Co. P.C.

Dallas, Texas

May 10, 2023

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS

		(As restated)
<u>CURRENT ASSETS</u>	<u>2022</u>	<u>2021</u>
Cash	\$ 691,311	\$ 612,768
Contributions receivable	26,377	13,960
Receivable from employee	-	720
Right-of-use asset, current	14,476	5,100
 TOTAL CURRENT ASSETS	 732,164	 632,548
 <u>PROPERTY AND EQUIPMENT</u>		
Office furniture	3,657	3,657
Office equipment	9,559	9,559
	13,216	13,216
Less accumulated depreciation	(12,587)	(11,411)
 TOTAL PROPERTY AND EQUIPMENT	 629	 1,805
 Investments	10,475	257,473
Security deposit	1,350	1,070
Right-of-use asset, noncurrent	12,512	-
 TOTAL OTHER ASSETS	 24,337	 258,543
 TOTAL ASSETS	 \$ 757,130	 \$ 892,896

LIABILITIES AND NET ASSETS

		(As restated)
<u>CURRENT LIABILITIES</u>	<u>2022</u>	<u>2021</u>
Accounts payable	\$ 18,040	\$ 2,813
Accrued expense	1,375	783
Lease liability, current	14,476	5,100
 TOTAL CURRENT LIABILITIES	 33,891	 8,696
 <u>NONCURRENT LIABILITIES</u>		
Lease liability, noncurrent	12,512	-
 TOTAL CURRENT LIABILITIES	 12,512	 -
 <u>NET ASSETS</u>		
Donor restricted	-	-
Without donor restrictions	710,727	884,200
 TOTAL NET ASSETS	 710,727	 884,200
 TOTAL LIABILITIES AND NET ASSETS	 \$ 757,130	 \$ 892,896

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31,

	2022			2021		
	Without Donor Restrictions	Donor Restricted	Total	Without Donor Restrictions	Donor Restricted	Total
<u>REVENUES AND SUPPORT</u>						
Contributions	546,413	\$ 682,096	\$ 1,228,509	739,646	572,611	\$ 1,312,257
Net assets released from restrictions, satisfaction of purpose restrictions	682,096	(682,096)	-	622,611	(622,611)	-
TOTAL REVENUES AND SUPPORT	1,228,509	-	1,228,509	1,362,257	(50,000)	1,312,257
<u>EXPENSES</u>						
Program service	1,233,847	-	1,233,847	865,869	-	865,869
Total program expenses	1,233,847	-	1,233,847	865,869	-	865,869
Fund-raising	73,705	-	73,705	47,362	-	47,362
Management and general	46,610	-	46,610	46,700	-	46,700
TOTAL EXPENSES	1,354,162	-	1,354,162	959,931	-	959,931
<u>OTHER INCOME (LOSS)</u>						
Forgiveness of Small Business	-	-	-	15,000	-	15,000
Administration Economic Impact Disaster loan	(36,440)	-	(36,440)	(25,449)	-	(25,449)
Loss on currency exchange	(11,380)	-	(11,380)	2,473	-	2,473
Investment income (loss)	(47,820)	-	(47,820)	(7,976)	-	(7,976)
TOTAL OTHER INCOME (LOSS)	(173,473)	-	(173,473)	394,350	(50,000)	344,350
INCREASE (DECREASE) IN NET ASSETS	884,200	-	884,200	489,850	50,000	539,850
<u>NET ASSETS, beginning</u>	<u>\$ 710,727</u>	<u>\$ -</u>	<u>\$ 710,727</u>	<u>\$ 884,200</u>	<u>\$ -</u>	<u>\$ 884,200</u>
<u>NET ASSETS, ending</u>						

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2022</u>	(As restated) <u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from contributions, programs, etc.	\$ 1,216,092	\$ 1,321,330
Cash received from Small Business		
Administration Economic Impact Disaster loan forgiveness	-	15,000
Cash paid to employees	(203,560)	(161,285)
Cash paid to vendors	<u>(1,154,844)</u>	<u>(813,333)</u>
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(142,312)</u>	<u>361,712</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	-	(250,326)
Proceeds on sale of investments	<u>235,618</u>	<u>-</u>
CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>235,618</u>	<u>(250,326)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Payment on lease liability	<u>(14,763)</u>	<u>(13,477)</u>
CASH USED IN FINANCING ACTIVITIES	<u>(14,763)</u>	<u>(13,477)</u>
<u>NET INCREASE IN CASH</u>	78,543	97,909
<u>CASH, beginning of year</u>	<u>612,768</u>	<u>514,859</u>
<u>CASH, end of year</u>	<u>\$ 691,311</u>	<u>\$ 612,768</u>
<u>RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
<u>NET INCOME (LOSS)</u>	\$ (173,473)	\$ 344,350
<u>ADJUSTMENTS TO RECONCILE NET INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
Depreciation	1,176	1,176
Amortization of right-of-use asset	14,763	13,477
Loss (gain) on investments	11,380	(2,473)
Change in asset and liability accounts affecting net income:		
Accounts receivable	(12,417)	9,073
Security deposit	(280)	-
Receivable from employee	720	(720)
Accounts payable	15,227	(350)
Accrued liabilities	<u>592</u>	<u>(2,821)</u>
<u>NET CASH PROVIDED BY (USED IN) OPERATIONS</u>	<u>\$ (142,312)</u>	<u>\$ 361,712</u>

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2021</u>
	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Total</u>	<u>Program</u>	<u>Management</u>	<u>Fundraising</u>	<u>Totals</u>
	<u>Services</u>	<u>and General</u>		<u>Expenses</u>	<u>Services</u>	<u>and General</u>		
Grants and assistance	\$ 979,647	\$ -	\$ -	\$ 979,647	\$ 696,413	\$ -	\$ -	\$ 696,413
Salaries	142,478	28,735	10,963	182,176	107,644	27,892	10,000	145,536
Payroll taxes	10,986	2,216	845	14,047	8,233	2,134	764	11,131
Employee benefits	10,065	2,684	1,342	14,091	8,747	2,333	1,166	12,246
Professional fees	18,843	-	-	18,843	19,997	-	-	19,997
Office expense	2,313	1,816	2,312	6,441	1,547	1,215	1,546	4,308
Information technology expense	12,928	-	-	12,928	9,572	-	-	9,572
Occupancy	14,432	1,943	-	16,375	14,629	1,970	-	16,599
Travel	3,007	-	-	3,007	78	-	-	78
Conference and Meeting Expense	-	-	-	-	-	-	-	-
Bank and credit card charges	3,561	-	-	3,561	2,204	-	-	2,204
Depreciation	-	1,176	-	1,176	-	1,176	-	1,176
Other expenses	35,587	8,040	58,243	101,870	(3,195)	9,980	33,886	40,671
Totals	\$ 1,233,847	\$ 46,610	\$ 73,705	\$ 1,354,162	\$ 865,869	\$ 46,700	\$ 47,362	\$ 959,931

The accompanying notes are an integral part of these financial statements

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NATURE OF BUSINESS

Kids in Need of Development, Education, and Relief (the "Organization" or "Kinder USA") is an organization which was incorporated in January 2002 under the laws of the State of Texas. The Organization is classified as a nonprofit organization under Internal Revenue Code Section 501 (c) 3. The Organization is considered a public charity under Section 170 of the Internal Revenue Code. The Organization's mission is to improve the lives of Palestinian children and other children in crisis through development and emergency relief. The Organization funds programs in Turkey, Lebanon, Gaza, the West Bank, and Pakistan.

The Organization focuses its mission in three areas: (a) Education and Health (b) Nutrition, and (c) Emergency Relief. The Organization funds the following programs in these areas:

(a) Education and Health:

- (i) The Organization supports a school for refugee children hiring teachers and tutors; provides psychosocial support to children through educational and play therapy;
- (ii) The organization conducts weight and height assessments for referrals and as part of a nutritional development program;
- (iii) The Organization supports the youth through theatrical psycho-cultural support.

(b) Nutrition:

- (i) The Organization supports kindergartens through delivery of nutritional lunch prepared by women cooperatives,
- (ii) The Organization works with small scale farmers and women cooperatives for the production of fresh fruits, vegetables, dairy, poultry for distribution with partner organizations in the West Bank and Gaza,
- (iii) The organization provides classes in proper nutrition and food preparation classes to mothers.

(c) Emergency Relief:

- (i) The Organization partners with local organizations to provide food, shelter, and medical care to children and families affected by natural and man-made disasters.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America. The following is a summary of the significant policies.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The financial statements of the Organization were prepared using the accrual basis of accounting. Material amounts of goods and services are recorded as assets or expenses at the time the liabilities arise, which is normally when title to the goods pass or when the services are received. Encumbrances representing outstanding purchase orders and other commitments for materials or services not yet received are not liabilities as of the reporting date.

Reporting

In order to comply with accounting principles generally accepted in the United States of America, the Organization must prepare its external financial statements in accordance with guidance issued by the Financial Accounting Standards Board Accounting Standards Codification Topic 958, Subtopic 205-45 *Not-for-profit Organizations – Presentation of Financial Statements*, which requires that not-for-profit organizations provide a statement of financial position, a statement of activities and cash flows. It requires reporting amounts for the Organization's total assets, liabilities, and net assets in a statement of financial position; reporting the change in the Organization's net assets in statement of activities; reporting the change in its cash and cash equivalents in a statement of cash flows.

This Statement also requires classification of the Organization's net assets and its revenues, expenses, gains, and losses based on the existence or absences of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – (1) donor-restricted, which are composed of assets restricted by the donor as to time, usage and access for donor-specific purposes, and until certain conditions are satisfied, (2) unrestricted, which are donations not restricted by the donor as to time, access or usage - be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities. The Organization has adopted the requirements of Financial Accounting Standards Update 2016-14.

The Organization adopted Topic 606 *Revenue from Contracts with Customers* (ASC 606) with a date of the initial application of January 1, 2019. In accordance with the requirements of this standard, management has evaluated the nature of the Organization's revenue-producing activities and has determined that substantially all of the Organization's support arises from income from investments and contributions from private foundations and individuals. Management has determined that, since contributions are both voluntary and nonreciprocal, such support does not meet the requirements of a customer contract under ASC 606. In addition, investment income revenue streams are excluded from consideration of the requirements of ASC 606.

Allocation of expenses

Management calculates allocation of general expenses to specific programs, fundraising, and administration, utilizing an estimate of time spent by management in these areas. Direct program expenses are allocated directly to associated programs. Compensation is allocated to specific programs based upon an estimate of time spent on each program. Depreciation is allocated based upon usage of assets for each program.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

The Organization's financial instruments are cash and cash equivalents, accounts receivable and accounts payable. The recorded values of cash and cash equivalents, accounts receivable, and accounts payable approximate their fair values based upon their short-term nature.

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property or equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. No property and equipment were donated during the years ended December 31, 2022 and 2021.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash equivalents to include all highly liquid debt instruments with original maturities of three months or less. Certificates of Deposit with maturities of less than 12 months from the balance sheet date are considered to be current assets. The Organization has deposited funds with a financial institution in Belgium, which is denominated in Euros. All balances presented in these financial statements have been converted to U.S. dollars.

Income Taxes

The Organization is a not-for-profit corporation which has been determined by letter dated March 27, 2007 to be exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Under Section 509(a)(2) of the Internal Revenue Code, the Organization is classified as a public charity.

Recent accounting pronouncements

The Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2016-02, Topic 842 *Leases*. Effective December 31, 2022, the Organization has retrospectively adopted the provisions of this ASU. Under this ASU, organizations are required to recognize lease assets and lease liabilities on the balance sheet and to disclose key information about leasing transactions. For more detailed information about leases, see Note 7.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent accounting pronouncements (continued)

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The amendments provide optional guidance for a limited time to ease the potential burden in accounting for reference rate reform. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. The amendments apply only to contracts and hedging relationships that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discounted due to reference rate reform. These amendments are effective upon issuance and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. The Company is currently evaluating the amended guidance and the impact on its financial statements and related disclosures.

Uncertain Tax Positions

Management is required to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized by the Organization is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. The Organization has adopted an accounting standard for uncertain tax positions. Management is required to determine whether a tax position of the Organization is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position.

The tax benefit to be recognized by the Organization is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months. However, management's conclusions are subject to review and adjustment at a later date based on factors including, but not limited to, new tax laws, regulation and administrative interpretations (including relevant court decisions). The Organization's federal tax returns for the years ended December 31, 2019, 2020, and 2021 remain subject to examination by the Internal Revenue Service.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Contributions Receivable

The Organization closely monitors outstanding contributions receivable and charges to expense any balances that are determined to be uncollectible. In determining collectability of accounts receivable, management evaluates the age of the receivable, donor history, and the economic condition of the donor. Management writes off all receivables at the time that the receivable is determined to be uncollectable.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions Receivable (continued)

At December 31, 2022 and 2021 the Organization considers all remaining receivables to be fully collectible. Accordingly, management has determined that no allowance for doubtful accounts is necessary. There were no such accounts in 2022 and 2021. All accounts receivable and promises to give are expected to be received within one year of the date of these financial statements. The organization also receives grants from certain private donors. No federal grant amounts were awarded or received during the years ended December 31, 2022 or 2021.

Concentrations

Funding for the Organization comes from across the United States, with concentrations in Texas and California. As such, the Organization is subject to economic forces affecting these geographic areas. Donations to the Organization, and the accounts receivable associated with those donations, Organization program expenses and administrative costs may all be subject to short- and long-term fluctuations as a result of this concentration. Management has evaluated these concentrations and believe that the Organization's operations will not be significantly affected by these concentrations within one year of the financial statement date. The Organization raises funds through certain fund raising campaigns, and is therefore subject to concentrations related to its fund raising. The results of the Organization's most significant fund-raising campaign at December 31, 2022 and 2021 is as follows:

<u>Campaign Name</u>	<u>2022</u> <u>Revenues</u>	<u>2022</u> <u>% of Revenues</u>	<u>2021</u> <u>Revenues</u>	<u>2021</u> <u>% of Revenues</u>
Ramadan	\$ 682,096	55.52%	\$ 429,086	32.63%

NOTE 2 - DONOR RESTRICTED ASSETS

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support. At December 31, 2022 and 2021, donor restricted net assets were \$-.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Programs for which donor restricted net assets were released as of December 31 are as follows

<u>Program</u>	<u>2022</u>	<u>2021</u>
Nutrition - Farmers/Women Cooperatives	\$ 682,096	\$ 572,611

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 3 - CASH

The Organization maintains cash balances primarily at two financial institutions located in North Texas and Belgium. Deposits held in Belgian banks are insured to 100,000 Euros by the Protection Fund for Deposits and Financial Instruments. At times during the years ended December 31, 2022 and 2021, the Organization's cash balances may exceed the FDIC insured limits. At December 31, 2022 and 2021, the Organization's cash and cash equivalents were \$691,311 and \$612,768. Uninsured bank balances at December 31, 2022 and 2021, were \$245,564 and \$124,821, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT

Fixed assets are recorded at cost. Assets received by gift are recorded at fair market value at the date of gift. Fixed assets are being depreciated using the straight-line basis and the following useful lives:

Office Furniture	7 Years
Office Equipment	3 Years

The Organization capitalizes assets which cost \$1,000, or more, and have a useful life of at least three years. Repairs and maintenance are charged to expense as incurred. Expenditures for major additions and improvements that extend the useful lives of property and equipment are capitalized. Management examines property and equipment annually for impairment, considering service life, obsolescence, future maintenance costs and expected usage. No allowance for impairment is considered necessary for the years ended December 31, 2022 and 2021.

NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability regardless of whether an observable liquid market price existed (an exit price). An exit price valuation will include margins for risk even if they are not observable. As the Organization is released from risk, the margins for risk will also be released through net realized capital gains (losses) in net income. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

KIDS IN NEED OF DEVELOPMENT, EDUCATION, AND RELIEF
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022.

Mutual Funds – The fair value of investments in marketable mutual funds and exchange-traded funds is based on quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization invests in various investments securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the Organization's investments and the amounts reported in the statements of financial position and activities.

Management reviews for other than temporary decline in accordance with the requirements of fair value measurements. The Organization's investments in mutual funds consist primarily of investments in exchange-traded debt and equity securities. Within the fund balance certain individual investments may have fair values measured below cost. The severity of any impairment and the duration of any impairment correlate with current market conditions.

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NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Based upon the near-term prospects of the issuer of any of those securities in relation to the severity and duration of the impairment, and based upon the Organization's ability and intent to hold those investments for a reasonable period of time sufficient for a forecasted recovery of fair value, the Organization does not consider those investments to be other-than-temporary impaired at December 31, 2022

The following table sets forth by level, within the fair value hierarchy, the Organization's assets recognized in the accompanying statement of financial position at fair value on a recurring basis as of December 31, 2022:

	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual Funds	<u>\$ 10,475</u>	<u>\$ 10,475</u>
Total, December 31, 2022	<u>\$ 10,475</u>	<u>\$ 10,475</u>

	<u>Fair Value</u>	<u>(Level 1)</u>
Mutual Funds	<u>\$ 257,473</u>	<u>\$ 257,473</u>
Total, December 31, 2021	<u>\$ 257,473</u>	<u>\$ 257,473</u>

The change in investment value for the year ended December 31, 2022 and 2021 consist solely of unrealized gains and losses:

<u>Investment</u>	<u>Cost</u>	<u>Value</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds	<u>\$ 4,383</u>	<u>\$ 10,475</u>	<u>\$ 6,092</u>
Total, December 31, 2022	<u>\$ 4,383</u>	<u>\$ 10,475</u>	<u>\$ 6,092</u>
Unrealized gain recognized			
In prior year			<u>99</u>
Cost basis adjustment			<u>(8,606)</u>
Unrealized loss as of			
December 31, 2022			<u>\$ (2,415)</u>

The change in investment value for the year ended December 31, 2022 consisted of:

	<u>Fair Value</u>
Realized loss	<u>\$ (16,573)</u>
Interest and dividend income	<u>7,608</u>
Unrealized loss	<u>\$ (2,415)</u>
Total, December 31, 2022	<u>\$ (11,380)</u>

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NOTE 5 - FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

<u>Investment</u>	<u>Cost</u>	<u>Value</u>	Unrealized Gains (Losses)
Mutual Funds	\$ 252,850	\$ 257,473	\$ 4,623
Total, December 31, 2021	\$ 252,850	\$ 257,473	\$ 4,623
Unrealized loss recognized			
In prior year			(2,507)
Cost basis adjustment			245
Unrealized gain as of			
December 31, 2021			\$ 2,361

The change in investment value for the year ended December 31, 2021 consisted of:

	<u>Fair Value</u>
Realized loss	\$ 112
Unrealized gain	\$ 2,361
Total, December 31, 2021	\$ 2,473

NOTE 6 - RETIREMENT PLAN CONTRIBUTION

The Organization contributes annually to a key employee's Individual Retirement Account ("IRA"). The amount of the discretionary contribution is determined by the Organization on an annual basis. The Organization made discretionary contributions of \$4,322 and \$4,855 to the IRA for the years ended December 31, 2022 and 2021, respectively.

NOTE 7 – RIGHT OF USE ASSETS AND RELATED LIABILITIES

The Organization has adopted the provisions of ASU No. 2016- 02, Topic 842. In accordance with the requirements of this ASU, the Organization has reflected right of use assets ("ROU") and related operating lease liabilities on the face of these financial statements. The ROU reflects lease agreements for which there is a substantial transfer of control or ownership of the underlying asset. These assets are amortized over the term of the lease agreement through October 31, 2024, utilizing an annual escalation in cost of 4.5% in the lease agreement. Management has determined that any discount associated with the net present value was for the years ended December 31, 2022 and 2021 is not significant.

For the years ended December 31, 2022 and 2021, amortization expense was \$14,763 and \$13,477, respectively. The total remaining lease payments were as follows:

2023	\$ 14,476
2024	12,512
	<u>\$ 26,988</u>

In accordance with the requirements of ASU No. 2016-02, Topic 842 *Leases*, the Organization has restated the financial statements as of December 31, 2021.

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NOTE 7 – RIGHT OF USE ASSETS AND RELATED LIABILITIES (continued)

The effects of this restatement are as follows:

	<u>Assets</u>	<u>Liabilities</u>
Balance, December 31, 2021, as previously reported	\$ 887,796	\$ 3,596
Restatement, revised lease accounting	<u>5,100</u>	<u>5,100</u>
Balance, December 31, 2021, as restated	<u>\$ 892,896</u>	<u>\$ 8,696</u>

NOTE 8 – LIQUIDITY AND AVAILABILITY

For purposes of analyzing resources available to meet general expenditures for the year ended December 31, 2023, the Organization considers financial assets that will be collected and available for 2023 programs that are ongoing to the Organization. Financial assets available within one year consisted of cash and cash equivalents of \$691,311, marketable securities of \$10,475 and net accounts receivable of \$26,377 as of December 31, 2022. The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 9 – RISKS, UNCERTAINTIES AND VULNERABILITIES

The Organization depends heavily on grants and donations for its revenue. The ability of the Organization to obtain new grants and the ability of the Organization's donors to continue giving amounts comparable with 2022 may be dependent upon current and future overall economic conditions and the continued deductibility for income tax purposes of donations to the Organization. While the Organization's Board of Directors believes the Organization has the resources to continue its programs, its ability to do so and the extent to which it continues, may be dependent on economic conditions.

NOTE 10 - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the Organization's various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted utilizing an estimated percentage of time spent by management on each program. Direct charges to each program have been directly allocated to the specific program affected.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 10, 2023, the date of the audit report, which is also the date which the financial statements were available to be issued. Management has determined that there are no significant subsequent events required to be disclosed in these financial statements.