

H.I.S. K.I.D.S. INC.
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2019

H.I.S. K.I.D.S. INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
H.I.S. K.I.D.S. Inc.

We have audited the accompanying financial statements of H.I.S. K.I.D.S. Inc. (a non-profit corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of H.I.S. K.I.D.S. Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Fick, Eggemeyer & Williamson, CPAs
Saint Louis, Missouri
October 9, 2020

H.I.S. K.I.D.S. INC
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2019

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	11,812
Prepaid insurance		705
Total current assets		12,517

NONCURRENT ASSETS

Property and equipment, net of accumulated depreciation		174,224
Total noncurrent assets		174,224
Total assets	\$	186,741

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	12,170
Accrued liabilities		6,503
Current portion of note payable		20,781
Total current liabilities		39,454

NONCURRENT LIABILITIES

Note payable, less current portion		76,639
Total noncurrent liabilities		76,639
Total liabilities		116,093

NET ASSETS

Without donor restrictions		70,648
With donor restrictions		-
Total net assets		70,648
Total liabilities and net assets	\$	186,741

See accompanying notes and independent accountants' review report

H.I.S. K.I.D.S. INC
 STATEMENTS OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Without</u> <u>Donor restriction</u>	<u>With</u> <u>Donor restriction</u>	<u>Total</u>
SUPPORT AND REVENUE			
Contributions	\$ 129,055	\$ -	\$ 129,055
Fundraising	47,976	-	47,976
Rent	15,720	-	15,720
Gifts in kind	70,600	-	70,600
Other	300	-	300
	<hr/>	<hr/>	<hr/>
Total support and revenue	263,651	-	263,651
Net assets released from restrictions:			
Satisfaction of restrictions	-	-	-
	<hr/>	<hr/>	<hr/>
Total	263,651	-	263,651
EXPENSES			
Program	249,691	-	249,691
	<hr/>	<hr/>	<hr/>
Total program expenses	249,691	-	249,691
Support services			
Administration	7,266	-	7,266
Fundraising	28,446	-	28,446
	<hr/>	<hr/>	<hr/>
Total support services	35,712	-	35,712
Total expenses	285,403	-	285,403
	<hr/>	<hr/>	<hr/>
Changes in net assets	(21,752)	-	(21,752)
Net assets - beginning of year	92,400	-	92,400
	<hr/>	<hr/>	<hr/>
Net assets - end of year	\$ 70,648	\$ -	\$ 70,648
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes and independent accountants' review report

H.I.S. K.I.D.S. INC
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Auto	\$ 1,658	\$ 108	\$ 306	\$ 2,072
Bank Charges	1,915	125	354	2,394
Depreciation	14,336	934	2,650	17,920
Dues and Subscriptions	160	10	30	200
Employee Benefits	12,211	793	2,259	15,263
Fundraising	-	-	7,529	7,529
In kind - facilities	12,600	-	-	12,600
In kind - program supplies	49,450	-	-	49,450
In kind - program services	8,550	-	-	8,550
Insurance	3,822	248	708	4,778
Interest	4,455	288	825	5,568
Miscellaneous	3,484	225	646	4,355
Office equipment rental	4,719	305	875	5,899
Payroll Taxes	9,588	618	1,779	11,985
Postage	177	11	33	221
Program - Camp Rental	21,715	-	-	21,715
Program - Supplies	44,633	-	-	44,633
Salaries	48,404	3,101	9,000	60,505
Supplies	4,857	311	903	6,071
Telephone	2,957	189	549	3,695
Total	<u>\$ 249,691</u>	<u>\$ 7,266</u>	<u>\$ 28,446</u>	<u>\$ 285,403</u>

See accompanying notes and independent accountants' review report

H.I.S. K.I.D.S. INC
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ (21,752)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation expense	17,920
Changes in assets and liabilities:	
(Increase) decrease in prepaid insurance	657
Increase (decrease) in accounts payable	18,501
Increase (decrease) in accrued liabilities	<u>(13,312)</u>
Net cash provided by (used in) operating activities	<u>2,014</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(20,198)</u>
Net cash provided by (used in) investing activities	<u>(20,198)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on note payable	<u>13,049</u>
Net cash provided by (used in) financing activities	<u>13,049</u>
Net increase (decrease) in cash and cash equivalents	(5,135)
Cash and cash equivalents - beginning of year	<u>16,947</u>
Cash and cash equivalents - end of year	<u><u>\$ 11,812</u></u>
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the year for interest	<u><u>\$ 5,568</u></u>

See accompanying notes and independent accountants' review report

H.I.S. K.I.D.S. Inc.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

H.I.S. K.I.D.S Inc. (“the Organization”) which stands for “Happiness is Serving Kids in Distress Situations”, is a non-profit organization incorporated in the State of Illinois in 1984 as a tax-exempt entity under the Internal Revenue Code Section 501(c)(3). The organization's exempt purpose is to provide physical, emotional, and spiritual support to families who have children receiving treatment in hospitals in the St. Louis, Missouri area for serious or terminal diseases. The activities of the organization include but are not limited to providing transportation, housing, and emotional support to the families and children.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. The Organization presently has no net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents for the purposes of the statement of cash flows.

H.I.S. K.I.D.S. Inc.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Property and equipment are carried at cost less accumulated depreciation. Depreciation of equipment is provided over the estimated useful lives of the respective assets on a straight-line basis. Useful lives of 5 to 30 years have been used for the purpose of depreciating fixed assets. Expenditures for repairs and maintenance are charged to operating expense as incurred. Depreciation expense for the year ended December 31, 2019 was \$17,920.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services

A number of volunteers contributed services to the Organization. Only the contributed services that meet the reporting criteria for recognition have been reported at the fair market value for the services provided. Contributed services that do not meet the reporting criteria have not been included in the financial statements.

Income Taxes

The Organization is exempt from income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code. Therefore, no provision is made for taxes on income.

The Organization adopted the provisions of Accounting for Uncertainty in Income Taxes on January 1, 2010. The adoption of that guidance resulted in no change to the financial statements for prior periods. As of December 31, 2019, no amounts have been recognized for uncertain tax positions. The Organization's tax returns for 2016 and prior are closed.

H.I.S. K.I.D.S. Inc.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 2 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated between fundraising, administration, or the appropriate program based on evaluations of the related benefits. Such allocations are determined by management on an equitable basis. Expenditures have been allocated based on time and effort or specific identification, when available.

Note 3 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2019 follows:

Buildings and improvements	\$ 196,805
Furniture and equipment	22,068
Vehicles	<u>68,817</u>
Total depreciable assets	287,690
Accumulated depreciation	<u>(143,466)</u>
Depreciable assets, net	144,224
Land	<u>30,000</u>
Property and equipment, net	<u><u>\$ 174,224</u></u>

Note 4 - OPERATING LEASE COMMITMENTS

In September 2018, the Organization began leasing space to Jodie Kutzgar (DBA Bronze Tanning and Boutique). Monthly lease payments are \$1,200, and the lease expires on October 31, 2023.

The leased property has a cost basis of \$196,805 and accumulated depreciation of \$64,700. During the current year, \$4,920 of related depreciation was expensed.

Note 5 - NOTE PAYABLE

On July 29, 2019 the Organization entered into a loan agreement with First National Bank of Staunton. The purpose of the loan was to refinance the mortgage on the building at 908 Laurel Street, purchased in 2005. The loan accrues interest at a fixed rate of 5.25%. The loan is set to mature on July 29, 2024 and the balance at December 31, 2019 was \$65,002.

There is an additional loan at First National Bank of Staunton that was entered into on September 14, 2015 with a fixed interest rate of 4.90%. The loan matures in September 2020, and the balance at December 31, 2019 was \$14,248.

H.I.S. K.I.D.S. Inc.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 5 - NOTE PAYABLE (continued)

In November of 2018, the Organization entered into a loan agreement with Enterprise Auto Finance. The purpose of the loan was to purchase a 2017 GMC Terrain. The loan accrues interest at a fixed rate of 6.74%. The loan is set to mature on November 13, 2024, and the balance at December 31, 2019 was \$18,170.

Future maturities of note payable are as follows:

Year ending December 31,		
2020	\$	20,781
2021		6,960
2022		7,401
2023		7,871
2024		<u>54,407</u>
Total	\$	<u>97,420</u>

Note 6 - OPERATING LEASES

On November 16, 2018 the Organization signed a lease with Konica Minolta for a copier. The minimum lease payment is \$330 per month with a term of 36 months.

Future minimum lease payments are as follows:

Year ending December 31,		
2020	\$	3,965
2021		<u>3,305</u>
Total	\$	<u>7,270</u>

Note 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2020, the date the financial statements were available to be issued, and noted no reportable events.