

H.I.S K.I.D.S., INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2021

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.

Opinion

We have audited the accompanying financial statements of H.I.S K.I.D.S., Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, statement of functional expenses, and cash flows for the year 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 H.I.S K.I.D.S., Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 H.I.S K.I.D.S., Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 H.I.S K.I.D.S. Inc.'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 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 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 H.I.S K.I.D.S., Inc.'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 H.I.S K.I.D.S., Inc.'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.



Fick, Eggemeyer & Williamson, CPAs

Saint Louis, Missouri

December 9, 2022

H.I.S. K.I.D.S., INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 96,640
Investments	47,339
Prepaid insurance	<u>204</u>
Total current assets	<u>144,183</u>
NONCURRENT ASSETS	
Property and equipment, net of accumulated depreciation	<u>55,558</u>
Total noncurrent assets	<u>55,558</u>
Total assets	<u><u>\$ 199,741</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 297
Accrued liabilities	<u>6,503</u>
Total current liabilities	<u>6,800</u>
NONCURRENT LIABILITIES	
None	<u>-</u>
Total noncurrent liabilities	<u>-</u>
Total liabilities	<u>6,800</u>
NET ASSETS	
Without donor restrictions	192,941
With donor restrictions	<u>-</u>
Total net assets	<u>192,941</u>
Total liabilities and net assets	<u><u>\$ 199,741</u></u>

See accompanying notes and independent auditors' report

H.I.S. K.I.D.S., INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor restriction	With Donor restriction	Total
SUPPORT AND REVENUE			
Contributions	\$ 203,749	\$ -	\$ 203,749
Grants	18,046	-	18,046
Fundraising	34,141	-	34,141
Rent	5,346	-	5,346
Gifts in-kind	54,300	-	54,300
Paycheck Protection Program loan forgiveness	15,102	-	15,102
Total support and revenue	330,684	-	330,684
Net assets released from restrictions:			
Satisfaction of restrictions	-	-	-
Total	330,684	-	330,684
EXPENSES			
Program	217,447	-	217,447
Total program expenses	217,447	-	217,447
Support services			
Administration	7,368	-	7,368
Fundraising	31,171	-	31,171
Total support services	38,539	-	38,539
Total expenses	255,986	-	255,986
Changes in net assets from operations	74,698	-	74,698
INVESTMENT ACTIVITIES			
Dividends	2,732	-	2,732
Investment fees	(101)	-	(101)
Unrealized gain (loss) on investments	(2,661)	-	(2,661)
Gain on sale of equipment	4,815	-	4,815
Total Investment activities	4,785	-	4,785
Changes in net assets	79,483	-	79,483
Net assets - beginning of year	113,458	-	113,458
Net assets - end of year	\$ 192,941	\$ -	\$ 192,941

See accompanying notes and independent auditors' report

H.I.S. K.I.D.S., INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program	Administration	Fundraising	Total
Bank charges	\$ 729	\$ 46	\$ 137	\$ 911
Depreciation	13,578	849	2,546	16,973
Dues and subscriptions	716	45	134	895
Employee benefits	18,741	1,171	3,514	23,426
Fundraising	-	-	9,067	9,067
In kind - facilities	7,800	-	-	7,800
In kind - program supplies	43,600	-	-	43,600
In kind - program services	2,900	-	-	2,900
Insurance	3,042	190	570	3,802
Interest	1,722	108	323	2,152
Telephone	5,574	348	1,045	6,967
Office equipment rental	7,669	479	1,438	9,586
Payroll taxes	3,308	207	620	4,135
Postage	2,518	157	472	3,148
Camp supplies	45,261	-	-	45,261
Salaries	58,032	3,627	10,881	72,540
Supplies	1,586	99	298	1,983
Other	671	42	126	839
Total	<u>\$ 217,447</u>	<u>\$ 7,368</u>	<u>\$ 31,171</u>	<u>\$ 255,985</u>

See accompanying notes and independent auditors' report

H.I.S. K.I.D.S., INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	\$ 79,483
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	16,973
Debt forgiveness - Paycheck Protection Program	(15,102)
Gain on sale of equipment	(4,815)
Unrealized (gain) loss on investments	2,661
Changes in assets and liabilities:	
Increase (decrease) in accounts payable	<u>(4,170)</u>
Net cash provided by (used in) operating activities	<u>75,030</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of investments	(50,000)
Purchase of property and equipment	(63,585)
Sale of property and equipment	<u>162,000</u>
Net cash provided by (used in) investing activities	<u>48,415</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on notes payable	(88,240)
Proceeds from note payable	<u>15,102</u>
Net cash provided by (used in) financing activities	<u>(73,138)</u>

Net increase (decrease) in cash and cash equivalents	50,307
Cash and cash equivalents - beginning of year	<u>46,333</u>
Cash and cash equivalents - end of year	<u><u>\$ 96,640</u></u>

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid during the year for interest	2,152
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H.I.S. K.I.D.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - SUMMARY OF 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 nonprofit 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 ("U.S. 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 that are 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.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's program services and support services. Nonoperating activities are limited to resources that generate a return on investment and other activities considered to be of a more unusual or nonrecurring nature.

H.I.S. K.I.D.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Property and Equipment

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, 2021, was \$16,973.

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.

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, depending on the nature of the 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, 2021, no amounts have been recognized for uncertain tax positions. The Organization's tax returns for 2018 and prior are closed.

H.I.S. K.I.D.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Organization has adopted "Accounting for Certain Investments Held by Non-Profit Organizations." Under the standard, investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities.

Note 2 - NOTES PAYABLE

On July 29, 2019, the Organization entered into a loan agreement with First National Bank of Staunton, which has since been acquired by Associated Bank. The purpose of the loan was to refinance the mortgage on the building at 908 Laurel Street, purchased in 2005. The loan accrued interest at a fixed rate of 5.25%. During the year ended December 31, 2021, the building was sold and the proceeds were utilized to pay off all remaining debt obligations. The balance as of December 31, 2021, was \$0.

On September 14, 2015, the Organization entered into a loan agreement with First National Bank of Staunton, which has since been acquired by Associated Bank. The loan accrues interest at a fixed rate of 4.9%. During the year ended December 31, 2021, the loan was paid off. The balance as of December 31, 2021, was \$0.

In November 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%. During the year ended December 31, 2021, the loan was paid off. The balance as of December 31, 2021, was \$0.

On March 17, 2021, the Organization received loan proceeds in the amount of \$15,102 under the Paycheck Protection Program ("PPP"). The PPP is administered by the Small Business Administration. The loan and accrued interest (1%) are forgivable after eight to twenty-four weeks as long as the organization used the loan proceeds for eligible purposes, such as payroll, benefits, rent, and utilities. On June 29, 2021, the entire loan balance was forgiven and \$15,102 was recorded as Paycheck Protection Program loan forgiveness on the statement of activities. The balance as of December 31, 2021, was \$0.

Note 3 - CONCENTRATION OF CREDIT RISK

The Organization maintains various deposit accounts at Busey. Each depositor is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2021, the Organization's bank balance did not exceed the federally insured limit.

H.I.S. K.I.D.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 3 - CONCENTRATION OF CREDIT RISK (continued)

The Organization maintains various investment accounts at Lucco Financial Partners. Each depositor is insured by the Securities Investors Protection Corporation (SIPC) up to \$500,000 of investments including a \$250,000 limit for cash. As of December 31, 2021, the Organization did not have any uninsured investments.

Note 4 - 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.

On December 9, 2021, the Organization signed a lease with Konica Minolta for a copier. The minimum lease payment is \$267 per month with a term of 60 months.

Future minimum lease payments are as follows:

For the year ending December 31,

2022	\$	3,204
2023		3,204
2024		3,204
2025		3,204
2026		2,937
Total		<u>15,753</u>

Lease payments for the year ended December 31, 2021, totaled \$5,235.

Note 5 - PROPERTY AND EQUIPMENT

A summary of property and equipment as of December 31, 2021, follows:

Furniture and equipment	\$	23,152
Vehicles		<u>104,277</u>
Total depreciable assets		127,429
Accumulated depreciation		<u>(71,871)</u>
Property and equipment, net	\$	<u>55,558</u>

H.I.S. K.I.D.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 6 - 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 7 - AVAILABILITY AND LIQUIDITY

The following represents the Organization's financial assets as of December 31, 2021:

Financial assets at year-end	
Cash and cash equivalents	\$ 96,640
Investments	47,339
Total financial assets at year-end	<u>96,640</u>
Less amounts not available for general expenditures within one year	
Net assets with period restrictions in excess of one year	-
Net assets with purpose restrictions	-
Total amounts not available to meet general expenditures within one year	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 96,640</u>

Note 8 - INVESTMENTS

Fair Value Measurements

Financial Accounting Standards Board Statement Fair Value Measurements establishes 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. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy under Fair Value Measurements are described as follows:

- Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.
- Level 2* - Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.

H.I.S. K.I.D.S., INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Note 8 – INVESTMENTS (continued)

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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 for 2021.

Common stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

The methods described above 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, 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 following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2021:

	Level 1	Level 2	Level 3	Total
Common stocks	\$ 47,339	\$ -	\$ -	\$ 47,339
Total	\$ 47,339	\$ -	\$ -	\$ 47,339

Note 9 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events as of December 9, 2022, the date which the financial statements were available to be issued, and noted no reportable subsequent events