

H.I.S. K.I.D.S. INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2020

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

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**Saint Louis, Missouri**  
6240 S. Lindbergh Blvd Ste 101  
Saint Louis, MO 63123

(314) 845-7999  
(314) 845-7770  
www.afewcpas.com



**Columbia, Illinois**  
205 S. Main  
Columbia, IL 62236

(618) 281-4999  
(618) 281-9533  
www.afewcpas.com

## INDEPENDENT AUDITOR'S 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 nonprofit corporation), which comprise the statement of financial position as of December 31st, 2020, and the related statements of activities 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.

### Auditor's 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 from 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 auditor's 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, 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.

A handwritten signature in cursive script that reads 'Fick, Eggemeyer &amp; Williamson'.

Fick, Eggemeyer & Williamson, CPAs

Saint Louis, Missouri  
November 15, 2021

H.I.S. K.I.D.S. INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 46,333
Prepaid insurance	<u>204</u>
Total current assets	<u>46,537</u>

NONCURRENT ASSETS

Property and equipment, net of accumulated depreciation	<u>166,131</u>
Total noncurrent assets	<u>166,131</u>

Total assets	<u><u>\$ 212,668</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 4,467
Accrued liabilities	6,503
Current portion of note payable	<u>14,504</u>
Total current liabilities	<u>25,474</u>

NONCURRENT LIABILITIES

Note payable, less current portion	<u>73,736</u>
Total noncurrent liabilities	<u>73,736</u>

Total liabilities	<u>99,210</u>
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NET ASSETS

Without donor restrictions	113,458
With donor restrictions	<u>-</u>
Total net assets	<u>113,458</u>

Total liabilities and net assets	<u><u>\$ 212,668</u></u>
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See accompanying notes and independent auditors' report

H.I.S. K.I.D.S. INC.  
 STATEMENTS OF ACTIVITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor restriction	With Donor restriction	Total
<b>SUPPORT AND REVENUE</b>			
Contributions	\$ 110,056	\$ -	\$ 110,056
Fundraising	65,227	-	65,227
Rent	16,344	-	16,344
Gifts in kind	58,500	-	58,500
PPP loan forgiveness	15,100	-	15,100
Other	727	-	727
	<u>265,954</u>	<u>-</u>	<u>265,954</u>
Total support and revenue			
Net assets released from restrictions:			
Satisfaction of restrictions	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
	<u>265,954</u>	<u>-</u>	<u>265,954</u>
<b>EXPENSES</b>			
Program	185,737	-	185,737
	<u>185,737</u>	<u>-</u>	<u>185,737</u>
Total program expenses			
Support services			
Administration	7,181	-	7,181
Fundraising	27,326	-	27,326
	<u>34,507</u>	<u>-</u>	<u>34,507</u>
Total support services			
Total expenses	<u>220,244</u>	<u>-</u>	<u>220,244</u>
Changes in net assets from operations	<u>45,710</u>	<u>-</u>	<u>45,710</u>
<b>INVESTMENT ACTIVITIES</b>			
Gain (loss) on sale of equipment	(2,900)	-	(2,900)
	<u>(2,900)</u>	<u>-</u>	<u>(2,900)</u>
Total Investment activity			
Changes in net assets	42,810	-	42,810
Net assets - beginning of year	<u>70,648</u>	<u>-</u>	<u>70,648</u>
Net assets - end of year	<u>\$ 113,458</u>	<u>\$ -</u>	<u>\$ 113,458</u>

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, 2020

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total</u>
Bank charges	\$ 1,426	\$ 89	\$ 267	\$ 1,783
Depreciation	7,342	459	1,377	9,177
Dues and subscriptions	304	19	57	380
Employee benefits	10,956	685	2,054	13,695
Fundraising	-	-	5,781	5,781
In kind - facilities	7,800	-	-	7,800
In kind - program supplies	50,300	-	-	50,300
In kind - program services	400	-	-	400
Insurance	3,858	241	723	4,822
Interest	4,455	278	835	5,569
Miscellaneous	6,199	387	1,162	7,749
Office equipment rental	6,366	398	1,194	7,957
Payroll taxes	6,042	378	1,133	7,552
Postage	2,069	129	388	2,586
Camp supplies	12,329	-	-	12,329
Salaries	58,032	3,627	10,881	72,540
Supplies	4,197	262	787	5,246
Telephone	<u>3,662</u>	<u>229</u>	<u>687</u>	<u>4,578</u>
Total	<u>\$ 185,737</u>	<u>\$ 7,181</u>	<u>\$ 27,326</u>	<u>\$ 220,244</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, 2020

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Changes in net assets	\$ 42,810
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Depreciation	9,177
PPP Loan forgiveness	(15,100)
(Gain) loss on sale of equipment	2,900
Changes in assets and liabilities:	
(Increase) decrease in prepaid insurance	501
Increase (decrease) in accounts payable	<u>(7,703)</u>
Net cash provided by (used in) operating activities	<u>32,585</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of property and equipment	<u>(3,984)</u>
Net cash provided by (used in) investing activities	<u>(3,984)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Principal payments on note payable	(9,180)
PPP loan proceeds	<u>15,100</u>
Net cash provided by (used in) financing activities	<u>5,920</u>
Net increase (decrease) in cash and cash equivalents	34,521
Cash and cash equivalents - beginning of year	<u>11,812</u>
Cash and cash equivalents - end of year	<u><u>\$ 46,333</u></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>	
Cash paid during the year for interest	5,569

See accompanying notes and independent auditors' report

H.I.S. K.I.D.S. INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**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 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, 2020

**Note 1 - SUMMARY OF 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

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, 2020 was \$9,177.

Contributions

Contributions, including unconditional promises to give, are recognized when received by the organization. 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, 2020, no amounts have been recognized for uncertain tax positions. The Organization's tax returns for 2017 and prior are closed.

H.I.S. K.I.D.S. INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

New Accounting Pronouncement

As of July 1, 2020, the Organization adopted Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), that replaces previously existing revenue recognition guidance. The new standard requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, Topic 606 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Adoption of ASU 2014-09 has no impact on the previously reported financial statements.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating 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.

**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, 2020 follows:

Buildings and improvements	\$ 196,805
Furniture and equipment	23,152
Vehicles	40,692
Total depreciable assets	<u>260,649</u>
Accumulated depreciation	<u>(124,518)</u>
Depreciable assets, net	136,131
Land	30,000
Property and equipment, net	<u>\$ 166,131</u>

H.I.S. K.I.D.S. INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**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 \$69,620. 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, 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 accrues interest at a fixed rate of 5.25%. The loan is set to mature on July 29, 2024 and the balance as of December 31, 2020 was \$61,677.

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% and was set to expire in September 2020. The balance was paid in full in September 2021, and the balance as of December 31, 2020 was \$12,059.

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, 2020 was \$14,504.

In April 2020, the Organization received loan proceeds in the amount of \$15,100 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 December 4, 2020, the entire loan balance was forgiven and \$15,100 was recorded as PPP loan forgiveness on the statement of activities. The balance as of December 31, 2020 was \$0.

Future maturities of note payable are as follows:

Year ending December 31,

2021	18,561
2022	7,401
2023	7,871
2024	54,407
Total	<u>\$ 88,240</u>

H.I.S. K.I.D.S. INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2020

**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,

Operating Leases	
2021	\$ 3,305
Total	<u>3,305</u>

**Note 7 - AVAILABILITY AND LIQUIDITY**

The following represents the Organization’s financial assets as of December 31, 2020:

Financial assets at year-end	
Cash and cash equivalents	\$ 46,333
Total financial assets at year-end	<u>46,333</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>\$ 46,333</u>

**Note 8 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events as of November 15, 2021, the date which the financial statements were available to be issued, and noted the following reportable event. Subsequent to year-end the Organization received an additional loan draw under the Paycheck Protection Program (“PPP”) for approximately \$15,000.