

Financial Statements

Kids' Voice of Indiana, Inc.

June 30, 2020



LEMLERGROUP
certified public accountants

Kids' Voice of Indiana, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kids' Voice of Indiana, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Kids' Voice of Indiana, Inc. (Kids' Voice), which comprise the statement of financial position as of June 30, 2020, and the statements of activities and changes in net assets, 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.

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 audits 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 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 Kids' Voice'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 Kids' Voice'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 Kids' Voice as of June 30, 2020, and the results of its statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Lemler Group, LLC
Indianapolis, Indiana

September 30, 2020

Kids' Voice of Indiana, Inc.

Statement of Financial Position June 30, 2020

ASSETS

Current Assets

Cash and cash equivalents	\$ 310,147
Accounts receivable, net of allowance	15,626
Total current assets	<u>325,773</u>

Fixed Assets

Equipment	130,638
Furniture and fixtures	10,362
Total fixed assets	<u>141,000</u>
Accumulated depreciation	(69,639)
Net fixed assets	<u>71,361</u>

Long-term assets

Security deposit	7,391
Investments	1,428,160
Total long-term assets	<u>1,435,551</u>

Total Assets	<u>\$ 1,832,685</u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 17,901
Accrued payroll related expenses	11,186
Line of credit	23,342
Note payable, current portion	12,000
PPP loan	21,871
Total current liabilities	<u>86,300</u>

Long-Term Liabilities

Deferred rent	35,132
Note payable, net of current portion	37,997
Total long-term liabilities	<u>73,129</u>

Total Liabilities	<u>159,429</u>
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Net Assets

Net assets without donor restrictions	149,825
Net assets with donor restrictions	1,523,431
Total Net Assets	<u>1,673,256</u>

Total Liabilities and Net Assets	<u>\$ 1,832,685</u>
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Kids' Voice of Indiana, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Contributions			
General	\$ 104,671	\$ -	\$ 104,671
PPP forgiveness	208,329	-	208,329
United Way	24,003	-	24,003
Foundation grants	58,825	1,525,000	1,583,825
Federal grants	302,568	-	302,568
Program fees	73,458	-	73,458
Special events (net of \$45,550 expenses)	101,835	-	101,835
Interest	4,289	9,376	13,665
Gains (losses) on investments	3,320	8,654	11,974
In-kind donations	87,204	-	87,204
Other revenue	9,274	-	9,274
Total revenue	<u>977,776</u>	<u>1,543,030</u>	<u>2,520,806</u>
Net assets released from restrictions	<u>289,900</u>	<u>(289,900)</u>	<u>-</u>
Total revenue and net assets released from restrictions	<u>1,267,676</u>	<u>1,253,130</u>	<u>2,520,806</u>
Expenses			
Programs			
Guardian Ad-Litem	443,965	-	443,965
Safe Child Parenting Time	140,198	-	140,198
Children's Law Center	502,883	-	502,883
Management and general	81,783	-	81,783
Fundraising	23,364	-	23,364
Total expenses	<u>1,192,193</u>	<u>-</u>	<u>1,192,193</u>
Net Increase In Net Assets	75,483	1,253,130	1,328,613
Net Assets, Beginning of Year	<u>74,342</u>	<u>270,301</u>	<u>344,643</u>
Net Assets, End of Year	<u>\$ 149,825</u>	<u>\$ 1,523,431</u>	<u>\$ 1,673,256</u>

Kids' Voice of Indiana, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2020

	Guardian Ad-Litem	Safe Child Parenting Time	Children's Law Center	Total Program	Management and General	Fundraising	Totals
Expenses							
Salaries	\$ 272,384	\$ 86,016	\$ 293,889	\$ 652,289	\$ 50,176	\$ 14,336	\$ 716,801
Payroll taxes	20,686	6,533	22,320	49,539	3,811	1,089	54,439
Employee benefits	24,667	7,789	26,613	59,069	4,544	1,298	64,911
Professional development							
Legal	3,786	1,195	4,084	9,065	697	199	9,961
Accounting	4,418	1,395	4,768	10,581	814	233	11,628
Marketing	3,143	992	3,391	7,526	579	165	8,270
Supplies	47,869	15,116	51,648	114,633	8,818	2,519	125,970
Information technology	6,146	1,941	6,631	14,718	1,132	323	16,173
Occupancy	41,182	13,005	44,433	98,620	7,586	2,167	108,373
Contracted labor	3,125	987	3,372	7,484	576	164	8,224
Travel and transportation	3,537	1,116	3,814	8,467	651	186	9,304
Insurance	2,360	745	2,546	5,651	435	124	6,210
Conferences and meetings	1,677	530	1,809	4,016	309	88	4,413
Bad debts	-	-	23,871	23,871	-	-	23,871
Depreciation	8,112	2,562	8,752	19,426	1,494	427	21,347
Interest	873	276	942	2,091	161	46	2,298
Total expenses	<u>\$443,965</u>	<u>\$140,198</u>	<u>\$ 502,883</u>	<u>\$1,087,046</u>	<u>\$ 81,783</u>	<u>\$23,364</u>	<u>\$1,192,193</u>

Kids' Voice of Indiana, Inc.

Statement of Cash Flows For the Year Ended June 30, 2020

Reconciliation of Changes in Net Assets to Net Cash Provided By Operating Activities	
Change in net assets	\$ 1,328,613
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities	
Depreciation expense	21,347
Bad debt expense	23,871
(Gains) loss on investments	(11,974)
Decrease (increase) in accounts receivable	(15,358)
Increase (decrease) in accounts payable	(14,907)
Increase (decrease) in accrued payroll	(28,743)
Increase (decrease) in accrued payroll taxes	10,571
Increase (decrease) in deferred revenue	13,255
Forgiveness on PPP	(208,329)
Net Cash Provided By Operating Activities	<u>1,118,346</u>
Cash Flow From Investing Activities	
Purchase of fixed assets	(29,829)
Redemptions of investments	70,000
Purchases of investments	(1,360,945)
Net Cash Used In Investing Activities	<u>(1,320,774)</u>
Cash Flow from Financing Activities	
Advance on line of credit	25,000
Payments on line of credit	(1,658)
Advance on note payable	60,000
Payments on note payable	(43,253)
Advance on PPP	230,200
Net Cash Provided By Financing Activities	<u>270,289</u>
Net Increase in Cash and Cash Equivalents	67,861
Cash and Cash Equivalents, Beginning of Year	<u>242,286</u>
Cash and Cash Equivalents, End of Year	<u>\$ 310,147</u>
Supplemental Disclosure of Cash Flow Information	
Cash paid on interest	<u>\$ 2,298</u>

Kids' Voice of Indiana, Inc.

Notes to Financial Statements For the Year Ended June 30, 2020

Note 1 – Nature of Activities

Background

Kids' Voice of Indiana, Inc. (Kids' Voice) was founded on July 11, 1985 in Indianapolis, Indiana to protect children's best interests through advocacy and education

Mission Statement

To serve Indiana's children and families by providing legal education, child advocacy and family visitation.

Programs

Kids' Voice's has three major programs:

- Guardian Ad Litem (GAL) program - provides court-appointed GAL representation for children involved in civil court cases such as guardianship, adoption, divorce, and paternity. Indiana courts strive to make the best decisions possible for children involved in high conflict family law cases, but children themselves must be shielded from their parents' and family members' conflicts as much as possible. The GAL program provides a comprehensive view of the child's situation for the court and parties to consider when determining what is best for a child. Volunteer GALs play the roles of both investigator and advocate. They conduct home visits with children and families, interview various third parties involved in the child's life including teachers and therapists, request and review records including medical, school, and/or department of child services records. After collecting and analyzing this information, GALs prepare a report for the court and the parties. These reports are often the center of the parties' efforts to negotiate, both informally and through mediation. If the parties are unable to reach an agreement, the report is vital in helping courts get a clear picture of what is happening with a particular child and family so judges can make informed decisions for the family.
- Safe Child Parenting Time (SCPT) program - provides safe and fully supervised parenting time (visitation) for children to visit with a parent as required by a court order or the parties' written agreement. SCPT is to ensure the safety of the child when visiting their parent when the court has determined that parent to be a risk to the child's safety. SCPT allows for a child to safely visit with a parent and maintain a healthy relationship with both of their parents, while reducing the sense of loss and/or abandonment that children often experience. The benefit of SCPT is far-reaching. First, a child is safe from witnessing and/or experiencing further abuse. Second, participation gives them the opportunity to begin the healing process, making them healthier and more productive individuals. Finally, it breaks the cycle of abuse for future generations.
- Children's Law Center of Indiana (law center) program - provides legal information and training for lawyers, judges, child service professionals, and the general community. The law center also provides information to people who call or otherwise ask staff for assistance with a child-related legal issue. These services are available across the entire state. The law center also writes the Indiana Child In Need of Services (CHIN) and Family Law Deskbook, which is a legal reference guide covering all aspects of CHINS, TPR (Termination of the Parent-child Relationship), and family law. This deskbook is distributed and used by judicial officers, department of child services offices, Court Appointed Special Advocate (CASA)/GAL offices, and lawyers around the state. The deskbook, along with many other free educational materials, is available on the Kids' Voice website. Also included in the law center program are the following activities:
 - community mobile law
 - parenting coordination clinic/guardianship clinic

Kids' Voice of Indiana, Inc.

Note 2 – Significant Accounting Policies

Accounting Method

Kids' Voice's financial statements were prepared on the accrual basis of accounting.

Use of 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 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, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Kids' Voice evaluated subsequent events through September 30, 2020, which is the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, Kids' Voice considers all highly liquid instruments with a maturity of three months or less to be considered cash and cash equivalents. The carrying amount of cash approximates fair value due to the type of investments and the maturity dates. There are no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount Kids' Voice's management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. At June 30, 2020, the allowance for doubtful accounts was \$5,000. During the year ended June 30, 2020, bad debt expense was \$23,871.

Fixed Assets

Kids' Voice's fixed assets are stated at cost and depreciated over estimated useful lives of three to seven years using the straight-line method. Kids' Voice capitalizes items that have a useful life of one year or more. Expenditures for additions are capitalized. When office equipment was sold, retired, or otherwise disposed of, the related cost and accumulated depreciation were eliminated from the accounts and any resulting gain or loss was credited or charged to income.

Deferred Rent

Kids' Voice provides for rent on the straight-line method using total base rent and amortizing rent expense over the lease term. Deferred rent represents the amount of rent accrued but not paid.

Net Assets

The financial statements were prepared in accordance with Financial Statements of Not-for-Profit Organizations. This requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as either without or with donor restrictions.

The following class of net assets and a brief description is as follows:

Net Assets Without Donor Restrictions – These amounts are not subject to usage restrictions based on donor-imposed requirements and include general assets and liabilities of Kids' Voice. These amounts also include previously restricted assets where restrictions were met or expired. The net assets without donor restrictions may be used freely at the direction of management to support Kids' Voice's purpose and operations.

Kids' Voice of Indiana, Inc.

Note 2 – Significant Accounting Policies (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – These amounts are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or based on a particular use. Restrictions may be met by the passage of time or by management's actions. Certain assets may be restricted in perpetuity. When a restriction expired, the amount was reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributions

Kids' Voice accounts for contributions received and contributions made in accordance with professional standards. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of donor restrictions. Contributions are recorded when the unconditional promise to give is made. Kids' Voice 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.

Grants

Kids' Voice receives grants for particular purposes and time periods. Conditional grants, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional grants received in advance of conditions being met are classified as deferred revenue.

In-kind Contributions

Kids' Voice received in-kind contributions from various donors. Kids' Voice's policy is to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by a like amount. Corresponding in-kind expenses amount to \$80,540 in donated time (include in supplies expense), \$3,488 donated professional fees (included in accounting expense) and \$3,176 donated marketing (included in marketing expense).

Allocation of Functional Expenses

The costs of providing various programs and other activities were summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, personnel and staffing costs were allocated among the programs and supporting services that benefited from those costs based on estimates of time and effort spent on the related activities. Remaining other costs were actual costs recorded among the programs and supporting services that benefited.

Marketing Expense

Kids' Voice expensed marketing costs as incurred.

Income Taxes

Kids' Voice is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes was made in the financial statements. Kids' Voice is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Generally accepted accounting principles in the United States require Kids' Voice to examine its tax positions for uncertain positions. Kids' Voice is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would not sustain an examination by applicable taxing authorities. Kids' Voice's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$0 for the year ended June 30, 2020.

Kids' Voice's federal and state income tax returns are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Kids' Voice of Indiana, Inc.

Note 3 – Investments and Fair Value

Kids' Voice adopted the provisions of Fair Value Measurements (Fair Value) for measurement of investments that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair Value is defined as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair Value establishes 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 (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that Kids' Voice has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest-level input that is significant to the fair value measurement in its entirety. Kids' Voice's investments at June 30, 2020 consisted of money market accounts, certificate of deposits, stocks, and mutual funds. Although these investments are considered short-term, Kids' Voice's management elected to classify these as long-term assets for future mission advancement.

Kids' Voice's investments consisted of the following as of June 30, 2020.

	Costs or Original Donated Value	Market Value	Unrealized Gain (loss)
Money market funds	\$ 741,822	\$ 742,100	\$ 278
Fixed income	427,338	431,214	3,876
Mutual funds	245,322	254,846	9,524
	<u>\$ 1,414,482</u>	<u>\$ 1,428,160</u>	<u>\$ 13,678</u>

Included in gains (losses) on investments on the statements of activities and changes net assets were the following gains and losses for the year ended June 30, 2020:

Unrealized Gain (Loss)	\$ 13,678
Realized Gain (Loss)	<u>(1,704)</u>
	<u>\$ 11,974</u>

Note 4 – Line of Credit

Kids' Voice has available a line of credit for \$25,000 with PNC Bank. Interest accrues at the bank's prime rate plus 2% (the prime rate was 3.25% at June 30, 2020). Interest expense for the year ended June 30, 2020 was \$1,188. In August 2020, the line of credit was paid down to zero. The line of credit matures in May 2021 \$ 23,342

Kids' Voice of Indiana, Inc.

Note 5 – Paycheck Protection Program

In April 2020, Kids' Voice received funding in the amount of \$230,200, under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loans and accrued interest are forgivable within a 24-week period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains other designated thresholds. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments until the date that the lender receives the forgiveness amount from the SBA. Kids' Voice intends to use the proceeds for purposes consistent with the PPP. Kids' Voice accounts for the PPP Funding in accordance with ASC 958-605 *Revenue Recognition for Nonprofit Entities*. Revenue is recognized as eligible expenses and other conditions are substantially met or incurred.

At June 30, 2020 Kids' Voice recognized revenue of \$208,329 as they determined eligible expenses and other conditions were met regarding a portion of the funding and \$21,871 as PPP loan for the remainder of the funding yet to satisfy the conditions.

Kids' Voice believes the entire amount will be forgiven after year end. If not, the estimated future annual maturities of principal payments are as follows:

2021	<u>\$ 21,871</u>
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Note 6 – Note Payable

Kids' Voice has a note payable to The National Bank of Indianapolis (NBOI), due in 36 monthly installments of \$1,750 plus a variable interest rate at NBOI's prime rate (beginning at 4.5%). The note payable is collateralized by the Market Street Fund Management Account (investments) and matured January 5, 2021. This note was refinanced during 2020. The original loan was \$63,000 and was received on January 5, 2018

During 2020, Kids' Voice refinanced a note payable with the NBOI. The new note payable terms require monthly installments of \$1,000, plus a variable interest rate at NBOI's prime rate (beginning at 5.5%) for 60 months. The interest rate at June 30, 2020 was roughly 3.76%. The note payable is collateralized by the Market Street Fund Management Account (investments) and matures July 26, 2024. Interest expense for the year ended June 30, 2020 was \$1,109.

<u>49,997</u>
<u>\$ 49,997</u>

Estimated future annual maturities of principal payments are as follows:

2021	\$ 12,000
2022	12,000
2023	12,000
2024	12,000
2025	<u>1,997</u>
	<u>\$ 49,997</u>

Kids' Voice of Indiana, Inc.

Note 7 – Net Assets With Donor Restrictions

Kids' Voice had the following net assets with donor restrictions as of June 30, 2020:

Support for Endowment and Development Capacity

Kids' Voice received an endowment and development capacity grant for \$1,500,000 for the grant period of December 2019 until December 2022. The endowment portion (\$1,340,000) and development capacity portion (\$160,000) was recognized as restricted revenue in accordance with the agreement.

The net asset with donor restrictions includes assets related to donor-imposed restrictions that have not been met, whether for a specified purpose or for later periods of time, or after specified dates. These net assets with donor restrictions are comprised of the following at June 30:

Subject for specific purpose	
Law center, enhanced and expanded community mobile law program	\$ 26,355
Parent coordination and guardianship clinics	5,011
Development capacity	<u>134,035</u>
Total subject to specific purposes	165,401
Endowment subject to spending policies	
Endowment	1,340,000
Interest and market change	<u>18,030</u>
Total endowment subject to spending policies	<u>1,358,030</u>
Total Net Assets With Donor Restrictions	<u>\$ 1,523,431</u>

Net assets that were released from donor restrictions by satisfying the purpose or time restrictions specified by the donors during the year ended June 30 were:

Subject for specific purpose	
Law center, enhanced and expanded community mobile law program	\$ 32,869
Parent coordination and guardianship clinics	230,991
Development capacity	<u>26,040</u>
Total Net Assets With Donor Restrictions Released From Restrictions	<u>\$ 289,900</u>

Kids' Voice has one endowment fund.

- During the year ended June 30, 2020, Kids' Voice received an endowment fund worth \$1,340,000 (the "historic dollar value"), which is subject to spending policies. Kids' Voice will invest and make withdrawals from the grant fund in a manner consistent with applicable laws governing donor-designated endowments. Even if such laws permit withdrawals that would cause the fair market value of the grant fund to drop or remain below the historic dollar value of the grant, Kids' Voice agrees that it will preserve and replenish the historic dollar value of the grant. Each year on the valuation date (March 31):
 - 1) If the endowment fund is less than the historic dollar value of the grant, Kids' Voice is allowed 2% of the endowment fund balance during the next fiscal year. This maximum spending limit shall continue until the grant fund balance exceeds the historic dollar value of the grant.
 - 2) If the endowment fund balance is greater than the historic dollar value of the grant, Kids' Voice may spend any percentage or amount of the endowment fund as is consistent with its prudent spending policies for donor-designated endowments and applicable law; provided, however, that if such spending would cause the endowment fund balance as calculated on that valuation date to fall below the historic dollar value of the grant, then spending for Kids' Voice's next fiscal year shall be limited to the greater of (i) the excess of the endowment fund balance on that valuation date over the historic dollar value of the grant or (ii) 2% of the endowment fund balance on that valuation date.

Kids' Voice of Indiana, Inc.

Note 7 – Net Assets With Donor Restrictions (continued)

From time to time, endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). Kids' Voice is spending from underwater endowments in accordance with prudent measures required under law with discussions with the investment advisor and donor.

Kids' Voice has a policy of appropriating for distribution each year 4.5% of its endowment fund's average fair value using one of the following methods: 1) average value of the endowment using the trailing 12 quarters, 2) average value of the endowment using the trailing 4 quarters or 3) value of the endowment using the most recent quarter on the Valuation Date. Changes to the percentage of funds appropriated for distribution must be approved by the Finance Committee or Board of Directors. The percentage appropriated for expenditure shall never exceed 10% of the endowment fund's average fair value.

Note 8 – Accounting Service Agreement

Kids' Voice entered into an accounting service agreement with Financial Technologies & Management, an unrelated entity. The service agreement allowed a fee for monthly bookkeeping, consulting, and additional services rendered, plus additional office supplies. For the year ended June 30, 2020, accounting service expenses amounted to \$8,140 and was included in professional fees accounting on the statement of functional expenses.

Note 9 – Liquidity

Kids' Voice's liquidity management consists of the following quantitative and qualitative measurements:

Quantitative measurement - Kids' Voice's resources available for general use within one year at June 30, 2020 were:

Financial assets (current assets)	\$ 325,773
Restricted cash	(165,401)
Total financial assets at year end	<u>160,372</u>
Less current obligations (current liabilities)	(86,300)
Financial assets available for general use within one year	<u>\$ 74,072</u>

Qualitative measurement - Kids' Voice receives a significant amount of its support through contributions and grants. Because these contributions and grants require resources to be used in a particular manner or in a future period, Kids' Voice must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures Kids' Voice's financial assets to be available as its general expenditures, liabilities, and other obligations come due, and endeavors to maintain cash balances equal to approximately four months of annual operating expenses. Should Kids' Voice have operating shortfalls, investments are available for the short-term.

Note 10 – Retirement Plan

Kids' Voice offers a 403(b)-retirement plan that is exempt from ERISA provisions. The plan is administered and monitored by American Funds. Employees that are over 21 years old and are considered full time are eligible for enrollment. Employees are eligible to make a payroll deduction of a selected percentage or amount not to exceed the Internal Revenue Service limits. Kids' Voice does not match employees' contributions.

Kids' Voice of Indiana, Inc.

Note 11 – Operating Leases

On January 1, 2019, Kids' Voice signed an office lease for \$7,391 per month which increases annually by a stated amount. The lease term is for 84 months (5 months free) with a security deposit of \$7,391. In accordance with accounting for leases under professional standards, Kids' Voice amortized the total lease payments over the term of the lease. At June 30, 2020, Kids' Voice has a deferred rent payable of \$35,132.

Kids' Voice has an office equipment lease for \$105 per month plus usage for 63 months years which began in January 2019.

Rent and various lease expenses amounted to \$97,785 for the year ended June 30, 2020 and was included in occupancy expenses in the Statement of Functional Expenses.

Future minimum lease payments on the facilities lease having non-cancelable terms beyond June 30, 2020 are as follows:

2021	\$ 91,652
2022	93,017
2023	94,381
2024	95,746
2025	96,797
Thereafter	<u>72,660</u>
	<u>\$ 544,253</u>

Note 12 – Concentrations and Contingencies

Concentrations in Credit Risk

Kids' Voice maintains cash balances in financial institutions. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total uninsured balances in these accounts as of June 30, 2020 were \$0.

Concentrations in Major Contributors

For the year ended June 30, 2020, one contributor made up 60% of total revenue due receiving a significant grant (see net assets with donor restrictions note).

Contingencies in Government Awards

Financial awards from federal, state, and local entities are subject to financial and compliance audits. Such audits could result in claims against Kids' Voice for disallowed costs or noncompliance with grantor restrictions. No provision was made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 13 – Coronavirus

In March 2020, the outbreak of COVID-19 (coronavirus) was recognized as a pandemic by the World Health Organization, and the outbreak has become widespread in the United States. The outbreak has had a notable impact on general economic conditions with many unknown effects. Kids' Voice continues to monitor the impact of the coronavirus outbreak closely. The extent to which the coronavirus outbreak will impact its operations or financial results is uncertain.

Kids' Voice of Indiana, Inc.

Schedule of Lead Auditor For the Year Ended June 30, 2020

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