

KIDS MATTER INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

KIDS MATTER INC.

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Independent Auditor's Report

Board of Directors
Kids Matter Inc.

We have audited the accompanying financial statements of Kids Matter Inc. 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.

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 Organization'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 purposes 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 Kids Matter 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.

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Board of Directors
Kids Matter Inc.

Report on Summarized Comparative Information

We have previously audited Kids Matter Inc.'s December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 4, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.


RITZ HOLMAN LLP
Certified Public Accountants

Milwaukee, Wisconsin
December 3, 2020

KIDS MATTER INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(With Summarized Totals for December 31, 2018)

ASSETS

	2019	2018
CURRENT ASSETS		
Cash	\$ 134,309	\$ 119,916
Grants and Accounts Receivable	188,074	123,604
Prepaid Expenses	9,221	3,453
Total Current Assets	\$ 331,604	\$ 246,973
FIXED ASSETS		
Furniture and Equipment	\$ 6,707	\$ 6,707
Less: Accumulated Depreciation	(6,707)	(6,707)
Net Fixed Assets	\$ ---	\$ ---
TOTAL ASSETS	\$ 331,604	\$ 246,973

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts Payable	\$ 2,759	\$ 4,433
Accrued Payroll Liabilities	47,275	41,124
Deferred Contract Revenue	3,680	3,680
Total Current Liabilities	\$ 53,714	\$ 49,237
NET ASSETS		
Without Donor Restrictions	\$ 277,890	\$ 196,686
With Donor Restrictions	---	1,050
Total Net Assets	\$ 277,890	\$ 197,736
TOTAL LIABILITIES AND NET ASSETS	\$ 331,604	\$ 246,973

The accompanying notes are an integral part of these financial statements.

KIDS MATTER INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
REVENUE				
Federal Grants	\$ 743,991	\$ ---	\$ 743,991	\$ 735,407
State Grants	10,530	---	10,530	---
Individual Contributions	23,261	---	23,261	20,044
Corporate Contributions	58,883	---	58,883	24,058
Foundation Grants	25,647	---	25,647	56,851
Special Event Income	27,845	---	27,845	21,127
Special Event Expense	(10,255)	---	(10,255)	(3,696)
Donated Materials	116,450	---	116,450	83,770
Donated Services	438,045	---	438,045	468,960
Other Income	47	---	47	270
Net Assets Released from Restrictions	1,050	(1,050)	---	---
Total Revenue	<u>\$ 1,435,494</u>	<u>\$ (1,050)</u>	<u>\$ 1,434,444</u>	<u>\$ 1,406,791</u>
EXPENSES				
Program Services	\$ 1,316,111	\$ ---	\$ 1,316,111	\$ 1,317,738
Management and General	38,179	---	38,179	20,224
Total Expenses	<u>\$ 1,354,290</u>	<u>\$ ---</u>	<u>\$ 1,354,290</u>	<u>\$ 1,337,962</u>
CHANGE IN NET ASSETS	\$ 81,204	\$ (1,050)	\$ 80,154	\$ 68,829
Net Assets, Beginning of Year	<u>196,686</u>	<u>1,050</u>	<u>197,736</u>	<u>128,907</u>
NET ASSETS, END OF YEAR	<u>\$ 277,890</u>	<u>\$ ---</u>	<u>\$ 277,890</u>	<u>\$ 197,736</u>

The accompanying notes are an integral part of these financial statements.

KIDS MATTER INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	Program Services	Management and General	Fundraising	2019 Total	2018 Total
Salaries and Wages	\$ 543,361	\$ 7,611	\$ ---	\$ 550,972	\$ 540,503
Employee Benefits	39,182	344	---	39,526	41,723
Payroll Taxes	50,897	655	---	51,552	49,454
Professional Fees	22,781	23,634	---	46,415	69,080
Supplies	9,635	107	---	9,742	10,229
Telephone	4,442	747	---	5,189	7,466
Postage	2,814	185	---	2,999	2,763
Printing	2,357	357	---	2,714	2,510
Subscriptions	3,830	157	---	3,987	2,983
Occupancy	47,690	480	---	48,170	43,725
Utilities	5,087	51	---	5,138	4,961
Travel	9,290	251	---	9,541	8,898
Conferences, Conventions and Meetings	8,067	---	---	8,067	11,489
Insurance	5,077	51	---	5,128	5,019
Membership Dues	697	4	---	701	365
Emergency Client Support	1,965	343	---	2,308	1,785
Licenses and Fees	123	514	---	637	845
Technology Expense	85,211	1,314	---	86,525	90,323
Program Supplies	497	---	---	497	1,657
Community Outreach	2,789	9	---	2,798	1,661
Board Development	---	14	---	14	---
Donated Materials and Services	116,450	---	---	116,450	83,770
Volunteer Expense	344,962	1,096	---	346,058	339,061
Equipment Purchases	---	---	---	---	10,117
Advertising	295	---	---	295	150
LVC/Americorp Expense	8,611	---	---	8,611	7,089
Other Expense	1	255	---	256	336
Subtotal	<u>\$ 1,316,111</u>	<u>\$ 38,179</u>	<u>\$ ---</u>	<u>\$ 1,354,290</u>	<u>\$ 1,337,962</u>
Special Event Expenses					
Rent and Facility	\$ ---	\$ ---	\$ 2,333	\$ 2,333	\$ 490
Food and Beverages	---	---	3,460	3,460	1,730
Entertainment	---	---	---	---	351
Other Expenses	---	---	4,462	4,462	1,125
Total Special Events	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 10,255</u>	<u>\$ 10,255</u>	<u>\$ 3,696</u>
TOTALS	<u><u>\$ 1,316,111</u></u>	<u><u>\$ 38,179</u></u>	<u><u>\$ 10,255</u></u>	<u><u>\$ 1,364,545</u></u>	<u><u>\$ 1,341,658</u></u>

The accompanying notes are an integral part of these financial statements.

KIDS MATTER INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With Summarized Totals for the Year Ended December 31, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 80,154	\$ 68,829
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
(Increase) Decrease in Grants and Accounts Receivable	(64,470)	(10,157)
(Increase) Decrease in Prepaid Expenses	(5,768)	6,970
Increase (Decrease) in Accounts Payable	(1,674)	(5,666)
Increase (Decrease) in Accrued Payroll Liabilities	6,151	1,015
Increase (Decrease) in Deferred Contract Revenue	---	1,580
	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	\$ 14,393	\$ 62,571
Net Increase in Cash and Cash Equivalents	\$ 14,393	\$ 62,571
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>119,916</u>	<u>57,345</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 134,309</u>	<u>\$ 119,916</u>

The accompanying notes are an integral part of these financial statements.

KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

**KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE A - Summary of Significant Accounting Policies

Organization

The mission of Kids Matter Inc. (the "Organization") is to improve the lives of many Milwaukee County children involved in the child welfare system.

Accounting Method

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents include all highly liquid debt instruments with original maturities of three months or less at purchase.

Fixed Assets

Fixed assets are recorded at cost. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. The Organization capitalizes items at a value of \$5,000.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Contributions and Grant Revenue

Contributions received and unconditional promises to give are measured at fair value and are reported as increases in net assets. Contributions are considered available for the Organization's general operations and included in net assets without donor restrictions unless specifically restricted by a donor. A restricted contribution is reported in revenue and net assets without donor restrictions when the restriction is met within the same reporting period as the contribution is received. Contributions received restricted for a purpose not yet met or to support a future period are included in net assets with donor restrictions. When a donor restriction from a prior year expires, 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. Conditional contributions are not recognized as revenue until they become unconditional. A conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated if the barrier is not overcome.

Net assets restricted for acquisition of building or equipment are reported as net assets with donor restrictions until the specified asset is placed in service when the net assets are released to net assets without donor restrictions.

When a donor requires the investment of a contribution and restricts the use of investment income, the investment income is reported as net assets with donor restrictions until appropriated for the designated time or use when the net assets are released to net assets without donor restrictions.

**KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE A - Summary of Significant Accounting Policies (continued)

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Donated services are recognized as contributions if the services create or enhance nonfinancial assets or the services require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Accordingly, the value of contributed time that does not meet these requirements has not been determined and is not reflected in the accompanying financial statements.

Government Grants and Contract Revenue

Government grants and contract revenue are recognized when earned. Revenue is earned when eligible expenditures, as defined in each grant, contract or other allowable cost manual, are made. Any cash received for revenue not yet earned is considered to be deferred revenue. Revenue earned but not yet paid to the Organization is included in grants receivable. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such review reduces expenditures allowable under these grants or contracts, the Organization records the disallowance at the time the final assessment is made. Management believes that disallowances, if any, would not have a significant effect on the financial statements.

Estimates

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.

Allowance for Uncollectible Accounts

Management believes all receivables will be collected in accordance with the terms of the agreements. Thus, no allowance for uncollectible accounts is necessary at year end.

Functional Expenses

The Organization allocates costs directly to program, management, or fundraising when appropriate. Certain expenses are attributable to one or more programs or supporting functions of the organization. Those expenses include the executive director's salary and related facility cost which are allocated based on estimates of time and effort.

NOTE B - Accounting Change

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued accounting updates issued to clarify the standards. The updates are effective for the year ended December 31, 2019. The updates are required and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The core principle of the guidance is that an organization should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the organization expects to be entitled.

**KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE B - Accounting Change (continued)

The Organization's financial statements have changed to adopt the *Accounting Standards Update 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* effective for the year ended December 31, 2019. This update is required. The goal of this update is to help organizations determine reciprocal and nonreciprocal transactions. The guidance clarifies that an exchange transaction is when the resource provider receives equal value in return for what the resource provider pays. When the general public is the recipient of the service or goods, the transaction is not considered a reciprocal transaction, it is considered a contribution. The guidance also clarifies that a conditional contribution is one that has both a barrier that must be overcome and an agreement requiring advance payment to be returned or future payment not to be obligated when the barrier is not overcome.

The Organization applied the new guidance using the practical expedient provided in Topic 606 that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019. Results for reporting periods beginning after January 1, 2019 are presented under Topic 606 while prior period amounts are not adjusted and continue to be reported in accordance with legacy generally accepted accounting principles.

The adoption of this new standard did not result in a material impact to the Organization's financial statements. The adoption of the new standard is the new footnote disclosure regarding special event revenue. There was no significant effect on the financial statements related to the adoption of this new standard which would require cumulative effect adjustment to net assets at the date of adoption under the modified respective method.

Future Accounting Pronouncements

Accounting Standards Update 2016-02, Leases (Topic 842) will be effective for fiscal years beginning after December 15, 2021. This update requires the recognition of lease assets and lease liabilities on the statement of financial position measured at the present value of lease payments and requires disclosure of key information about the leasing arrangements.

Accounting Standards Update 2016-13, Financial Instruments - Credit Losses (Topic 326) will be effective for fiscal years beginning after December 15, 2023. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates, including exploring more forward-looking alternatives.

**KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE C - Comparative Financial Information and Reclassifications

The financial information shown for 2018 in the accompanying financial statements is included to provide a basis for comparison with 2019. The comparative information is summarized by total only, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity to generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

For comparability, certain 2018 amounts have been reclassified to conform with classifications adopted in 2019. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

NOTE D - Liquidity

The Organization has \$322,383 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash of \$134,309, and grants and accounts receivable of \$188,074. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date.

NOTE E - Conditional Contributions and Grants

The Organization has a contract with the government which includes specific use stipulations requiring funds be used only on qualifying expenses determined by the grant contract and allowable cost policies. The Organization will not receive the grant funds unless spent on the required activity and within the allowable cost guidance. As of December 31, 2019, the Organization has available grant funds of \$29,127, available for the Temporary Assistance to Needy Families Program, which are available through June 30, 2020; \$16,062, available for the Promoting Safe and Stable Families Program, which are available through September 30, 2020; and \$503,720, available for the Child Crime Victim Services Program, which are available through September 30, 2020.

NOTE F - Grants and Accounts Receivable

Grants and accounts receivable consist of the following at December 31, 2019:

<u>Source</u>	<u>Amount</u>
Wisconsin Department of Justice - VOCA	\$187,124
Stripe	<u>950</u>
Total	<u>\$188,074</u>

**KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE G - Deferred Contract Revenue

Deferred contract revenue includes funds received for future activities and consists of the following at December 31, 2019:

<u>Source</u>	<u>Amount</u>
VOCA Grant	\$2,100
Client Emergency Fund	<u>1,580</u>
Total	<u>\$3,680</u>

NOTE H - Donated Goods and Services

The Organization received \$554,495 of in-kind donations, which consisted of \$116,450 of donated materials, \$74,085 of computer services, \$4,000 of volunteer attorney hours, \$18,460 of other general service expenses and \$341,500 of CASA volunteer hours for the year ended December 31, 2019. CASA volunteers are appointed to youth who are at risk of lingering in foster care. It is the volunteer's job to get to know the child as well as possible, and to work with all the people in the child's life to get a comprehensive view of what the child's options are for safety and permanence. CASA volunteers write regular reports and make written recommendations to the court.

All in-kind donations were recorded at estimated fair market value. Donated goods and services were recorded as revenue and offset by like amounts in expenses.

NOTE I - Operating Lease

The Organization leases office space in Milwaukee, Wisconsin. The lease expired in June 2018 and is continuing on a month-to-month basis. Total rent expense was \$48,170 for the year ended December 31, 2019.

NOTE J - Revenue From Contracts with Customers

Fundraising Events

The Organization holds fundraising events throughout the year. Registration fees for these events are billed to participants at the time of registration. The event revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing the registrants access to the events and event activities. Revenue from these events are recognized at the point in time the event is held and the Organization's performance obligation to hold the event is completed. The Organization also provides the opportunity to sponsor events. Registration and sponsorships for the Organization's events opens months before the events are scheduled to be held. Cash receipts and sponsorships collected in advance of the special events are deferred as contract liabilities until earned when the event is held at which point the revenue is recognized.

**KIDS MATTER INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE J - Revenue From Contracts with Customers (continued)

At December 31, 2019, there were no assets or obligations related to revenue from contracts with customers. For the year ended December 31, 2019, special event revenue was \$27,845.

NOTE K - Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Management has reviewed all tax positions recognized in previously filed tax returns and those expected to be taken in future tax returns. As of December 31, 2019, the Organization had no amounts related to unrecognized income tax benefits and no amounts related to accrued interest and penalties. The Organization does not anticipate any significant changes to unrecognized income tax benefits over the next year.

NOTE L - Subsequent Events

The Organization has evaluated events and transactions occurring after December 31, 2019, through December 3, 2020, the date the financial statements are available to be issued, for possible adjustments to the financial statements or disclosures. The Organization has determined that the following subsequent events need to be disclosed.

On March 11, 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) a pandemic. The outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and facilities. While the disruption is currently expected to be temporary, there is a considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter may negatively impact its operating results. The duration of the facility closure and the financial impact of COVID -19 cannot be reasonably estimated at this time.

The Organization has entered into the Paycheck Protection Program and received a loan of \$118,400 on May 31, 2020. The Organization is required to pay principal and interest payments each month, beginning seven months from May 31, 2020. The interest rate was 1%. The Organization may be eligible for full or partial loan forgiveness based on if the proceeds are spent on eligible expenditures in the loan coverage period and if the Organization meets other loan requirements such as maintaining employment levels as compared to a reference period previous to the loan period.