



FINANCIAL STATEMENTS

**FOR THE YEARS ENDED
AUGUST 31, 2020 AND 2019**

HORTON'S KIDS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

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Independent Auditor's Report

To the Board of Directors of
Horton's Kids, Inc.

We have audited the accompanying financial statements of Horton's Kids, Inc. (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 audits. We conducted our audits 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 Horton's Kids, Inc. as of August 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Alta CPA Group, LLC

January 26, 2021

HORTON'S KIDS, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 991,591	\$ 332,273
Investments	796,555	666,902
Contributions and Other Receivables	112,420	160,667
Prepaid Expenses	<u>73,962</u>	<u>55,628</u>
 Total Current Assets	 1,974,528	 1,215,470
Property and Equipment:		
Land	338,766	338,766
Furniture and Equipment	132,943	120,992
Vehicles	24,169	70,941
Leasehold Improvements	340,041	340,041
Less: Accumulated Depreciation	<u>(323,409)</u>	<u>(310,280)</u>
 Net Property and Equipment	 <u>512,510</u>	 <u>560,460</u>
 Total Assets	 \$ <u><u>2,487,038</u></u>	 \$ <u><u>1,775,930</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 62,262	\$ 75,162
Paycheck Protection Program Loan	247,545	-
Deferred Rent	<u>50,953</u>	<u>64,197</u>
 Total Current Liabilities	 360,760	 139,359
Net Assets:		
Without Donor Restrictions	1,502,873	1,597,749
With Donor Restrictions	<u>623,405</u>	<u>38,822</u>
 Total Net Assets	 <u>2,126,278</u>	 <u>1,636,571</u>
 Total Liabilities and Net Assets	 \$ <u><u>2,487,038</u></u>	 \$ <u><u>1,775,930</u></u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 2,219,378	\$ 1,441,567	\$ 3,660,945
Investment Income:			
Net Appreciation in Fair Value of Investments	16,726	1,923	18,649
Investment Income	31,073	59	31,132
Net Investment Income	47,799	1,982	49,781
Net Assets Released from Restrictions	<u>858,966</u>	<u>(858,966)</u>	<u>-</u>
Total Revenue	3,126,143	584,583	3,710,726
EXPENSES			
Program Services:			
Academics	790,715	-	790,715
Communication and Marketing	380,568	-	380,568
Health and Basic Needs	748,403	-	748,403
Summer Camp	103,676	-	103,676
Youth Development	<u>418,450</u>	<u>-</u>	<u>418,450</u>
Total Program Services	2,441,812	-	2,441,812
Supporting Services:			
Management and General	452,911	-	452,911
Fundraising:			
Special Events	132,881	-	132,881
Other Fundraising	<u>193,415</u>	<u>-</u>	<u>193,415</u>
Total Fundraising	<u>326,296</u>	<u>-</u>	<u>326,296</u>
Total Supporting Services	<u>779,207</u>	<u>-</u>	<u>779,207</u>
Total Expenses	<u>3,221,019</u>	<u>-</u>	<u>3,221,019</u>
Change in Net Assets	(94,876)	584,583	489,707
Net Assets at Beginning of Year	<u>1,597,749</u>	<u>38,822</u>	<u>1,636,571</u>
Net Assets at End of Year	<u>\$ 1,502,873</u>	<u>\$ 623,405</u>	<u>\$ 2,126,278</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE			
Contributions	\$ 2,468,033	\$ 765,625	\$ 3,233,658
Investment Income:			
Net Depreciation in Fair Value of Investments	(11,505)	-	(11,505)
Investment Income	34,063	-	34,063
Less: Investment Expenses	-	-	-
Net Investment Income	<u>22,558</u>	<u>-</u>	<u>22,558</u>
Net Assets Released from Restrictions	<u>794,179</u>	<u>- (794,179)</u>	<u>-</u>
Total Revenue	3,284,770	(28,554)	3,256,216
EXPENSES			
Program Services:			
Academics	724,901	-	724,901
Communication and Marketing	424,929	-	424,929
Health and Basic Needs	704,285	-	704,285
Summer Camp	202,499	-	202,499
Youth Development	<u>355,594</u>	<u>-</u>	<u>355,594</u>
Total Program Services	2,412,208	-	2,412,208
Supporting Services:			
Management and General	316,293	-	316,293
Fundraising:			
Special Events	228,371	-	228,371
Other Fundraising	<u>220,091</u>	<u>-</u>	<u>220,091</u>
Total Fundraising	<u>448,462</u>	<u>-</u>	<u>448,462</u>
Total Supporting Services	<u>764,755</u>	<u>-</u>	<u>764,755</u>
Total Expenses	<u>3,176,963</u>	<u>-</u>	<u>3,176,963</u>
Change in Net Assets	107,807	(28,554)	79,253
Net Assets at Beginning of Year	<u>1,489,942</u>	<u>67,376</u>	<u>1,557,318</u>
Net Assets at End of Year	<u>\$ 1,597,749</u>	<u>\$ 38,822</u>	<u>\$ 1,636,571</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

	<u>Academics</u>	<u>Communication and Marketing</u>	<u>Health and Basic Needs</u>	<u>Summer Camp</u>	<u>Youth Development</u>	<u>Total Program Services</u>
Advertising and Promotion	\$ -	\$ 120,000	\$ -	\$ -	\$ -	\$ 120,000
Bank Charges	3	1	2	-	2	8
Books, Subscriptions, Materials	6,157	-	-	-	571	6,728
Computer Services	5,223	1,798	3,542	799	2,965	14,327
Depreciation	10,318	3,607	44,619	1,372	8,979	68,895
Employee Benefits	43,392	13,821	28,741	5,335	25,284	116,573
Event Supplies and Entertainment	-	-	-	-	-	-
Equipment Rental and Maintenance	1,784	615	1,160	237	996	4,792
Fees	919	-	2,200	2,230	3,863	9,212
Food and Meals	149	45	3,444	10	1,098	4,746
Insurance	8,208	2,554	5,523	1,017	4,607	21,909
Internet	1,030	329	682	134	584	2,759
Occupancy Expense	37,171	11,186	24,580	4,772	20,261	97,970
Office Supplies	13,572	8,929	6,726	1,053	7,895	38,175
Other Specific Assistance	19,110	-	1,423	-	71	20,604
Payroll Taxes	38,682	12,097	25,221	4,384	20,541	100,925
Postage, Shipping, Delivery	197	4,862	124	9	87	5,279
Presents	654	442	606	5,869	9,778	17,349
Printing and Copying	1,904	587	1,182	210	985	4,868
Professional Fees	21,408	40,785	35,149	8,308	18,390	124,040
Program Activity Supplies	22,076	5,352	194,818	10,616	18,814	251,676
Salaries and Wages	476,296	141,143	332,201	53,300	242,602	1,245,542
Scholarships	1,500	-	-	-	-	1,500
Staff Development	8,955	1,375	5,701	518	3,558	20,107
Telephone and Telecommunications	8,087	3,075	5,799	1,494	7,388	25,843
Transportation, Travel and Parking	32,873	1,363	5,754	413	5,925	46,328
Volunteer Expense/Development	31,047	6,602	19,206	1,596	13,206	71,657
Total	\$ <u>790,715</u>	\$ <u>380,568</u>	\$ <u>748,403</u>	\$ <u>103,676</u>	\$ <u>418,450</u>	\$ <u>2,441,812</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2020

	Total Program Services	Management and General	Fundraising			Total Expenses
			Special Events	Other Fundraising	Total Fundraising	
Advertising and Promotion	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ 120,000
Bank Charges	8	8,647	-	11,703	11,703	20,358
Books, Subscriptions, Materials	6,728	-	-	-	-	6,728
Computer Services	14,327	813	824	1,351	2,175	17,315
Depreciation	68,895	1,591	1,717	3,129	4,846	75,332
Employee Benefits	116,573	6,044	6,486	10,264	16,750	139,367
Event Supplies and Entertainment	-	-	13,000	9	13,009	13,009
Equipment Rental and Maintenance	4,792	632	194	450	644	6,068
Fees	9,212	-	-	-	-	9,212
Food and Meals	4,746	1	6	9	15	4,762
Insurance	21,909	1,180	1,214	2,079	3,293	26,382
Internet	2,759	141	151	252	403	3,303
Occupancy Expense	97,970	5,300	5,306	8,634	13,940	117,210
Office Supplies	38,175		20,839	21,050	41,889	80,064
Other Specific Assistance	20,604	1,931	-	-	-	22,535
Payroll Taxes	100,925	5,218	5,946	9,548	15,494	121,637
Postage, Shipping, Delivery	5,279	21	30	40	70	5,370
Presents	17,349	-	-	-	-	17,349
Printing and Copying	4,868	199	344	445	789	5,856
Professional Fees	124,040	355,209	2,309	4,798	7,107	486,356
Program Activity Supplies	251,676	-	16	-	16	251,692
Salaries and Wages	1,245,542	62,828	68,021	109,755	177,776	1,486,146
Staff Development	20,107	837	1,259	1,475	2,734	23,678
Telephone and Telecommunications	25,843	365	428	716	1,144	27,352
Transportation, Travel and Parking	46,328	198	364	399	763	47,289
Volunteer Expense/Development	71,657	1,756	4,427	7,309	11,736	85,149
Total	\$ 2,440,312	\$ 452,911	\$ 132,881	\$ 193,415	\$ 326,296	\$ 3,219,519

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2019

	<u>Academics</u>	<u>Communication and Marketing</u>	<u>Health and Basic Needs</u>	<u>Summer Camp</u>	<u>Youth Development</u>	<u>Total Program Services</u>
Advertising and Promotion	\$ -	\$ 120,052	\$ -	\$ -	\$ -	\$ 120,052
Bank Charges	-	-	-	-	-	-
Books, Subscriptions, Materials	17,035	-	-	-	470	17,505
Computer Services	6,702	1,679	4,649	1,094	3,177	17,301
Depreciation	8,208	2,214	42,540	1,603	5,079	59,644
Employee Benefits	39,677	9,878	28,669	7,980	19,674	105,878
Event Supplies and Entertainment	-	50,604	-	-	-	50,604
Equipment Rental and Maintenance	2,704	715	3,232	181	1,293	8,125
Fees	-	-	360	4,561	5,722	10,643
Food and Meals	204	13	5,452	649	2,724	9,042
Insurance	7,456	1,880	5,385	979	3,618	19,318
Internet	958	231	885	139	828	3,041
Occupancy Expense	39,163	9,379	27,890	5,799	19,636	101,867
Office Supplies	8,003	7,864	6,088	1,218	6,769	29,942
Other Specific Assistance	15,394	-	1,957	31,401	75	48,827
Payroll Taxes	32,477	8,094	22,924	4,322	15,996	83,813
Postage, Shipping, Delivery	156	3,295	188	6	75	3,720
Presents	683	-	253	149	15,217	16,302
Printing and Copying	2,539	662	1,807	340	1,107	6,455
Professional Fees	35,865	27,909	17,121	8,271	17,482	106,648
Program Activity Supplies	19,988	79,706	204,536	63,296	23,165	390,691
Salaries and Wages	405,574	94,736	306,644	55,647	188,674	1,051,275
Staff Development	7,742	1,792	6,161	2,306	4,322	22,323
Telephone and Telecommunications	5,936	1,179	4,559	895	3,674	16,243
Transportation, Travel and Parking	55,481	1,159	5,710	4,823	8,005	75,178
Volunteer Expense/Development	12,956	1,888	7,275	6,840	8,812	37,771
Total	\$ <u>724,901</u>	\$ <u>424,929</u>	\$ <u>704,285</u>	\$ <u>202,499</u>	\$ <u>355,594</u>	\$ <u>2,412,208</u>

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2019

	Total Program Services	Management and General	Fundraising			Total Expenses
			Special Events	Other Fundraising	Total Fundraising	
Advertising and Promotion	\$ 120,052	\$ 290	\$ -	\$ -	\$ -	\$ 120,342
Bank Charges	-	8,048	-	9,321	9,321	17,369
Books, Subscriptions, Materials	17,505	-	-	-	-	17,505
Computer Services	17,301	1,325	905	2,170	3,075	21,701
Depreciation	59,644	1,836	1,167	4,387	5,554	67,034
Employee Benefits	105,878	8,453	6,329	13,412	19,741	134,072
Event Supplies and Entertainment	50,604	-	91,128	-	91,128	141,732
Equipment Rental and Maintenance	8,125	494	248	840	1,088	9,707
Fees	10,643	-	-	-	-	10,643
Food and Meals	9,042	67	3	8	11	9,120
Insurance	19,318	1,374	1,023	2,553	3,576	24,268
Internet	3,041	177	140	321	461	3,679
Occupancy Expense	101,867	6,868	5,332	12,230	17,562	126,297
Office Supplies	29,942	2,158	-	19,909	19,909	52,009
Other Specific Assistance	48,827	-	-	-	-	48,827
Payroll Taxes	83,813	5,967	4,535	10,701	15,236	105,016
Postage, Shipping, Delivery	3,720	106	20	59	79	3,905
Presents	16,302	-	-	-	-	16,302
Printing and Copying	6,455	484	340	3,961	4,301	11,240
Professional Fees	106,648	203,794	14,452	6,691	21,143	331,585
Program Activity Supplies	390,691	406	41,766	72	41,838	432,935
Salaries and Wages	1,051,275	71,132	56,011	126,391	182,402	1,304,809
Staff Development	22,323	1,318	1,036	3,854	4,890	28,531
Telephone and Telecommunications	16,243	535	389	1,447	1,836	18,614
Transportation, Travel and Parking	75,178	503	515	635	1,150	76,831
Volunteer Expense/Development	37,771	958	3,032	1,129	4,161	42,890
Total	\$ 2,412,208	\$ 316,293	\$ 228,371	\$ 220,091	\$ 448,462	\$ 3,176,963

See auditor's report and accompanying notes to financial statements.

HORTON'S KIDS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 489,707	\$ 79,253
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	75,332	67,034
Loss on Disposal of fixed Assets	438	-
In-Kind Donation of Stock	(2,449)	-
(Appreciation) Depreciation in Fair Value of Investments	(18,649)	11,505
(Increase) Decrease in Contributions and Other Receivables	48,247	(1,075)
(Increase) Decrease in Prepaid Expenses	(18,334)	33,066
Increase (Decrease) in Accounts Payable and Accrued Expenses	(12,900)	29,554
Increase in Deferred Revenue	<u>(13,244)</u>	<u>55,447</u>
Net Cash Provided by Operating Activities	548,148	274,784
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(390,718)	369,919
Proceeds from Sale of Investments	282,163	(410,436)
Proceeds from Sale of Fixed Assets	8,300	-
Purchase of Fixed Assets	<u>(36,120)</u>	<u>(216,753)</u>
Net Cash Used by Investing Activities	(136,375)	(257,270)
CASH FLOWS FROM FINANCING ACTIVITIES		
Paycheck Protection Program Loan	<u>247,545</u>	<u>-</u>
Net Cash Provided by Financing Activities	<u>247,545</u>	<u>-</u>
Increase in Cash and Cash Equivalents	659,318	17,514
Cash and Cash Equivalents at Beginning of Year	<u>332,273</u>	<u>314,759</u>
Cash and Cash Equivalents at End of Year	<u>\$ 991,591</u>	<u>\$ 332,273</u>
SUPPLEMENTAL DISCLOSURE		
Interest Paid	\$ <u>-</u>	\$ <u>-</u>
Income Taxes Paid	\$ <u>-</u>	\$ <u>-</u>

See auditor's report and accompanying notes to financial statements.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Horton's Kids' (HKI) mission is to empower at-risk children and prepare them for successful and healthy lives through educational opportunities and comprehensive programs tailored to their needs. Horton's Kids believes circumstance should not dictate a child's future, and that each participant should graduate from high school ready to succeed in college, career, and life.

Horton's Kids' model includes three areas of focus:

Academics

Academic supports serve children of all ages so they graduate from high school prepared for post-secondary success. Academic supports – and literacy supports in particular – are an urgent need for the children we serve. Reading on grade level by third grade is one of the most important predictors of long term success, but meeting this benchmark is a challenge for Wellington Park children. By the time they enter kindergarten, our participants have heard, on average, 30 million fewer words than their more affluent peers, putting them at a significant disadvantage. This gap only widens as children grow older: in fact, many of our participants come to us three or more years behind in reading. Aligned to the Common Core, our programming includes one-on-one tutoring and homework help for children in grades K-12 to strengthen their literacy skills; older youth programming for children in grades 7-12 – such as career exploration and SAT/ACT preparation - to prepare them for post-secondary options; and educational advocacy services to connect families with high-performing schools and support children with special needs. All of these supports result in tremendous outcomes for children: in fact, children in Horton's Kids are twice as likely to graduate from high school.

Youth Development

Youth Development activities help children develop social-emotional skills, habits, and behaviors that are critical to lifelong success. This includes everything from learning to manage their emotions to writing a resume. Additionally, key character strengths – such as perseverance, optimism, and self-control – are closely tied to life-long success. Our activities that foster these skills and habits include field trips, team and individual sports, mentoring, life skills lessons, discussion forums, and enrichment activities.

Health & Basic Needs

Health and basic needs supports ensure that children are healthy and prepared to learn. The children we serve live in a community with one of the highest rates of violent crime in DC, where the average family income is less than \$10,000 per year. Our community resource center, open six days a week, is located just steps from children's homes, allowing us to be a consistent and trusted resource for the families we serve. We provide a wide range of services, including daily after school meals, mental health supports, diaper and toiletry distribution, coat and backpack distributions, and connections to partner organizations that empower families.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

When contributions are received and the restrictions met within the same fiscal year, the amounts are reported as without donor restrictions.

Change in Accounting Principle

The organization has adopted Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the organizations financial reporting. Analysis of various provisions of this standard resulted in no significant changes in the way the organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosure of revenue have been enhanced in accordance with the standard.

The organization has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* as management believes the standard improves the usefulness and understandability of the organizations financial reporting.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents consist of amounts on deposit (including interest bearing deposits) with domestic financial institutions as well as money market funds.

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 as of the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are stated at aggregate fair value. Publicly traded securities and mutual funds are valued at the last reported sales price on the last business day of the year. The difference between the total fair value at the beginning and end of the year, including investments bought and sold during the year, is included in the statements of activities and changes in net assets as net appreciation (depreciation) in fair value of investments. All purchases and sales of investments are recorded on a trade-date basis. Any unsettled transactions are recorded either as a receivable or a liability in the statements of financial position.

Financial assets and liabilities valued using level 1 inputs are based on unadjusted quoted market prices within active markets. Financial assets and liabilities valued using level 2 inputs are based primarily on quoted prices for similar assets or liabilities in active or inactive markets. For certain long term debt, the fair value was based on present value techniques using inputs derived principally or corroborated from market data. Financial assets and liabilities using level 3 inputs were primarily valued using management's assumptions about the assumptions market participants would utilize in pricing the asset or liability. Valuation techniques utilized to determine fair value are consistently applied.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges and Grants Receivable

Pledges and grants receivable consist of unconditional promises to give and contracts with government agencies as of August 31, 2020 and 2019. All pledges and grants are expected to be collected in the subsequent year.

Provision for Doubtful Accounts

The provision for doubtful accounts is based on management's estimate of the status of existing grants and pledges receivable. At August 31, 2020 and 2019, management has recorded no provision for doubtful accounts.

Property and Equipment

HKI capitalizes all property and equipment acquisitions of \$1,000 and above. Property and equipment is recorded at cost, if purchased, or fair market value at date of donation, if contributed. Depreciation is provided on a straight line basis over the estimated useful life of the asset, usually 5-7 years.

Donated Services, Materials and Facilities

Donated services are recognized as contributions at their estimated fair value at the date of donation, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by HKI. In addition, individuals and other groups contribute substantial amounts of materials and services toward the fulfillment of programs initiated by HKI. A substantial number of volunteers have donated significant amounts of time to HKI's program services and to its fundraising campaigns. However, these amounts have not been recognized in the accompanying statements of activities and changes in net assets for these contributed services because the conditions for requiring recognition of such volunteer effort under generally accepted accounting principles do not exist. Donations of materials are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use are reported as donor restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, HKI reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

HKI is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). In addition, HKI has been determined by the Internal Revenue Service not to be a private organization within the meaning of Section 509(a) of the Code.

HKI's informational return filings are subject to audit by the Internal Revenue Service, generally for three years after filing.

Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of the Organization are reported as expenses of those functional areas. Certain costs, such as some salary, payroll taxes, employee benefits, and occupancy are allocated based on estimates of staff time spent on each functional area.

Endowment Fund

The Chamberlain Scholarship Fund was established in 2014 to establish a \$1,500 scholarship to one graduating senior in Horton Kid's Program. The Chamberlain Scholarship Endowment Fund was formally created and funded in 2019 by a generous gift from a donor. The fund is managed by the same Investment Policy for the Board-designated Reserve with a low tolerance for risk. The endowment will continue to provide one \$1,500 scholarship in perpetuity and will provide more than one scholarship per year once the endowment grows and generates sufficient fund to do so.

Subsequent Events

HKI evaluated subsequent events through the date that the financial statements were available to be issued. HKI has identified no significant events that occurred subsequent to the statement of financial position date but prior to January 26, 2021 that would have a material impact on the financial statements.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 2 - CONCENTRATIONS

HKI maintains cash balances in a number of financial institutions. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents. At August 31, 2020, the Organization's cash exceed the federally insured limits by approximately \$737,000.

NOTE 3 - INVESTMENTS

The following table presents HKI's fair value hierarchy for the above assets measured at fair value on a recurring basis as of August 31, 2020 and 2019:

<u>2020</u>	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Common Stock	\$ 6,520	\$ ---	\$ ---	\$ 6,520
Exchange Traded and Closed End Funds	218,520	---	---	218,520
Mutual Funds	<u>571,515</u>	---	---	<u>571,515</u>
Total Investments	\$ <u>796,555</u>	\$ ---	\$ ---	\$ <u>796,555</u>

<u>2019</u>	Quoted Market Prices in Active Markets <u>(Level 1)</u>	Other Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
Common Stock	\$ 3,476	\$ ---	\$ ---	\$ 3,476
Exchange Traded and Closed End Funds	149,873	---	---	149,873
Mutual Funds	<u>513,553</u>	---	---	<u>513,553</u>
Total Investments	\$ <u>666,902</u>	\$ ---	\$ ---	\$ <u>666,902</u>

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 4 - LEASE

In December 2018, HKI entered into a lease for office space for a period of five years, expiring January 31, 2024. The terms of this lease require monthly payments of \$8,391 and 2.3% annual increases effective January 1 of each year. The organization subleased additional in April 01, 2020 the lease expires on December 31, 2022 with a 3.8 % increase on the anniversary of the sublease agreement.

Future minimum annual payments under these leases are as follows:

2021	\$ 124,355
2022	127,757
2023	116,983
2024	112,876
2025	<u>37,934</u>
 Total Minimum Lease Payments	 \$ <u>519,905</u>

NOTE 5 - NET ASSETS WITH DONOR RESTRICTIONS

At August 31, 2020, net assets with donor restrictions are available for the following purposes:

<u>Purpose</u>	<u>2020</u>	<u>2019</u>
Purpose Restricted - Older Youth	\$ 25,250	\$ 5,000
Purpose Restricted - Academic Programs	24,893	20,357
Purpose Restricted - Career Assistance	4,472	6,608
Purpose Restricted – Scholarships	1,983	6,443
Purpose Restricted - Organizational Development	440,417	414
Purpose Restricted - Mental Health	17,902	---
Purpose Restricted - Covid Relief	55,913	---
Endowment	<u>52,575</u>	<u>---</u>
 Total	 \$ <u>623,405</u>	 \$ <u>38,822</u>

NOTE 6 - RETIREMENT PLAN

In 2003, HKI established a SIMPLE IRA plan covering all employees who are reasonably expected to receive \$5,000 in compensation for the calendar year. HKI matches employee contributions dollar-for-dollar up to the lesser of 3% of the employee's compensation or the Internal Revenue Service limit. Pension expense for the years ended August 31, 2020 and 2019 were approximately \$21,100 and \$17,600 respectively.

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 7 - DONATED SERVICES AND FACILITIES

The value of in-kind contributions in the financial statements and the corresponding expenses for the years ended August 31, 2020 and 2019 are as follows:

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertisement	\$ 110,000	\$ ---	\$ ---	\$ 110,000
Supplies	144,698	---	---	144,698
Professional Fees	<u>---</u>	<u>322,854</u>	<u>---</u>	<u>322,854</u>
Total	\$ <u>254,698</u>	\$ <u>322,854</u>	\$ <u>---</u>	\$ <u>577,552</u>

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Advertisement	\$ 120,000	\$ ---	\$ ---	\$ 120,000
Supplies	388,265	---	---	388,265
Professional Fees	<u>---</u>	<u>157,396</u>	<u>5,000</u>	<u>162,396</u>
Total	\$ <u>498,265</u>	\$ <u>157,396</u>	\$ <u>5,000</u>	\$ <u>670,661</u>

NOTE 8 - LIQUIDITY AND AVAILABILITY

HKI maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2020</u>	<u>2019</u>
Cash and Cash Equivalents	\$ 991,591	\$ 332,273
Investments	796,555	666,902
Contributions and Other Receivables, Current	<u>112,420</u>	<u>160,730</u>
Total Current Financial Assets at Year End	1,900,566	1,159,905
Amounts Unavailable for General Expenditures Within One Year, Due to:		
Restricted by Donors for a Specific Purpose	<u>(623,405)</u>	<u>(38,822)</u>
Total Financial Assets Available for General Expenditure Within One Year	\$ <u>1,277,161</u>	\$ <u>1,121,020</u>

RTON'S KIDS, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2020 AND 2019

NOTE 9 - ENDOWMENT FUND

The endowment fund at August 31, 2020 consisted of the following:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Donor-Restricted Endowment Funds	\$ ---	\$ <u>52,575</u>	\$ <u>52,575</u>
Total	\$ ---	\$ <u>52,575</u>	\$ <u>52,575</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Endowment Net Assets</u>
Endowment Net Assets, Beginning of Year	\$ ---	\$ ---	\$ ---
Contributions	---	52,036	52,036
Investment Income	---	58	58
Net Appreciation (Depreciation)	---	1,981	1,981
Amounts Appropriated For Expenditure	<u>---</u>	<u>(1,500)</u>	<u>(1,500)</u>
Endowment Net Assets, End of Year	\$ ---	\$ <u>52,575</u>	\$ <u>52,575</u>

NOTE 10 – PAYCHECK PROTECTION PROGRAM

On April 20, 2020, the Organization received loan proceeds in the amount of \$247,545 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid Relief and Economy Security Act ("CARES Act"), provides loans to qualifying businesses for an amount up to 2.5 times of the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, the loan may be forgiven if the proceeds are used for qualifying expenses described in the CARES Act, while maintaining payroll levels. Qualifying expenses include payroll, benefits, rent and utilities. Any portion of the PPP loan not forgiven will mature on April 17, 2022 and bear interest at a rate of 1% per annum.