KIDS TO LOVE FOUNDATION

AUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2023

Mercer & Associates, PC

CONTENTS

Independent Auditor's Report	Page	1
Statement of Financial Position		3
Statement of Activities		4
Statements of Functional Expenses		5
Statement of Cash Flows		6
Notes to Financial Statements		7

Mercer & Associates, PC

a CPA firm

201 Williams Avenue Suite 280
Huntsville, Alabama 35801
(256) 536 – 4318
Fax (256) 533 - 7193

Jerry Mercer, CPA, owner
Lisa Eaton, CPA
Misty Whiting, CPA
Amy Todd, CPA

Members
Alabama Society of C.P.A.s
American Institute C.P.A.s

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Kids to Love Foundation
Madison, Alabama

Opinion

We have audited the accompanying financial statements of Kids to Love Foundation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids to Love Foundation as of December 31, 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kids to Love Foundation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids to Love Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kids to Love Foundation's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids to Love Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Mercer & Associates, PC

Huntsville, Alabama
October 24, 2024

KIDS TO LOVE FOUNDATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,554,071
Investments	509,688
Other Receivables	2,000
Prepaid Expense	80,527
Total Current Assets	2,146,286
Property and Equipment	
Buildings and Improvements	2,230,095
Land	1,913,590
Furniture and Equipment	728,590
Vehicles	90,810
Less accumulated depreciation	(1,063,673)
Total Property and Equipment	3,899,412
Other Assets	
Collection	144,912
Total Other Assets	144,912
TOTAL ASSETS	$ 6,190,610
LIABILITIES & NET ASSETS	
Current Liabilities	
Accounts Payable	$ 40,025
Payroll Liabilities	22,306
Retirement Payable	8,210
Total Current Liabilities	70,541
TOTAL LIABILITIES	70,541
NET ASSETS	
Without Donor Restrictions	6,120,069
TOTAL NET ASSETS	6,120,069
TOTAL LIABILITIES & NET ASSETS	$ 6,190,610

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

KIDS TO LOVE FOUNDATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

REVENUE AND SUPPORT		
Contributions		$ 2,504,450
Grants		940,202
Medicaid Reimbursements		18,181
Stock Donations		51,128
Special Events Revenue	$ 313,071	
Special Events Expenses	(210,947)	102,124
Ktech Tuition		18,500
Contributions of Nonfinancial Assets		1,489,273
TOTAL REVENUE AND SUPPORT		5,123,858
FUNCTIONAL EXPENSES		
Program Services		4,364,909
Administration		474,679
Fundraising		20,155
TOTAL FUNCTIONAL EXPENSES		4,859,743
OTHER INCOME (EXPENSES)		
Other Income		17,989
Gain (Loss) on Disposal		3,586
Realized Gain (Loss) on Investment		43,683
Unrealized Gain (Loss) on Investment		(44,140)
Dividend and Interest Income		22,369
TOTAL OTHER INCOME (EXPENSES)		43,487
INCREASE (DECREASE) IN NET ASSETS		307,602
NET ASSETS AT BEGINNING OF YEAR		5,812,467
NET ASSETS AT END OF YEAR		$ 6,120,069

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

KIDS TO LOVE FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Administrative & General	Fundraising	Total
Salaries	$ 1,483,596	$ 146,729	$ 0	$ 1,630,325
Employee Benefits	164,190	16,239	0	180,429
Payroll Taxes	104,439	10,329	0	114,768
Child Assistance	283,196	0	0	283,196
Foster/Adoptive Parent Training	6,419	0	0	6,419
Accounting Fees	0	14,880	0	14,880
Legal Fees	0	109,238	0	109,238
Contract Service	69,582	0	0	69,582
Dues	0	7,482	0	7,482
Insurance	67,489	35,917	0	103,406
Fundraising	0	0	20,155	20,155
Advertising Expense	75,582	167	0	75,749
Books and Subscriptions	11,174	657	0	11,831
Building and Grounds Maintenance	110,105	10,889	0	120,994
Business Meals	0	34,883	0	34,883
Computer and Internet	75,654	698	0	76,352
Utilities and In-Kind Facilities	53,716	7,610	0	61,326
Equipment Rental and Maintenance	17,997	1,780	0	19,777
Interest Expense	0	224	0	224
Investment Fees	0	5	0	5
Telephone	13,849	1,370	0	15,219
Printing & Copy Expense	50,690	0	0	50,690
Postage and Mailing Service	9,095	900	0	9,995
Supplies	142,329	7,183	0	149,512
Storage	35,872	0	0	35,872
Training and Professional Development	17,938	39,270	0	57,208
Travel Expense	65,402	6,468	0	71,870
Vehicle Expenses	27,141	10,395	0	37,536
Property Taxes	28,913	0	0	28,913
Website	1,181	0	0	1,181
Miscellaneous	13,870	215	0	14,085
In-Kind Food, Clothing, Medical, Hygiene Supplies	1,308,735	0	0	1,308,735
In-Kind Ktech Tuition	14,000	0	0	14,000
Depreciation	112,754	11,152	0	123,906
Total Functional Expenses	$ 4,364,909	$ 474,679	$ 20,155	$ 4,859,743

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

KIDS TO LOVE FOUNDATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$	307,602
Adjustments to Reconcile Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation		123,906
(Gain)/Loss on Sale of Fixed Assets		(3,586)
Stock Donations		(51,128)
Realized (Gain)/Loss on Investments		(43,683)
Unrealized (Gain)/Loss on Investments		44,140
Investment Income		(13,562)
Investment Fees		5
In-Kind Contributions of Fixed Assets		
(Increase) Decrease in:		
Prepaid Expenses		(14,072)
Increase (Decrease) in:		
Accounts Payable		40,025
Payroll Liabilities		(12,359)
Retirement Payable		(16,022)
Net Cash Provided (Used) by Operating Activities		361,266
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets		(342,109)
Proceeds from Sale of Fixed Assets		750,000
Insurance Proceeds		234,034
Proceeds from Sale of Investments		150,000
Purchase of Investments		(256,100)
Net Cash Provided (Used) by Investing Activities		535,825
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan Proceeds		0
Net Cash Provided (Used) by Financing Activities		0
Net Increase (Decrease) in Cash and Cash Equivalents		897,091
Cash and Cash Equivalents at Beginning of Year		656,980
Cash and Cash Equivalents at End of Year	$	1,554,071
NONCASH TRANSACTIONS		
Contributions of Nonfinancial Assets	$	1,489,273

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

KIDS TO LOVE FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization
Kids to Love Foundation (KTL) was incorporated as an Alabama nonprofit corporation in 2004. KTL's primary business activity is meeting the needs of foster children while awaiting permanent homes. KTL is located in Madison, Alabama and provides services for the state of Alabama. KTL is supported primarily through contributions and grants.

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Under the provisions of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"), net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.
>
> Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Accounting standards require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of financial position. In addition, gains and losses on investments should be reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Revenue Recognition
The Financial Accounting Standards Board (FASB) issued a standard on revenue from contracts with customers, which clarifies the principles for recognizing revenue. The Organization's revenue primarily consists of grants and contributions, which are not considered contracts with customers. As such, this revenue recognition guidance had no impact on the Organization's revenue, support, or net assets.

Contributions received are recorded as support without donor restrictions and support with donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Organization has elected to report donor-restricted contributions (including contributions of long-lived assets) whose restrictions are met in the same reporting period as support without donor restrictions.

Estimates
The preparation of financial statements in conformity with generally accepted accounting principles of the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Baseball Card Collection
The baseball card collection is presented at an estimated fair market value at the date of donation, $144,912. Appreciation in value is not recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents
For the purposes of cash flows, KTL considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses
The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries, Benefits, Postage, Travel	Time and Effort
Insurance, Maintenance, Computer, Telephone, and Depreciation	Square Footage
All Other	Direct Expenses

Property and Equipment
Property and equipment is stated at cost or, if donated, at the fair market value on the date the equipment is contributed. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Equipment is depreciated over a period of five to seven years. When assets are retired, the assets and related accumulated depreciation are removed from the respective accounts and any profit or loss due to the disposition is credited or charged to income. Gifts of long-lived assets are reported as unrestricted support unless subject to donor stipulations.

The cost of maintenance and repairs is charged to income as incurred; significant renewals and betterments are capitalized. Additions, improvements, and expenditures for repairs and maintenance that significantly add to the productivity or extend the useful life of the assets are capitalized. Other expenses for repairs and maintenance are charged to operations when incurred. The state and federal funding agencies may maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets.

Equipment operated under lease agreements that transfer substantially all benefits and risks associated with the assets are capitalized. An asset and liability equal to the present value of minimum lease payments over the term of the lease is recorded. Amortization is calculated using the straight-line method over the estimated useful life of the assets.

Contributed Services, Equipment, and Facilities
As a nonprofit organization, KTL is able to provide its services to the community in large part due to the dedicated support of its many volunteers. Only specialized services provided to KTL are required to be reflected in the financial statements. No support, revenue or expense is recognized from services contributed by other volunteers since no objective basis is available to measure the value of such services.

KTL also receives substantial donations of equipment and materials. The value of these non-cash contributions is reflected in the financial statements if they are susceptible to objective measurement or valuation at the date of receipt. Non-cash contributions with no clearly measurable basis of determining their value are not recorded.

Income Tax Status
The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. Management is not aware of any tax positions it has taken that are subject to a significant degree of uncertainty. Tax years after December 31, 2019 remain subject to examination by taxing authorities.

Advertising
Advertising costs, if any, are expensed as incurred.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Leases

KTL determines if a contractual arrangement is or contains a lease at inception. Leases are classified as either an Operating Lease or a Finance Lease. The classification affects how rent expense is recognized. Regardless of the classification, both types of leases are included in right-of-use assets and lease liabilities on the Statement of Financial Position. Right-of-use assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. For leases classified as an Operating Lease, lease payments are recognized as rent expense on a straight-line basis over the lease term. For leases classified as a Finance Lease, lease payments are recognized as a reduction in the lease liability and interest expense. KTL does not report right-of-use assets and lease liabilities for short-term leases (leases with a term of 12 months or less and month-to-month leases). The lease payments for short-term leases are reported as rent expense. KTL has made an accounting policy election to use a risk-free rate in lieu of the incremental borrowing rate to discount future lease payments.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income is reported as an increase in net assets without donor restrictions in the reporting period in which the income is recognized. The investments are in mutual funds.

NOTE 2 – CONCENTRATION OF CREDIT RISK

KTL maintains its cash accounts in commercial banks located in North Alabama. The FDIC insures the total cash balances at each commercial bank up to $250,000. At December 31, 2023, $644,623 was uninsured.

NOTE 3 – CONTRIBUTIONS OF NONFINANCIAL ASSETS

KTL reports donated goods and services meeting recognition criteria under U.S. GAAP as revenue and as expense, based on fair values. All contributions of nonfinancial assets were used for advancement of KTL programs. KTL did not monetize any contributed nonfinancial assets and unless otherwise noted, contributed nonfinancial assets did not have donor restrictions. In addition, a substantial number of volunteers have donated significant amounts of their time to KTL's program services and to its fund-raising campaigns. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.

As of December 31, 2023, in-kind contributions included in the statement of activities are comprised of the following:

Warehouse Center	$ 1,305,849
Davidson Farms	1,160
KTech	15,726
Moving and Storage	19,295
Rent	22,500
IT Expense	17,151
Advertising and Marketing	44,508
Legal Fees	4,455
Special Events	8,300
Denim and Diamonds	18,095
Golf Tournament	10,007
Over The Edge	22,227
Total	$ 1,489,273

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in fixed assets for the year ended December 31, 2023, is as follows:

	Beginning	Additions	Disposals/ Retirements	Ending
Buildings and Improvements	$3,159,106	$120,989	($1,050,000)	$2,230,095
Land	1,839,540	74,050	0	1,913,590
Furniture and Equipment	581,520	147,070	0	728,590
Vehicles	90,810	0	0	90,810
Accumulated Depreciation	(1,009,318)	(123,906)	69,551	(1,063,673)
	$4,661,658	$218,203	($980,449)	$3,899,412

Depreciation expense for the year ended December 31, 2023 is $123,906.

NOTE 5 – 401(k) RETIREMENT PLAN

KTL offers a 401(k) retirement plan to its employees. KTL funded a minimum of 2% of each eligible employee's salary for the year ended December 31, 2023. Expense of $32,545 was incurred under the plan for the year ended December 31, 2023.

NOTE 6 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement dates. A fair value measurement assumes that the transaction to see the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value in three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- 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 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. (The unobservable inputs should be developed based on the best information available in the circumstances and may include the KTL's own data.)

The following table presents the KTL's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis as of December 31, 2023.

	Level 1	**Level 2**	**Level 3**	**Total**
Investment	$ 509,688	$ 0	$ 0	$ 509,688
Totals	$ 509,688	$ 0	$ 0	$ 509,688

NOTE 7 – LIQUIDITY

KTL's financial assets available within one year of the balance sheet date for general expenditure are as follows:

Cash and cash equivalents	$	1,554,071
Investments		509,688
Other receivables		2,000
Prepaid expenses		80,527
	$	2,146,286

As part of KTL's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 8 – SPECIAL EVENTS

The Organization coordinated several special events during 2023. The revenues and direct expenses related to these events are netted on the financial statements and are detailed as follows:

	Revenue	Expense	Net Income
Denim and Diamonds	$144,537	$71,038	$73,499
Over the Edge	121,129	95,509	25,620
Golf Tournament	47,405	29,258	18,147
Other Events	0	15,142	(15,142)
Total Special Events	$313,071	$210,947	$102,124

NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE

Statement on Auditing Standards (SAS) No. 143 takes effect for audits of financial statements for periods ending on or after December 15, 2023. SAS 143 helps auditors to appropriately address increasingly complex scenarios that arise from new accounting standards that include estimates. The adoption of SAS 143 had no effect on net assets or the change in net assets.

Statement on Auditing Standards (SAS) No. 145 takes effect for audits of financial statements for periods ending on or after December 15, 2023. SAS 145 does not fundamentally change the key concepts underpinning audit risk. Rather, it clarifies and enhances certain aspects of the identification and assessment of the risks of material misstatement to drive better risk assessments and, therefore, enhance audit quality. The adoption of SAS 145 had no effect on net assets or the change in net assets.

NOTE 10 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is October 24, 2024. The financial statements were available to be issued at that time.