

KIND, Inc. and Affiliate

Consolidated Financial Report
December 31, 2021

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Independent Auditor's Report

RSM US LLP

Board of Directors
KIND, Inc.

Opinion

We have audited the consolidated financial statements of KIND, Inc. and Affiliate (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the changes in their net assets and their 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 (GAAS). 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 the Organization 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or 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 GAAS 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 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 GAAS, 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 the Organization'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 the Organization'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.

RSM US LLP

Washington, D.C.
October 21, 2022

KIND, Inc. and Affiliate

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	2021	2020
Assets		
Cash	\$ 14,017,863	\$ 19,660,690
Investments	10,308,379	170,376
Accounts receivable	3,793,940	4,190,114
Grants and contributions receivable	2,200,994	1,474,163
Prepaid expenses and deposits	1,411,525	1,509,289
Property and equipment, net	1,628,871	1,757,437
Total assets	\$ 33,361,572	\$ 28,762,069
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,696,658	\$ 1,888,343
Accrued vacation	1,769,398	1,521,159
Paycheck Protection Program loan	-	2,845,197
Deferred revenue	70,600	218,320
Refundable advances	1,970,115	387,771
Capital lease obligation	-	6,226
Deferred rent	2,804,894	2,802,522
Total liabilities	9,311,665	9,669,538
Commitments and contingencies (Note 9)		
Net assets:		
Without donor restrictions:		
Undesignated	9,423,874	5,105,581
Designated operating reserve	13,068,311	12,169,389
Total without donor restrictions	22,492,185	17,274,970
With donor restrictions	1,557,722	1,817,561
Total net assets	24,049,907	19,092,531
Total liabilities and net assets	\$ 33,361,572	\$ 28,762,069

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Donated legal services	\$ 94,891,718	\$ -	\$ 94,891,718
Government contracts	31,025,121	-	31,025,121
Contributions	4,460,696	1,448,813	5,909,509
Foundation and private grants	3,918,073	1,500,900	5,418,973
Gain on forgiveness of Paycheck Protection Program loan	2,845,197	-	2,845,197
Special events	878,816	-	878,816
Fellowship	285,333	84,919	370,252
Government grants	348,199	-	348,199
Other donated services	428,308	-	428,308
Investment income, net	85,109	-	85,109
Other income	42,121	-	42,121
Net assets released from restrictions	3,294,471	(3,294,471)	-
Total revenue and support	142,503,162	(259,839)	142,243,323
Expenses:			
Program services:			
Legal services	125,214,810	-	125,214,810
Regional and international work	2,657,610	-	2,657,610
Advocacy and communications	2,397,965	-	2,397,965
Total program services	130,270,385	-	130,270,385
Supporting services:			
General and administrative	5,586,098	-	5,586,098
Fundraising	1,429,464	-	1,429,464
Total supporting services	7,015,562	-	7,015,562
Total expenses	137,285,947	-	137,285,947
Change in net assets	5,217,215	(259,839)	4,957,376
Net assets:			
Beginning	17,274,970	1,817,561	19,092,531
Ending	\$ 22,492,185	\$ 1,557,722	\$ 24,049,907

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Donated legal services	\$ 97,538,351	\$ -	\$ 97,538,351
Government contracts	13,916,152	-	13,916,152
Contributions	4,644,448	-	4,644,448
Foundation and private grants	2,937,491	2,183,820	5,121,311
Special events	689,040	-	689,040
Fellowship	440,662	-	440,662
Government grants	339,567	-	339,567
Interest income, net	104,338	-	104,338
Other income	115,015	-	115,015
Net assets released from restrictions	3,065,461	(3,065,461)	-
Total revenue and support	123,790,525	(881,641)	122,908,884
Expenses:			
Program services:			
Legal services	119,914,336	-	119,914,336
Regional and international work	2,577,179	-	2,577,179
Advocacy and communications	1,772,494	-	1,772,494
Total program services	124,264,009	-	124,264,009
Supporting services:			
General and administrative	3,706,599	-	3,706,599
Fundraising	944,120	-	944,120
Total supporting services	4,650,719	-	4,650,719
Total expenses	128,914,728	-	128,914,728
Change in net assets	(5,124,203)	(881,641)	(6,005,844)
Net assets:			
Beginning	22,399,173	2,699,202	25,098,375
Ending	\$ 17,274,970	\$ 1,817,561	\$ 19,092,531

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Services				Supporting Services			Total
	Legal Services	Regional and International Work	Advocacy and Communications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Donated legal services	\$ 94,891,718	\$ -	\$ -	\$ 94,891,718	\$ -	\$ -	\$ -	\$ 94,891,718
Salaries	17,313,181	1,159,165	1,341,161	19,813,507	3,109,078	595,587	3,704,665	23,518,172
Benefits	6,105,212	373,757	441,625	6,920,594	423,522	192,798	616,320	7,536,914
Rent	2,924,925	16,472	112,048	3,053,445	470,601	67,229	537,830	3,591,275
Consulting	198,263	91,648	284,495	574,406	349,586	432,657	782,243	1,356,649
Grants and subcontractors	442,798	879,454	-	1,322,252	-	-	-	1,322,252
Facilities	1,028,603	53,500	1,919	1,084,022	50,679	-	50,679	1,134,701
Professional fees	64,000	19,645	122,077	205,722	790,698	2,368	793,066	998,788
Travel, meals and meetings	641,126	16,642	9,658	667,426	9,010	548	9,558	676,984
Case management fees	453,393	30,406	2,225	486,024	-	-	-	486,024
Communications and technology	415,237	1,903	835	417,975	22,478	739	23,217	441,192
Office expenses	264,878	4,927	5,209	275,014	12,823	17,415	30,238	305,252
Dues and subscriptions	88,398	1,622	25,846	115,866	93,253	52,647	145,900	261,766
Insurance and taxes	85,161	1,785	-	86,946	129,556	-	129,556	216,502
Other operating expenses	113,026	4,254	48,450	165,730	32,651	2,144	34,795	200,525
Staff development and training	138,423	2,172	2,417	143,012	7,202	273	7,475	150,487
Events	46,468	258	-	46,726	-	65,059	65,059	111,785
Accounting fees	-	-	-	-	84,961	-	84,961	84,961
Total	\$ 125,214,810	\$ 2,657,610	\$ 2,397,965	\$ 130,270,385	\$ 5,586,098	\$ 1,429,464	\$ 7,015,562	\$ 137,285,947

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

**Consolidated Statement of Functional Expenses
Year Ended December 31, 2020**

	Program Services				Supporting Services			Total
	Legal Services	Regional and International Work	Advocacy and Communications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	
Donated legal services	\$ 97,538,351	\$ -	\$ -	\$ 97,538,351	\$ -	\$ -	\$ -	\$ 97,538,351
Salaries	14,525,850	1,201,886	1,095,178	16,822,914	2,059,930	514,595	2,574,525	19,397,439
Benefits	3,119,886	325,699	233,100	3,678,685	531,801	114,294	646,095	4,324,780
Rent	2,319,852	-	66,891	2,386,743	178,764	44,594	223,358	2,610,101
Consulting	23,858	149,974	199,665	373,497	36,542	9,560	46,102	419,599
Grants and subcontractors	-	672,904	-	672,904	-	-	-	672,904
Facilities	512,602	143,769	14,566	670,937	22,140	6,244	28,384	699,321
Professional fees	316,968	11,625	77	328,670	210,242	-	210,242	538,912
Travel, meals and meetings	74,931	36,479	5,275	116,685	17,999	1,586	19,585	136,270
Case management fees	336,539	1,736	-	338,275	25,839	-	25,839	364,114
Communications and technology	192,988	5,881	127,861	326,730	65,938	-	65,938	392,668
Office expenses	206,500	2,697	4,582	213,779	13,392	18,017	31,409	245,188
Dues and subscriptions	151,776	1,160	11,709	164,645	18,979	29,319	48,298	212,943
Insurance and taxes	159,396	11,142	5,433	175,971	9,498	-	9,498	185,469
Other operating expenses	218,206	4,729	2,913	225,848	341,591	100,623	442,214	668,062
Staff development and training	193,411	4,262	5,244	202,917	10,970	1,991	12,961	215,878
Events	23,222	-	-	23,222	-	103,297	103,297	126,519
Accounting fees	-	3,236	-	3,236	162,974	-	162,974	166,210
Total	\$ 119,914,336	\$ 2,577,179	\$ 1,772,494	\$ 124,264,009	\$ 3,706,599	\$ 944,120	\$ 4,650,719	\$ 128,914,728

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

**Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 4,957,376	\$ (6,005,844)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on forgiveness of Paycheck Protection Program loan	(2,845,197)	-
Unrealized and realized gains on investments	(55,676)	-
Amortization and depreciation	245,263	229,140
Deferred rent	2,372	431,770
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	396,174	415,529
Grants and contributions receivable	(726,831)	(25,771)
Prepaid expenses and deposits	97,764	(794,646)
Increase (decrease) in:		
Accounts payable and accrued expenses	808,315	596,419
Accrued vacation	248,239	704,516
Deferred revenue	(147,720)	(3,680)
Refundable advances	1,582,344	360,271
Security deposit payable	-	(2,839)
Net cash provided by (used in) operating activities	4,562,423	(4,095,135)
Cash flows from investing activities:		
Purchases of property and equipment	(116,697)	(321,445)
Purchases of investments	(10,082,503)	(104,338)
Proceeds from sale of investments	176	1,240
Net cash used in investing activities	(10,199,024)	(424,543)
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	-	2,845,197
Principal payments on capital lease obligation	(6,226)	(23,961)
Net cash (used in) provided by financing activities	(6,226)	2,821,236
Net decrease in cash	(5,642,827)	(1,698,442)
Cash:		
Beginning	19,660,690	21,359,132
Ending	\$ 14,017,863	\$ 19,660,690
Supplemental cash flow information:		
Cash paid for interest	\$ -	\$ 2,724
Supplemental disclosures of non-cash investing and financing transactions:		
Leasehold improvements acquired via tenant allowance	\$ -	\$ 1,008,404
Forgiveness of Paycheck Protection Program loan	\$ 2,845,197	\$ -

See notes to consolidated financial statements.

KIND, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: KIND, Inc. (KIND) is a nonprofit corporation organized under the laws of the District of Columbia on May 7, 2008. The Organization serves children who face the immigration system alone and works to ensure that these children are treated fairly and that their rights are protected and respected. The Organization has a nimble infrastructure of pro-bono coordinators that assign, monitor, mentor and coordinate legal representation provided by law firms and corporate legal departments in targeted cities. The Organization funds its programs and supporting services primarily through pro-bono legal services, government contracts, corporate and foundation grants, and contributions.

Effective March 3, 2020, KIND Global LLC was created as a limited liability company and a nonprofit corporation in the District of Columbia. The Organization serves as the sole member and manager of KIND Global LLC and signed a limited liability company agreement with KIND Global LLC effective May 18, 2020. KIND Global LLC was established to help with the creation of Asociacion Para la Defensa Legal de Ninos Migrantes—KIND (A.C.) (KIND-Mexico), a nonprofit entity associated with KIND Global LLC that is based in Mexico City, Mexico. During the years ended December 31, 2021 and 2020, KIND Global LLC had no financial activity. In May 2021, KIND-Mexico started operations in Mexico with offices in Tapachula (Southern Mexico), Ciudad Juarez and Tijuana (Northern Mexico).

A summary of the Organization's significant accounting policies follows:

Principles of consolidation: The consolidated financial statements (collectively, the financial statements) include the accounts of the KIND and its affiliate, KIND-Mexico (collectively, referred to as the Organization) due to the presence of economic interest and control. Significant inter-entity accounts and transactions have been eliminated in consolidation.

Basis of presentation: The Organization follows the accounting requirements of the Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under FASB ASC, the Organization is required to report information regarding its net assets and its activities according to two categories: (1) net assets without donor restrictions and (2) net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors even though their use may be limited in other respects, such as by board designation. During the year ended December 31, 2016, the Board of Directors created the Operating Reserve Fund (the Reserve Fund) as a designated component of net assets without donor restrictions. The Reserve Fund is targeted at six months of average operating costs (excluding donated services and depreciation). The Reserve Fund is intended to provide an internal source of funds for situations such as sudden increases in expenses, unanticipated loss in funding, a financial downturn or uninsured losses.

With donor restrictions: Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has passed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Net assets with donor-imposed restrictions whose restrictions are fulfilled in the same year that the contributions are received are reported in the statements of activities as net assets released from restrictions.

Cash and cash equivalents: For purposes of reporting cash flows, the Organization considers all short-term, highly liquid investments with original maturities of three months or less to be cash and cash equivalents, except for the money market funds included in the investment accounts.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Investments: Investments with readily determinable fair values are reflected at fair value. To adjust the carrying value of these investments, the change in fair value is reported in the statements of activities as part of investment income, net. The Organization's investments consist of publicly traded common stock and mutual funds.

Financial risk: The Organization maintains cash deposits with various financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of these accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

The Organization invests funds in a portfolio that contains various types of marketable securities. Such investments are exposed to market and credit risks and may be subject to significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Accounts receivable: Accounts receivable represent amounts due from various contracting entities. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Based on these reviews, management deemed all receivables fully collectible and consequently no allowance for uncollectible receivables was recorded at December 31, 2021 and 2020.

Grants and contributions receivable: Grants and contributions receivable consist of amounts due under private grants, contributions, and certain government grants. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience. Based on these reviews, management deemed all receivables fully collectible and consequently, no allowance for uncollectible receivables has been recorded at December 31, 2021 and 2020. In addition, a discount for grants and contributions receivable due in over one year has not been recorded due to immateriality at December 31, 2021 and 2020.

Property and equipment: Property and equipment over \$750 with a projected useful life exceeding one year are capitalized and recorded at cost. Amortization and depreciation are computed using the straight-line method over the estimated useful life of the related assets, ranging from three to seven years. Expenditures for minor and routine repairs and maintenance are expensed as incurred. Upon retirement or disposal of assets, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is included in revenue or expense.

Valuation of long-lived assets: Long-lived assets and certain identifiable intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Deferred rent: The Organization recognizes the minimum rents required under a lease as rent expense on a straight-line basis over the term of the lease. Differences between amounts recorded as expense and amounts actually paid are reported as deferred rent in the statements of financial position along with the unamortized amount of landlord-provided tenant improvement allowance (see Note 9).

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Revenue: Revenue from contracts with customers includes performance obligations that are satisfied either at a point in time or over time and most contracts have initial terms of one year or less. The Organization performs an evaluation at contract inception focused on whether a performance obligation is satisfied over time or at a point in time. If a performance obligation meets certain specific criteria, the related revenue is recognized over time if the Organization is able to reasonably measure its progress toward complete satisfaction of the performance obligation using reliable information. Output methods and input methods are used to measure progress for goods and services for which control has been transferred to the customer. If the certain criteria are not met, then revenue is recognized at a point in time.

Prices are specific to a distinct performance obligation, and contracts do not have multiple performance obligations. Economic factors driven by consumer confidence, employment, inflation and other world events impact the timing and level of revenue recognized in the financial statements. Periods of economic downturn resulting from any of the above factors may result in declines in future cash flows and recognized revenue of the Organization or can have a positive impact on cash flows in favorable economic conditions.

Government contracts are considered revenue from contracts from customers. Revenue from such arrangements include performance obligations that are satisfied over time using the input method to measure progress for goods and services for which control has been transferred to the customer. Input is generally based on employee effort and expenditures incurred against the contract or number of cases which the Organization has taken.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. The Organization records accounts receivable when it has the unconditional right to issue an invoice and receive payment, regardless of whether revenue has been recognized. If revenue has not yet been recognized, a contract liability (deferred revenue) also is recorded. If revenue is recognized in advance of the right to invoice, a contract asset (unbilled receivable) is recorded. Opening balances as of January 1, 2020, were as follows:

Accounts receivable	\$	4,605,643
Deferred revenue	\$	222,000

Based on past collection history, the Organization expects to collect all outstanding receivables and, as a result, no allowance for potentially uncollectible receivables have been recorded as of January 1, 2020. Additionally, all accounts receivable were considered billed as of January 1, 2020.

Contributions: Conditional contributions received are accounted for as a liability or are unrecognized initially, that is until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions.

Unconditional private grants and contributions are recorded as revenue when received or promised. Gifts of cash and other assets are reported as donor-restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to one of the Organization's programs or to a future year. When a donor restriction has elapsed, 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.

Government grants that the Organization considers conditional are recognized as revenue as qualifying expenses are incurred. Qualified expenses incurred in excess of cash received are included in grants and contracts receivable while cash received in advance of expenditures incurred is recorded as refundable advances in the accompanying statement of financial position.

Notes to Consolidated Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Donated services are recognized as contributions 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 the Organization. Donated services are recognized as revenue and expense in the accompanying statement of activities at their estimated fair value, as provided by the donor, at the date of receipt. The Organization received \$94,891,718 and \$97,538,351 of donated legal services during the years ended December 31, 2021 and 2020, respectively.

Functional allocation of expenses: The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses presents expenses by function and natural classification. The Organization incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. The Organization also conducts a number of activities which benefit both its program objectives as well as supporting services. These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited based on either financial or nonfinancial data, such as distribution of labor or estimates of time and effort incurred by personnel. The expenses that are allocated include: salaries and benefits, staff development and training, professional fees, amortization and depreciation, dues and subscriptions, insurance, equipment and furniture, and other operating expenses.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Income taxes: KIND is exempt from federal income taxes under Internal Revenue Code (IRC) Section 501(a) as an organization described in IRC Section 501(c)(3) and, therefore, qualifies for the charitable contribution deduction. KIND has been determined not to be a private foundation under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). KIND is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the Internal Revenue Service (IRS). In addition, KIND is subject to income tax on net income derived from business activities that are unrelated to its exempt purpose. However, management has determined that KIND is not subject to unrelated business income tax. Therefore, that has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

KIND Mexico was registered in Mexico City, Mexico on July 20, 2020, as a non-for-profit civil association under the Laws of Mexico to provide legal assistance, support and protection and promotion of the rights of minors.

Reclassifications: Certain reclassifications were made to the 2020 consolidated financial statements to conform to the 2021 presentation. These reclassifications have no effect on previously reported net assets or change in net assets.

Notes to Consolidated Financial Statements**Note 1. Nature of Activities and Significant Accounting Policies (Continued)**

Recent accounting pronouncements (not adopted): In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for the Organization's year ending December 31, 2022. A modified, retrospective transition approach is required for lessees for capital and operating leases existing at or entered into after the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization anticipates adopting the new standard during the year ending December 31, 2022, and is currently evaluating the impact of the adoption of the new standard on the consolidated financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU is effective for the Organization for the year ending December 31, 2022. The Organization is currently evaluating the impact of this new guidance on its consolidated financial statements.

Subsequent events: Subsequent events have been evaluated through October 21, 2022, which is the date the financial statements were available to be issued.

Note 2. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of this date:

	2021	2020
Cash	\$ 14,017,863	\$ 19,660,690
Investments	10,308,379	170,376
Accounts receivable	3,793,940	4,190,114
Grants and contributions receivable	2,200,994	1,474,163
Total financial assets	<u>30,321,176</u>	<u>25,495,343</u>
Less those unavailable for general expenditures within one year due to:		
Board-designated net assets	(13,068,311)	(12,169,389)
Donor-restricted net assets	<u>(1,557,722)</u>	<u>(1,817,561)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 15,695,143</u>	<u>\$ 11,508,393</u>

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization seeks to operate with a balanced budget on a cash-flow basis and without any short- or long-term non-operating debt.

KIND, Inc.**Notes to Consolidated Financial Statements****Note 3. Fair Value Measurements**

The Organization has implemented the ASC topic regarding fair value measurements. This standard establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosures about fair value measurements. This standard uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1: Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2: Includes inputs other than Level 1 inputs that are directly or indirectly observable in the marketplace, such as yield curves or other market data;

Level 3: Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments valued using Level 1 inputs are based on unadjusted quoted market prices within active markets.

Investments valued using Level 2 inputs include fixed-income securities. The fixed-income securities were valued by pricing vendors using outside data. In determining the fair value of these investments, the pricing vendors use a market approach and pricing spreads based on the credit risk of the issuer, maturity, current yield, and other terms and conditions of each security. The deferred compensation liabilities are based on the fair value of the deferred compensation assets, which are observable inputs; however, the liabilities are not publicly traded and are, therefore, considered Level 2 items.

The following is a summary of the input levels used to determine fair values of assets and liabilities, measured on a recurring basis, at December 31, 2021 and 2020:

	2021			
	Total	Level 1	Level 2	Level 3
Investments, carried at fair value:				
Stocks and exchange-traded funds	\$ 256,747	\$ 256,747	\$ -	\$ -
Mutual funds	24,286	24,286	-	-
Corporate bonds	4,056,900	-	4,056,900	-
Government bonds	5,749,417	-	5,749,417	-
	10,087,350	\$ 281,033	\$ 9,806,317	\$ -
Cash and cash equivalents, at cost	221,029			
	<u>\$ 10,308,379</u>			
	2020			
	Total	Level 1	Level 2	Level 3
Investments, carried at fair value:				
Stocks and exchange-traded funds	\$ 160,802	\$ 160,802	\$ -	\$ -
Mutual funds	7,907	7,907	-	-
	168,709	\$ 168,709	\$ -	\$ -
Cash and cash equivalents, at cost	1,667			
	<u>\$ 170,376</u>			

KIND, Inc.**Notes to Consolidated Financial Statements****Note 4. Grants and Contributions Receivable**

Grants and contributions receivable is comprised of unconditional promises to give and is receivable as follows at December 31, 2021 and 2020:

	2021	2020
Receivable in less than one year	\$ 2,200,994	\$ 1,154,163
Receivable in one to five years	-	320,000
Total grants and contributions receivable	<u>\$ 2,200,994</u>	<u>\$ 1,474,163</u>

Note 5. Property and Equipment

The Organization held the following property and equipment at December 31, 2021 and 2020:

	2021	2020
Furniture and equipment	\$ 434,562	\$ 434,562
Computer software	222,848	118,400
Website	13,940	13,940
Equipment under capital leases	143,804	143,804
Leasehold improvements	1,738,257	1,726,008
Total property and equipment	<u>2,553,411</u>	<u>2,436,714</u>
Less accumulated amortization and depreciation	(924,540)	(679,277)
Property and equipment, net	<u>\$ 1,628,871</u>	<u>\$ 1,757,437</u>

Note 6. Net Assets with Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2021 and 2020:

	2021	2020
Subject to the passage of time	\$ 610,000	\$ 35,000
Subject to expenditures for specific purposes:		
Legal services	368,381	1,287,274
Regional and international work	535,096	484,573
Advocacy, education and fellow	44,245	10,714
Total net assets with donor restrictions	<u>\$ 1,557,722</u>	<u>\$ 1,817,561</u>

KIND, Inc.**Notes to Consolidated Financial Statements**

Note 6. Net Assets with Donor Restrictions (Continued)

During the years ended December 31, 2021 and 2020, releases from net assets with donor restrictions were for the following:

	2021	2020
Subject to the passage of time	\$ 430,000	\$ 15,000
Subject to expenditures for specific purposes:		
Legal services	1,969,543	1,652,647
Regional and international work	843,540	1,358,970
Advocacy, education and fellow	51,388	38,844
Total net assets with donor restrictions	<u>\$ 3,294,471</u>	<u>\$ 3,065,461</u>

Note 7. Note payable

As part of its response to the coronavirus (COVID-19) pandemic (see Note 9), the Organization applied for a Paycheck Protection Program (PPP) loan administered by the Small Business Administration (SBA). The Organization's application was approved, and a PPP loan of \$2,845,197 carrying an interest rate of 1% per annum and a two-year maturity, was funded on April 28, 2020. The Organization has elected to account for the loan as a financial liability in accordance with ASC 470 until the time forgiveness is received. The Organization did not incur any significant interest expense under the PPP loan. On August 26, 2021, the Organization received notification from the SBA that its PPP loan, and all accrued interest, was fully forgiven. The Organization recognized a gain on forgiveness of the PPP loan totaling \$2,845,197 during the year ended December 31, 2021.

Note 8. Retirement Plans

The Organization currently has a Section 403(b) defined contribution plan for its employees. Eligible employees may contribute a percentage of their annual compensation, subject to certain limitations, to the 403(b) defined contribution plan. Employer matching contributions are at the Organization's discretion. During the years ended December 31, 2021 and 2020, the total amount contributed by the Organization to the plan was \$727,567 and \$357,620, respectively, which is included in salaries and benefits expenses in the accompanying statement of functional expenses.

During 2022, the Organization opened a Section 457(b) deferred compensation plan for a key executive.

KIND, Inc.

Notes to Consolidated Financial Statements

Note 9. Commitments and Contingencies

Leases: The Organization has non-cancellable lease agreements for office spaces and various equipment operating leases which expire through April 2030. The Organization records monthly rent expense on a straight-line basis equal to the total rent due over the lease term. Differences between rent expense recorded and the amount paid, including the unamortized portion of landlord-provided improvement allowances, are included in deferred rent in the accompanying financial statements.

At December 31, 2021, the minimum future lease payments under these leases are as follows:

Years ending December 31:	
2022	\$ 2,853,919
2023	2,857,995
2024	2,938,515
2025	3,021,072
2026	2,609,393
Thereafter	7,827,501
	<u>\$ 22,108,395</u>

Event space commitment: The Organization is committed under agreements for event space through the year 2022. In the event that the Organization cancels these agreements, the Organization would forfeit any amounts paid to date.

Federal awards: The Organization receives grants from federal agencies. Revenue from such grants is recognized only to the extent of actual grant expenses incurred. Reimbursed costs are subject to audit and final determination of allowability by the federal government. Therefore, there is the possibility that any amount received in excess of allowable costs would be required to be refunded. The Organization believes that no material liability would result from such an audit.

Conditional grants: The Association has received grant commitments from federal agencies for which work is ongoing as of December 31, 2021. The commitments total approximately \$3,017,000 as of December 31, 2021, for work to be performed in future periods.

PPP loan: The SBA has the right to audit recipients of PPP loans for up to six years from the date of forgiveness. However, management does not believe a material risk exists related to the SBA's right to audit.

Legal matters: During 2021, KIND became involved in legal proceedings related to various business matters. In the opinion of management, the outcome of these proceedings will not have a material impact on KIND.

COVID-19 pandemic: Management is continually monitoring the potential impact of the COVID-19 pandemic on the Organization. Management will review and adjust the planned operations should it be determined the outbreak will significantly impact the financial position and activities of the Organization.

Independent Auditor's Report on the Supplementary Information

Board of Directors
KIND, Inc.

We have audited the consolidated financial statements of KIND, Inc. and Affiliate (collectively, the Organization) as of and for the years ended December 31, 2021 and 2020, which contains an unmodified opinion on those consolidated financial statements. See pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for purposes of additional analysis rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

RSM US LLP

Washington, D.C.
October 21, 2022

KIND, Inc. and Affiliate

**Consolidating Statement of Financial Position
December 31, 2021**

	KIND	KIND-Mexico	Eliminations	Total
Assets				
Cash	\$ 13,972,787	\$ 45,076	\$ -	\$ 14,017,863
Investments	10,308,379	-	-	10,308,379
Accounts receivable	4,050,242	-	(256,302)	3,793,940
Grants and contributions receivable	2,200,994	-	-	2,200,994
Prepaid expenses and deposits	1,411,525	-	-	1,411,525
Property and equipment, net	1,628,871	-	-	1,628,871
Total assets	\$ 33,572,798	\$ 45,076	\$ (256,302)	\$ 33,361,572
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 2,669,871	\$ 283,089	\$ (256,302)	\$ 2,696,658
Accrued vacation	1,769,398	-	-	1,769,398
Paycheck Protection Program loan	-	-	-	-
Deferred revenue	70,600	-	-	70,600
Refundable advances	1,970,115	-	-	1,970,115
Capital lease obligation	-	-	-	-
Deferred rent	2,804,894	-	-	2,804,894
Total liabilities	9,284,878	283,089	(256,302)	9,311,665
Commitments and contingencies				
Net assets:				
Without donor restrictions:				
Undesignated	9,661,887	(238,013)	-	9,423,874
Designated operating reserve	13,068,311	-	-	13,068,311
Total without donor restrictions	22,730,198	(238,013)	-	22,492,185
With donor restrictions	1,557,722	-	-	1,557,722
Total net assets	24,287,920	(238,013)	-	24,049,907
Total liabilities and net assets	\$ 33,572,798	\$ 45,076	\$ (256,302)	\$ 33,361,572

KIND, Inc. and Affiliate

**Consolidating Statement of Activities
Year Ended December 31, 2021**

	KIND	KIND-Mexico	Eliminations	Total
Activities without donor restrictions:				
Revenue and support:				
Donated legal services	\$ 94,891,718	\$ -	\$ -	\$ 94,891,718
Government contracts	31,025,121	-	-	31,025,121
Contributions	4,460,696	-	-	4,460,696
Foundation and private grants	3,918,073	-	-	3,918,073
Gain on forgiveness of Paycheck Protection Program loan	2,845,197	-	-	2,845,197
Special events	878,816	-	-	878,816
Fellowship	285,333	-	-	285,333
Government grants	348,199	-	-	348,199
Other donated services	428,308	-	-	428,308
Investment income, net	85,109	-	-	85,109
Other income	40,793	1,328	-	42,121
Net assets released from restrictions	3,294,471	-	-	3,294,471
Total revenue and support	142,501,834	1,328	-	142,503,162
Expenses:				
Program services:				
Legal services	125,214,810	-	-	125,214,810
Regional and international work	2,438,279	219,331	-	2,657,610
Advocacy and communications	2,397,965	-	-	2,397,965
Total program services	130,051,054	219,331	-	130,270,385
Supporting services:				
General and administrative	5,566,088	20,010	-	5,586,098
Fundraising	1,429,464	-	-	1,429,464
Total supporting services	6,995,552	20,010	-	7,015,562
Total expenses	137,046,606	239,341	-	137,285,947
Change in net assets without donor restrictions	5,455,228	(238,013)	-	5,217,215
Activities with donor restrictions:				
Contributions	1,448,813	-	-	1,448,813
Foundation and private grants	1,500,900	-	-	1,500,900
Fellowship	84,919	-	-	84,919
Net assets released from restrictions	(3,294,471)	-	-	(3,294,471)
Change in net assets with donor restrictions	(259,839)	-	-	(259,839)
Change in net assets	5,195,389	(238,013)	-	4,957,376
Net assets:				
Beginning	19,092,531	-	-	19,092,531
Ending	\$ 24,287,920	\$ (238,013)	\$ -	\$ 24,049,907