

KIND, Inc. and Affiliate

Consolidated Financial Report
December 31, 2022

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RSM US LLP

Independent Auditor's Report

Board of Directors
KIND, Inc.

Report on the Audit of the Financial Statements

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, 2022 and 2021, 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, 2022 and 2021, 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). We also conducted our 2022 audit in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization has adopted Accounting Standards Update 2016-02, *Leases* (Topic 842), and Accounting Standards Update 2020-07, *Not-for-Profit Entities* (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* effective January 1, 2022. Our opinion is not modified with respect to this matter.

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 and *Government 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 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 and *Government 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

RSM US LLP

Washington, D.C.
September 12, 2023

KIND, Inc. and Affiliate

**Consolidated Statements of Financial Position
December 31, 2022 and 2021**

	2022	2021
Assets		
Cash and cash equivalents	\$ 5,520,928	\$ 14,017,863
Investments	10,000,882	10,308,379
Accounts receivable	12,971,471	3,793,940
Grants and contributions receivable	3,104,244	2,200,994
Prepaid expenses and deposits	1,216,717	1,411,525
Property and equipment, net	1,443,045	1,628,871
Right-of-use asset for operating leases, net	15,603,636	-
Total assets	\$ 49,860,923	\$ 33,361,572
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,590,160	\$ 2,696,658
Accrued vacation	2,155,215	1,769,398
Deferred revenue	304,100	70,600
Refundable advances	265,747	1,970,115
Lease liability for operating leases, net	18,298,488	-
Deferred rent	-	2,804,894
Total liabilities	24,613,710	9,311,665
Commitments and contingencies (Note 11)		
Net assets:		
Without donor restrictions:		
Undesignated	3,562,212	9,423,874
Designated operating reserve	18,332,002	13,068,311
Total without donor restrictions	21,894,214	22,492,185
With donor restrictions	3,352,999	1,557,722
Total net assets	25,247,213	24,049,907
Total liabilities and net assets	\$ 49,860,923	\$ 33,361,572

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

**Consolidated Statement of Activities
Year Ended December 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions of nonfinancial assets	\$ 99,630,376	\$ -	\$ 99,630,376
Government contracts	35,825,187	-	35,825,187
Foundation and private grants	6,381,999	3,507,000	9,888,999
Contributions	5,893,350	2,811,267	8,704,617
Special events	1,184,530	-	1,184,530
Government grants	979,510	-	979,510
Fellowship	245,179	4,000	249,179
Investment loss, net	(395,063)	-	(395,063)
Other income and foreign exchange loss	(4,515)	-	(4,515)
Net assets released from restrictions	4,526,990	(4,526,990)	-
Total revenue and support	154,267,543	1,795,277	156,062,820
Expenses:			
Program services:			
Legal services	135,090,333	-	135,090,333
Regional and international work	5,879,764	-	5,879,764
Advocacy and communications	3,106,197	-	3,106,197
Total program services	144,076,294	-	144,076,294
Supporting services:			
General and administrative	8,019,286	-	8,019,286
Fundraising	2,769,934	-	2,769,934
Total supporting services	10,789,220	-	10,789,220
Total expenses	154,865,514	-	154,865,514
Change in net assets	(597,971)	1,795,277	1,197,306
Net assets:			
Beginning	22,492,185	1,557,722	24,049,907
Ending	\$ 21,894,214	\$ 3,352,999	\$ 25,247,213

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:			
Contributions of nonfinancial assets	\$ 95,320,026	\$ -	\$ 95,320,026
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
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 Functional Expenses
Year Ended December 31, 2022**

	Program Services				Supporting Services			
	Legal Services	Regional and International Work	Advocacy and Communications	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total
Donated legal services	\$ 99,629,351	\$ -	\$ -	\$ 99,629,351	\$ -	\$ -	\$ -	\$ 99,629,351
Salaries	20,499,793	2,765,588	1,824,123	25,089,504	3,829,168	899,824	4,728,992	29,818,496
Benefits	7,506,079	939,055	620,829	9,065,963	1,559,948	307,686	1,867,634	10,933,597
Rent	3,162,435	99,436	87,408	3,349,279	176,420	198,438	374,858	3,724,137
Grants and subcontractors	1,757,799	1,415,438	-	3,173,237	-	-	-	3,173,237
Consulting	467,063	228,166	505,373	1,200,602	349,169	937,555	1,286,724	2,487,326
Facilities	442,342	38,180	6,349	486,871	534,283	77,635	611,918	1,098,789
Professional fees	1,736	114,062	-	115,798	773,096	17,937	791,033	906,831
Travel, meals and meetings	341,198	112,646	22,271	476,115	63,165	35,417	98,582	574,697
Communications and technology	258,977	28,811	1,279	289,067	168,394	916	169,310	458,377
Case management fees	348,708	62,333	1,694	412,735	-	-	-	412,735
Office expenses	267,392	22,310	1,278	290,980	22,194	77,588	99,782	390,762
Other operating expenses	80,854	7,610	3,042	91,506	30,014	170,500	200,514	292,020
Dues and subscriptions	167,567	11,029	30,506	209,102	38,319	42,596	80,915	290,017
Insurance and taxes	69,032	23,897	20	92,949	170,647	274	170,921	263,870
Staff development and training	61,800	5,060	2,025	68,885	170,878	970	171,848	240,733
Accounting fees	-	-	-	-	133,563	-	133,563	133,563
Events	28,207	6,143	-	34,350	28	2,598	2,626	36,976
Total	\$ 135,090,333	\$ 5,879,764	\$ 3,106,197	\$ 144,076,294	\$ 8,019,286	\$ 2,769,934	\$ 10,789,220	\$ 154,865,514

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 Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Change in net assets	\$ 1,197,306	\$ 4,957,376
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Gain on forgiveness of Paycheck Protection Program loan	-	(2,845,197)
Unrealized and realized loss (gain) on investments	413,131	(55,676)
Amortization and depreciation	240,306	245,263
Amortization of right-of-use asset for operating leases, net	2,342,405	-
Deferred rent	-	2,372
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(9,177,531)	396,174
Grants and contributions receivable	(903,250)	(726,831)
Prepaid expenses and deposits	194,808	97,764
Increase (decrease) in:		
Accounts payable and accrued expenses	893,502	808,315
Accrued vacation	385,817	248,239
Deferred revenue	233,500	(147,720)
Refundable advances	(1,704,368)	1,582,344
Lease liability for operating leases	(2,452,447)	-
Net cash (used in) provided by operating activities	(8,336,821)	4,562,423
Cash flows from investing activities:		
Purchases of property and equipment	(54,480)	(116,697)
Purchases of investments	(105,634)	(10,082,503)
Proceeds from sale of investments	-	176
Net cash used in investing activities	(160,114)	(10,199,024)
Cash flows from financing activities:		
Principal payments on capital lease obligation	-	(6,226)
Net cash used in financing activities	-	(6,226)
Net decrease in cash	(8,496,935)	(5,642,827)
Cash and cash equivalents:		
Beginning	14,017,863	19,660,690
Ending	\$ 5,520,928	\$ 14,017,863
Supplemental disclosures of cash flow information:		
Addition to right-of-use asset for operating lease as of January 1, 2022	\$ 17,946,041	\$ -
Addition to operating lease liability as of January 1, 2022	\$ 20,750,935	\$ -
Operating cash outflows - payments on operating lease liabilities	\$ 3,053,641	\$ -
Forgiveness of Paycheck Protection Program loan	\$ -	\$ 2,845,197

See notes to consolidated financial statements.

KIND, Inc. and Affiliate

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, 2022 and 2021, 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 consolidated 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.

KIND, Inc. and Affiliate

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, mutual funds, corporate bonds, and government bonds.

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, 2022 and 2021.

Contract balances: The timing of revenue recognition may not align with the right to invoice the customer. The Organization records receivables 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 contract balances as of January 1, 2021 included general accounts receivables of \$4,190,114 and deferred revenue of \$218,320.

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, 2022 and 2021. In addition, a discount for grants and contributions receivable due in over one year has not been recorded due to immateriality at December 31, 2022 and 2021.

Property and equipment: Property and equipment over \$5,000 with a projected useful life exceeding one year is 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.

KIND, Inc. and Affiliate

Notes to Consolidated Financial Statements

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

Deferred rent: Prior to January 1, 2022, the Organization recognized 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 were reported as deferred rent in the statements of financial position along with the unamortized amount of landlord-provided tenant improvement allowance.

Deferred revenue: The Organization records deferred revenue in situations when amounts are paid in advance of the Organization satisfying the applicable revenue recognition criteria. Such revenue is recognized when all criteria are subsequently satisfied.

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.

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 depending on any donor imposed restrictions that remain to be satisfied.

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 consolidated statements of activities as net assets released from restrictions.

Government grants that the Organization considers conditional are recognized as revenue as barriers or rights of return are satisfied (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 consolidated statements of financial position.

KIND, Inc. and Affiliate

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 nonfinancial 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 at the date of receipt.

Functional allocation of expenses: The costs of providing program and supporting services have been summarized on a functional basis in the accompanying consolidated 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 nonprofit civil association under the Laws of Mexico to provide legal assistance, support and protection and promotion of the rights of minors.

Recent accounting pronouncements (adopted): February 2016, the FASB issued ASC Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

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

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

The adoption of the new lease standard did not materially impact consolidated change in net assets or consolidated cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

In September 2020, the FASB issued Accounting Standards Update (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 Organization to present contributed nonfinancial assets in the statements 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. The Organization adopted ASU 2020-07 on a retrospective basis during the year ended December 31, 2022, which resulted in expanded disclosures.

Reclassifications: For comparative purposes, certain items related to the prior year have been reclassified to conform to the current year presentation with no effect on the previously reported change in net assets.

Subsequent events: The Organization has evaluated subsequent events through September 12, 2023, the date on which the financial statements were available to be issued.

KIND, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 2. Liquidity and Availability of Resources

The following schedule reflects the Organization's financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of this date:

	2022	2021
Cash and cash equivalents	\$ 5,520,928	\$ 14,017,863
Investments	10,000,882	10,308,379
Accounts receivable	12,971,471	3,793,940
Grants and contributions receivable	3,104,244	2,200,994
Total financial assets	<u>31,597,525</u>	<u>30,321,176</u>
Less those unavailable for general expenditures within one year due to:		
Board-designated net assets	(18,332,002)	(13,068,311)
Donor-restricted net assets	<u>(3,352,999)</u>	<u>(1,557,722)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 9,912,524</u>	<u>\$ 15,695,143</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 nonoperating debt.

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 U.S. GAAP 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 Organization'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.

KIND, Inc. and Affiliate**Notes to Consolidated Financial Statements****Note 3. Fair Value Measurements (Continued)**

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, 2022 and 2021:

	2022			
	Total	Level 1	Level 2	Level 3
Investments, carried at fair value:				
Government bonds	\$ 6,078,216	\$ -	\$ 6,078,216	\$ -
Corporate bonds	3,323,093	-	3,323,093	-
Stocks and exchange-traded funds	209,664	209,664	-	-
Mutual funds	138,348	138,348	-	-
	9,749,321	\$ 348,012	\$ 9,401,309	\$ -
Cash and cash equivalents, at cost	251,561			
	<u>\$ 10,000,882</u>			
	2021			
	Total	Level 1	Level 2	Level 3
Investments, carried at fair value:				
Government bonds	\$ 5,749,417	\$ -	\$ 5,749,417	\$ -
Corporate bonds	4,056,900	-	4,056,900	-
Stocks and exchange-traded funds	256,747	256,747	-	-
Mutual funds	24,286	24,286	-	-
	10,087,350	\$ 281,033	\$ 9,806,317	\$ -
Cash and cash equivalents, at cost	221,029			
	<u>\$ 10,308,379</u>			

Note 4. Grants and Contributions Receivable

Grants and contributions receivable is composed of unconditional promises to give and is receivable as follows at December 31, 2022 and 2021:

	2022	2021
Receivable in less than one year	\$ 3,028,744	\$ 2,200,994
Receivable in one to five years	75,500	-
Total grants and contributions receivable	<u>\$ 3,104,244</u>	<u>\$ 2,200,994</u>

KIND, Inc. and Affiliate**Notes to Consolidated Financial Statements****Note 5. Property and Equipment**

The Organization held the following property and equipment at December 31, 2022 and 2021:

	2022	2021
Furniture and equipment	\$ 434,562	\$ 434,562
Computer software	261,434	222,848
Website	13,940	13,940
Equipment under capital leases	143,804	143,804
Leasehold improvements	1,738,257	1,738,257
Total property and equipment	<u>2,591,997</u>	<u>2,553,411</u>
Less accumulated amortization and depreciation	(1,148,952)	(924,540)
Property and equipment, net	<u>\$ 1,443,045</u>	<u>\$ 1,628,871</u>

Note 6. Net Assets With Donor Restrictions

Net assets with donor restrictions were restricted for the following at December 31, 2022 and 2021:

	2022	2021
Subject to the passage of time	\$ 605,000	\$ 610,000
Subject to expenditures for specific purposes:		
Legal services	75,000	368,381
Regional and international work	2,672,999	535,096
Advocacy, education and fellow	-	44,245
Total net assets with donor restrictions	<u>\$ 3,352,999</u>	<u>\$ 1,557,722</u>

During the years ended December 31, 2022 and 2021, releases from net assets with donor restrictions were for the following:

	2022	2021
Subject to the passage of time	\$ 1,155,000	\$ 430,000
Subject to expenditures for specific purposes:		
Legal services	610,380	1,969,543
Regional and international work	2,692,365	843,540
Advocacy, education and fellow	69,245	51,388
Total net assets with donor restrictions	<u>\$ 4,526,990</u>	<u>\$ 3,294,471</u>

KIND, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 7. Contributed Nonfinancial Assets

For the years ended December 31, 2022 and 2021, contributed nonfinancial assets recognized within the Organization's consolidated statements of activities included:

	2022	2021
Legal services	\$ 99,629,351	\$ 94,891,718
Other professional services	1,025	428,308
	<u>\$ 99,630,376</u>	<u>\$ 95,320,026</u>

The Organization recognized contributed nonfinancial assets within donated legal services and other donated services on the consolidated statements of activities. For the years ended December 31, 2022 and 2021, contributed nonfinancial assets did not have donor-imposed restrictions. The Organization did not monetize any contributed nonfinancial assets.

Contributed legal services recognized comprise pro bono legal representation and related administrative support for individuals served by the Organization. Contributed legal services are valued and reported at the estimated fair value in the financial statements based on rates provided by law firms equivalent to rates charged to paying customers. In instances where no rate is provided by a law firm, the Organization estimates the rate based on similar firms.

Contributed other professional services comprise nonlegal services performed by consultants in part to digitize certain aspects of the Organization's operations. Contributed other professional services are valued and reported at the estimated fair value in the financial statements based on current rates for similar consulting services.

Note 8. Note Payable

As part of its response to the coronavirus pandemic, 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 9. 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, 2022 and 2021, the total amount contributed by the Organization to the plan was \$949,946 and \$727,567, respectively, which is included in salaries and benefits expenses in the accompanying consolidated statements of functional expenses.

During 2022, the Organization opened a Section 457(b) deferred compensation plan for a key executive. No significant contributions were made to the plan during the year ended December 31, 2022.

KIND, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 10. Leases

The Organization has noncancellable lease agreements for office spaces and various equipment operating leases which expire through September 2030.

During 2022, the Organization adopted Topic 842, resulting in a ROU asset and lease liability recorded in the statements of financial position at December 31, 2022. The Organization determined the original lease to be considered an operating lease under Topic 842. The Organization calculated the present value of the lease over the term of the respective lease, using the risk-free rate at the date of the adoption. The weighted-average discount rate of the lease is 1.57%. The weighted-average remaining term is 7.5 years.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of \$17,946,041 and \$20,750,935, respectively, at January 1, 2022.

Some leases include one or more options to renew, generally at the Organization's sole discretion, with renewal terms that can extend the lease term. In addition, certain leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

The total expense incurred under the office operating lease during the years ended December 31, 2022 and 2021, was \$3,724,137 and \$3,591,275, respectively.

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of December 31, 2022:

Years ending December 31:

2023	\$ 3,131,855
2024	2,963,429
2025	3,021,407
2026	2,609,761
2027	2,438,464
Thereafter	<u>5,337,662</u>
Future minimum lease payments	19,502,578
Discount to net present value	<u>(1,204,090)</u>
Discounted lease liability	<u>\$ 18,298,488</u>

KIND, Inc. and Affiliate

Notes to Consolidated Financial Statements

Note 10. Leases (Continued)

Future minimum lease commitments, as determined under Topic 840, for all non-cancelable leases are as follows as of December 31, 2021:

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
Future minimum lease payments	<u>\$ 22,108,395</u>

Note 11. Commitments and Contingencies

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 and other organizations for which work is ongoing as of December 31, 2022. The commitments total approximately \$1,412,000 as of December 31, 2022, for work to be performed in future periods.

In addition, the Organization has entered into conditional grant agreements as a donor with certain organizations. The commitments totaled approximately \$1,917,000 as of December 31, 2022.

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.



RSM US LLP

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, 2022 and 2021, and have issued our report thereon, 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.
September 12, 2023

KIND, Inc. and Affiliate

**Consolidating Statement of Financial Position
December 31, 2022**

	KIND	KIND-Mexico	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 5,306,352	\$ 214,576	\$ -	\$ 5,520,928
Investments	10,000,882	-	-	10,000,882
Accounts receivable	14,531,196	524	(1,560,249)	12,971,471
Grants and contributions receivable	3,104,244	-	-	3,104,244
Prepaid expenses and deposits	1,214,626	2,091	-	1,216,717
Property and equipment, net	1,443,045	-	-	1,443,045
Right-of-use asset for operating lease, net	15,603,636	-	-	15,603,636
Total assets	\$ 51,203,981	\$ 217,191	\$ (1,560,249)	\$ 49,860,923
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	\$ 3,361,994	\$ 1,788,415	\$ (1,560,249)	\$ 3,590,160
Accrued vacation	2,155,215	-	-	2,155,215
Deferred revenue	304,100	-	-	304,100
Refundable advances	265,747	-	-	265,747
Lease liability for operating leases, net	18,298,488	-	-	18,298,488
Total liabilities	24,385,544	1,788,415	(1,560,249)	24,613,710
Commitments and contingencies				
Net assets (deficit):				
Without donor restrictions:				
Undesignated	5,133,436	(1,571,224)	-	3,562,212
Designated operating reserve	18,332,002	-	-	18,332,002
Total without donor restrictions	23,465,438	(1,571,224)	-	21,894,214
With donor restrictions	3,352,999	-	-	3,352,999
Total net assets (deficit)	26,818,437	(1,571,224)	-	25,247,213
Total liabilities and net assets	\$ 51,203,981	\$ 217,191	\$ (1,560,249)	\$ 49,860,923

KIND, Inc. and Affiliate

**Consolidating Statement of Activities
Year Ended December 31, 2022**

	KIND	KIND-Mexico	Eliminations	Total
Activities without donor restrictions:				
Revenue and support:				
Contributions of nonfinancial assets	\$ 99,630,376	\$ -	\$ -	\$ 99,630,376
Government contracts	35,825,187	-	-	35,825,187
Foundation and private grants	6,381,999	-	-	6,381,999
Contributions	5,893,350	-	-	5,893,350
Special events	1,184,530	-	-	1,184,530
Government grants	979,510	-	-	979,510
Fellowship	245,179	-	-	245,179
Other income and foreign exchange loss	19,863	(24,378)	-	(4,515)
Investment loss, net	(395,063)	-	-	(395,063)
Net assets released from restrictions	4,526,990	-	-	4,526,990
Total revenue and support	154,291,921	(24,378)	-	154,267,543
Expenses:				
Program services:				
Legal services	135,090,333	-	-	135,090,333
Regional and international work	4,749,360	1,130,404	-	5,879,764
Advocacy and communications	3,106,197	-	-	3,106,197
Total program services	142,945,890	1,130,404	-	144,076,294
Supporting services:				
General and administrative	7,840,857	178,429	-	8,019,286
Fundraising	2,769,934	-	-	2,769,934
Total supporting services	10,610,791	178,429	-	10,789,220
Total expenses	153,556,681	1,308,833	-	154,865,514
Change in net assets without donor restrictions	735,240	(1,333,211)	-	(597,971)
Activities with donor restrictions:				
Foundation and private grants	3,507,000	-	-	3,507,000
Contributions	2,811,267	-	-	2,811,267
Fellowship	4,000	-	-	4,000
Net assets released from restrictions	(4,526,990)	-	-	(4,526,990)
Change in net assets with donor restrictions	1,795,277	-	-	1,795,277
Change in net assets	2,530,517	(1,333,211)	-	1,197,306
Net assets (deficit):				
Beginning	24,287,920	(238,013)	-	24,049,907
Ending	\$ 26,818,437	\$ (1,571,224)	\$ -	\$ 25,247,213