

**KINSHIP MKE, INC.  
MILWAUKEE, WISCONSIN**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**DECEMBER 31, 2022 AND 2021**

KINSHIP MKE, INC.  
MILWAUKEE, WISCONSIN

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	3
Financial Statements	
Statements of Financial Position	5
Statements of Activities	6 – 7
Statements of Functional Expenses	8
Statements of Cash Flows	9
Notes to Financial Statements	10

1214 BRIDGE STREET  
P.O. BOX 368  
GRAFTON, WISCONSIN 53024

TELEPHONE: (262) 377-9988  
FAX: (262) 377-9617

### Independent Auditor's Report

Board of Directors  
Kinship MKE, Inc.  
Milwaukee, Wisconsin

#### **Opinion**

We have audited the accompanying financial statements of Kinship MKE, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kinship MKE, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kinship MKE, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Kinship MKE, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kinship MKE, Inc.'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 Kinship MKE, Inc.'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.



Krause & Associates, SC  
Grafton, Wisconsin  
August 30, 2023

KINSHIP MKE, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
	<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,006,621	\$ 2,490,856
Cash restricted to unemployment reserve	10,067	5,065
Contributions receivable	2,000	-
Receivable – other	6,894	800
Investments	4,233,504	2,212,422
Prepaid expenses	47,037	29,905
Inventory (donated)	39,972	38,669
Deposits	<u>1,000</u>	<u>13,472</u>
Subtotal	5,347,095	4,791,189
 <b>PROPERTY AND EQUIPMENT</b>		
Land	25,000	25,000
Building and improvements	119,014	119,014
Equipment and furnishing	22,381	22,381
Website	18,014	-
Vehicles	<u>80,894</u>	<u>80,894</u>
Total property and equipment	265,303	247,289
Less accumulated depreciation	<u>(71,860)</u>	<u>(50,725)</u>
 Property and equipment, net	 <u>193,443</u>	 <u>196,564</u>
 TOTAL ASSETS	 <u>\$ 5,540,538</u>	 <u>\$ 4,987,753</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<b>LIABILITIES</b>		
Accounts payable	\$ 29,370	\$ 29,229
Accrued payroll and payroll liabilities	66,789	54,443
Accrued vacation	<u>5,148</u>	<u>12,737</u>
 TOTAL LIABILITIES	 101,307	 96,409
 <b>NET ASSETS</b>		
Without donor restrictions	4,196,414	3,439,922
With donor restrictions	<u>1,242,817</u>	<u>1,451,422</u>
 TOTAL NET ASSETS	 <u>5,439,231</u>	 <u>4,891,344</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 5,540,538</u>	 <u>\$ 4,987,753</u>

The accompanying notes are an integral part of this financial statement.

KINSHIP MKE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 2,203,134	\$ 50,000	\$ 2,253,134
In-kind contributions:			
Donated food	527,577	-	527,577
Rent and utilities	204,100	-	204,100
Other	73,988	-	73,988
Investment income	(297,850)	-	(297,850)
Other	44,143	-	44,143
Released from restrictions	<u>258,605</u>	<u>(258,605)</u>	<u>-</u>
Total revenue & support	3,013,697	(208,605)	2,805,092
<b>EXPENSES</b>			
Program services:			
Food wellness	1,325,667	-	1,325,667
Mentoring	266,350	-	266,350
Outreach and formation	214,573	-	214,573
Total program services	<u>1,806,590</u>	<u>-</u>	<u>1,806,590</u>
Supporting services:			
General and administrative	168,152	-	168,152
Fundraising and development	282,463	-	282,463
Total supporting services	<u>450,615</u>	<u>-</u>	<u>450,615</u>
Total expenses	<u>2,257,205</u>	<u>-</u>	<u>2,257,205</u>
Changes in net assets	756,492	(208,605)	547,887
Beginning net assets	3,439,922	1,451,422	4,891,344
Ending net assets	<u>\$ 4,196,414</u>	<u>\$ 1,242,817</u>	<u>\$ 5,439,231</u>

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

KINSHIP MKE, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Contributions and grants	\$ 1,712,156	\$ 327,350	\$ 2,039,506
In-kind contributions:			
Donated food	403,241	-	403,241
Rent	9,600	-	9,600
Other	78,043	-	78,043
Investment income	208,969	-	208,969
Other	25,987	-	25,987
Released from restrictions	186,691	(186,691)	-
Total revenue & support	2,624,687	140,659	2,765,346
<b>EXPENSES</b>			
Program services:			
Food wellness	799,739	-	799,739
Mentoring	167,725	-	167,725
Outreach and formation	175,430	-	175,430
Total program services	1,142,894	-	1,142,894
Supporting services:			
General and administrative	150,380	-	150,380
Fundraising and development	250,761	-	250,761
Total supporting services	401,141	-	401,141
Total expenses	1,544,035	-	1,544,035
Changes in net assets	1,080,652	140,659	1,221,311
Beginning net assets	2,359,270	1,310,763	3,670,033
Ending net assets	\$ 3,439,922	\$ 1,451,422	\$ 4,891,344

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

KINSHIP MKE, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022						
	Program Services				Supporting Services		
	Food wellness	Mentoring	Outreach and formation	Total	General & administrative	Fundraising & development	Total
Depreciation	\$ 18,083	\$ -	\$ 3,052	\$ 21,135	\$ -	\$ -	\$ 21,135
Food assistance	552,685	-	-	552,685	-	-	552,685
Information technology	10,342	10,199	5,690	26,231	9,896	12,961	49,088
Insurance	12,410	2,678	4,544	19,632	2,108	1,395	23,135
Merchant services fees	389	-	73	462	14,499	2,015	16,976
Payroll:							
Salaries and wages	195,558	155,749	102,532	453,839	99,965	159,619	713,423
Employee benefits	24,369	17,302	12,634	54,305	16,444	25,898	96,647
Payroll taxes	14,113	11,774	7,549	33,436	7,500	11,688	52,624
Professional fees	98,316	15,120	12,420	125,856	4,450	7,761	138,067
Property taxes	-	-	1,546	1,546	-	-	1,546
Rent	153,094	10,699	17,766	181,559	2,017	2,683	186,259
Repairs and maintenance	21,030	1,256	5,594	27,880	477	694	29,051
Supplies	74,794	32,685	24,320	131,799	1,283	9,480	142,562
Utilities	63,612	2,597	7,924	74,133	1,118	1,479	76,730
Vehicle	5,173	188	316	5,677	-	31	5,708
Other	81,699	6,103	8,613	96,415	8,395	46,759	151,569
<b>Total Expenses</b>	<b>\$ 1,325,667</b>	<b>\$ 266,350</b>	<b>\$ 214,573</b>	<b>\$ 1,806,590</b>	<b>\$ 168,152</b>	<b>\$ 282,463</b>	<b>\$ 2,257,205</b>

  

	2021						
	Program Services				Supporting Services		
	Food wellness	Mentoring	Outreach and formation	Total	General & administrative	Fundraising & development	Total
Depreciation	\$ 6,092	\$ -	\$ 3,051	\$ 9,143	\$ -	\$ -	\$ 9,143
Food assistance	388,934	-	-	388,934	-	-	388,934
Information technology	15,597	2,769	4,468	22,834	5,862	9,091	37,787
Insurance	9,027	1,018	2,685	12,730	1,579	1,594	15,903
Merchant services fees	1,047	-	73	1,120	12,024	2,369	15,513
Payroll:							
Salaries and wages	129,350	104,401	88,492	322,243	89,945	137,239	549,427
Employee benefits	21,383	9,814	14,931	46,128	18,278	6,614	71,020
Payroll taxes	9,308	7,816	6,488	23,612	6,588	10,198	40,398
Professional fees	81,311	5,600	4,000	90,911	4,380	40,514	135,805
Property taxes	-	-	4,376	4,376	-	-	4,376
Rent	15,253	8,121	7,916	31,290	3,434	3,434	38,158
Repairs and maintenance	28,153	391	4,170	32,714	504	489	33,707
Supplies	69,646	23,505	15,896	109,047	1,089	4,698	114,834
Utilities	2,419	945	6,418	9,782	2,091	1,905	13,778
Vehicle	4,101	-	244	4,345	-	-	4,345
Other	18,118	3,345	12,222	33,685	4,606	32,616	70,907
<b>Total Expenses</b>	<b>\$ 799,739</b>	<b>\$ 167,725</b>	<b>\$ 175,430</b>	<b>\$ 1,142,894</b>	<b>\$ 150,380</b>	<b>\$ 250,761</b>	<b>\$ 1,544,035</b>

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



KINSHIP MKE, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 547,887	\$ 1,221,311
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	21,135	9,143
In-kind donations capitalized	-	(49,816)
Investment (gain) loss	300,115	(205,891)
(Increase) decrease in contributions receivable	(2,000)	10,000
(Increase) decrease in other receivables	(6,094)	(250)
(Increase) decrease in prepaid expenses	(17,132)	(9,664)
(Increase) decrease in in-kind food inventory	(1,303)	(22,024)
(Increase) decrease in deposits	12,472	(7,037)
Increase (decrease) in accounts payable	141	3,602
Increase (decrease) in accrued payroll	12,346	10,535
Increase (decrease) in accrued vacation	<u>(7,589)</u>	<u>3,262</u>
Net cash provided by (used in) operating activities	<u>859,978</u>	<u>963,171</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(2,321,197)	(435,948)
Additions to property and equipment	<u>(18,014)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(2,339,211)</u>	<u>(435,948)</u>
Net change in cash, cash equivalents and restricted cash	(1,479,233)	527,223
Cash, cash equivalents and restricted cash, beginning of year	<u>2,495,921</u>	<u>1,968,698</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 1,016,688</u>	<u>\$ 2,495,921</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ -</u>
In-kind contributions received	<u>\$ 805,665</u>	<u>\$ 490,884</u>

The accompanying notes are an integral part of this financial statement.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

1. Organization and business activity

Kinship MKE, Inc. (Organization) known as Kinship Community Food Center, engages volunteers & neighborhood residents to end hunger, isolation, and poverty. Our innovative programs nourish food security and wellness, foster belonging and community engagement, and empower stability and economic prosperity in our city. The Organization is incorporated under the laws of the State of Wisconsin.

In April 2022, the Organization changed its name from Riverwest Food Pantry. After 40 years, the mission of the Organization had evolved from feeding people to helping one another thrive; the new name better reflects how the Organization gathers neighbors around food to share their lives and build trusting relationships. Rather than just distributing food, Kinship Community Food Center aims to build relationships around food that have the power to transform people's lives as individuals and as a community.

**Nature of programs:**

The Organization offers several programs which address food scarcity and help the whole person thrive. They are briefly described below:

***Shop | Fresh Food Market***

Shop is a fresh food market that integrates health education, cooking demonstrations, a food bar, and connections to community resources. In 2022 more than 290,000 pounds of food was given to nearly 15,000 community members. The Organization served breakfasts & dinners from our community kitchen and held food preparation demos provided by community chefs. 90% of our community members say they are now cooking with more produce at home because of shopping at our fresh food market.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

1. Organization and business activity – continued

***Grow | Urban Farm***

To feed and educate the community, the Organization operated a 27,000 square foot urban hoop house vegetable farm and gardens that grew 11,000 pounds of fresh, local, and organic produce in 2022. The Organization partnered with Maglio Company to operate the farm.

***Feast | Collaborative Meals***

Feast is a collaborative meal that brings a diverse group around a common table to explore food traditions and whole food culinary skills. 85% of our community members say they have made new friendships at Kinship. Nine Feast meals and three Farm to Fork meals occurred in 2022. Additionally, the Organization monthly provided shoppers with a bag of groceries, highlighting a produce item, and a recipe to make a meal.

***Stride | Crisis Assistance and Mentoring***

Stride is a mentoring program that accompanies people in crisis to overcome barriers to health and economic stability. Staff and volunteer mentors assess and walk with shoppers to navigate the myriad barriers that often accompany food insecurity. The Organization achieved a 73% crisis assistance referral rate through our strong network of partners; prevented eviction and/or homelessness for 47 families through direct assistance and referrals; and stabilized 124 families through employment assistance, transportation assistance, prevention of utility disconnections and/or obtaining needed household goods. 100% of our community members say they know they can get support and help at Kinship.

***Form | Training and Education***

Form is a service-based training for volunteers and neighborhood residents in spiritual formation, social justice, and civic action. 4,000 community members gave over 20,000 hours of volunteer services in 2022. Nearly 1,000 people participated in our Faces of Hunger trainings.

***Mission Internship | A Year of Service***

In 2022, our seventh year of the Mission Internship program, eight women and four men gave a year of their life in service to the community while living together in two neighborhood homes near the food center. More than just learning to coordinate the operational functions of our food center and farm, the mission interns established real relationships to support shoppers, volunteers, and one another. They also participated in weekly formation sessions and gathered for prayer at the start of each morning.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Cash, cash equivalents and restricted cash

The Organization considers all highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statements of financial position to the sum of the corresponding amounts within the statements of cash flows:

	2022	2021
Cash and cash equivalents	\$1,006,621	\$2,490,856
Cash restricted to unemployment reserve	10,067	5,065
	\$1,016,688	\$2,495,921

3. Contributions and Contributions Receivable

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. The Organization had \$2,000 of contributions receivable as of December 31, 2022. All contributions receivable amounts were due within 12 months of the year end.

4. Inventory

The majority of inventory consists of donated food. Donated food is valued at the lower of fair market value on the date of donation or market. The specific identification method is used for inventory. The inventory system identifies the inventory with the earliest expiration date to be used first and it is the Organization’s policy to keep two months’ worth of inventory on hand.

5. Prepaid expenses

Prepaid expenses represent disbursements paid in advance for the subsequent fiscal year.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

6. Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Investment income is reported in the statements of activities and consists of interest and dividend income, unrealized capital gains and losses, and realized gains and losses less external investment expenses.

Investment securities, in general, are inherently subject to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and statements of activities.

7. Property and equipment

Property and equipment are recorded at cost or fair market value if donated. The Organization's policy is to capitalize all tangible assets which separately or in the aggregate have an acquisition cost of \$10,000 or greater. Major additions and improvements are capitalized. Property and equipment are depreciated over the estimated useful lives of the assets, ranging from 5 to 39 years, using the straight-line method. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Depreciation expense for the years ended December 31, 2022 and 2021 was \$21,135 and \$9,143, respectively.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2022 and 2021.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

8. Net assets

The Organization follows the accrual method of accounting wherein revenues and expenses are recorded in the period earned or incurred. Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

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

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

9. Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of December 31, 2022 and 2021, the Organization has no conditional contributions.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

10. Donated services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. The Organization records donated professional services at the respective fair values of the services received (see Note F).

11. Allocation of functional expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, salaries and wages, benefits, payroll taxes, professional services, office expenses, supplies, insurance, and other, which are allocated on the basis of estimates of time and effort.

12. Use of estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

13. Income taxes

The Organization is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income pursuant to Section 501(a) of the Code.

The Organization evaluates its tax positions and assesses their uncertainty, if any, through review and application of various sources of tax authority including statutes, regulations, rulings, court cases and widely held administrative practices.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

13. Income taxes – continued

The Organization's informational returns are subject to examination by the IRS, generally for three years after they were filed. Management believes that no uncertain tax positions exist for the Organization at December 31, 2022 and 2021. The Organization has not incurred any interest or penalties for income taxes for the years ended December 31, 2022 and 2021.

14. New Accounting Standards

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance in *Topic 840, Leases*. The FASB subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2020-05, *Leases (Topic 842): Lessors—Certain Leases with Variable Lease Payments*; and ASU 2021-09, *Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities*. Topic 842 amends both lessor and lessee accounting with the most significant change being the requirement for lessees to recognize right-of-use (ROU) assets and lease liabilities on the statement of financial position for operating leases.

The Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The Organization elected to use all available practical expedients provided in the transition guidance. These allowed the Organization to not reassess the identification, classification and initial direct costs of lessor agreements and to use hindsight in lessee and lessor agreements for determining lease term and right-of-use asset impairment. Topic 842 had no effect to beginning net assets or statement of financial position accounts related to lessor accounting. See note G.

15. Subsequent events

Management has evaluated subsequent events for recognition and disclosure in the financial statements through August 30, 2023, which is the date that the financial statements were available to be issued.



KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

B – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date of December 31, 2022 and 2021, comprise the following:

	2022	2021
Cash and cash equivalents	\$1,006,621	\$2,490,856
Investments	4,233,504	2,212,422
Contributions receivable	2,000	-
Other receivable	6,894	800
Less amounts unavailable for general expenditures:		
Donor purpose restrictions	(1,242,817)	(1,451,422)
	\$4,006,202	\$3,252,656

As part of its liquidity plan, the Organization invests cash in excess of daily requirements in short-term money market funds.

C – CASH – RESTRICTED UNEMPLOYMENT RESERVE

The Organization adopted the reimbursement method for Wisconsin state unemployment compensation purposes. As required by the Wisconsin Unemployment Fund, the Organization assures reimbursement to the Wisconsin Unemployment Fund by means of holding a restricted savings account as a reserve for state unemployment. The balance of the account was \$10,067 and \$5,065 as of December 31, 2022 and 2021, respectively.

D – FAIR VALUE MEASUREMENT AND DISCLOSURES

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

D – FAIR VALUE MEASUREMENT AND DISCLOSURES - CONTINUED

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to the entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

The majority of the Organization's investment assets are classified within Level 1 because they comprise open-end mutual funds and equities with readily determinable fair values based on daily redemption values. The Organization invests in U.S. government obligations traded in the financial markets. Those bonds are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2. The Organization also invested in certificates of deposit in the financial markets through a local bank. Those certificates of deposit are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates, and market-rate assumptions, and are classified within Level 2.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

D – FAIR VALUE MEASUREMENT AND DISCLOSURES - CONTINUED

Assets that were accounted for at fair value on a recurring basis as of December 31, 2022 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 484,832	\$ -	\$ -	\$ 484,832
Certificate of deposit	-	250,868	-	250,868
US Treasuries	-	1,234,280	-	1,234,280
Equities	14,761	-	-	14,761
Mutual funds	1,809,726	-	-	1,809,726
Exchange traded funds	<u>439,037</u>	<u>-</u>	<u>-</u>	<u>439,037</u>
Total	<u>\$2,748,356</u>	<u>\$1,485,148</u>	<u>\$ -</u>	<u>\$4,233,504</u>

Assets that were accounted for at fair value on a recurring basis as of December 31, 2021 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 19,745	\$ -	\$ -	\$ 19,745
Certificate of deposit	-	150,225	-	150,225
Equities	-	-	-	-
Mutual funds	1,826,172	-	-	1,826,172
Exchange traded funds	<u>216,280</u>	<u>-</u>	<u>-</u>	<u>216,280</u>
Total	<u>\$2,062,197</u>	<u>\$ 150,225</u>	<u>\$ -</u>	<u>\$2,212,422</u>

E – NET ASSETS

Contributions received are recorded as donor restricted net assets depending on the existence and or nature of any donor-imposed restrictions. As restrictions are met and funds expended, assets are released from restrictions. Net assets with donor restrictions are restricted for the following purposes as of December 31, 2022 and 2021:

<u>Purpose restriction</u>	<u>2022</u>	<u>2021</u>
Capital projects and program expansion	\$1,212,817	\$1,450,772
Scholar program	30,000	-
Kid's Corner	<u>-</u>	<u>650</u>
Total	<u>\$1,242,817</u>	<u>\$1,451,422</u>

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

E – NET ASSETS – CONTINUED

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2022 and 2021:

Purpose restriction	2022	2021
Capital projects and program expansion	\$ 257,955	\$ 100,228
Video production	-	10,000
Kid’s Corner	650	-
Recipe in a Bag	-	25,392
STRIDE Phoenix Challenge	-	51,071
	<u>\$ 258,605</u>	<u>\$ 186,691</u>

F – NON-CASH CONTRIBUTIONS AND EXPENDITURES

The Organization receives and distributes food and personal items. The estimated value of this food is recorded as both revenue and expense at the time of receipt. Food is donated to the pantry by the government or other granting agencies and the general public. 274,221 and 260,019 pounds of donated food were received in the years ended December 31, 2022 and 2021, respectively. The value of the donated food is based on fair market value of the donation. If the fair market value is not provided by the donating agency, it is calculated based on the estimated cost per pound. The average cost per pound used to determine the estimated fair market value was \$1.92 and \$1.79 and totaled approximately \$527,577 and \$403,241 in 2022 and 2021, respectively.

During the years ended December 31, 2022 and 2021, the Organization received the free use of warehouse for storage and pantry space at St. Casimir Church. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair value of the donated facilities of \$9,600 for the years ended December 31, 2022 and 2021, respectively.

As part of its Urban Farm program, the Organization receives the use of 11 hoop houses for growing fresh produce. The hoop houses cover 27,000 square feet. The use of the hoop houses and water are provided free of charge to the Organization. For the year ended December 31, 2022, the value of the value of the rental of the hoop houses and utilities totaled \$135,000 and \$59,500 respectively. Amounts have been recognized as revenues and expenses in the accompanying financial statements.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

F – NON-CASH CONTRIBUTIONS AND EXPENDITURES – CONTINUED

The Organization also receives various types of contributed goods and services support, including professional services and supplies. Donated services are reported in the financial statements for voluntary donations of professional services when those services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and typically would be purchased if not provided by donation.

The approximate fair value of donated goods and services for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Donated food	\$ 527,577	\$ 403,241
Professional fees	65,828	27,937
Supplies	8,160	290
Food center storage space	9,600	9,600
Urban farm – hoop houses	194,500	-
Equipment capitalized	-	49,816
	\$ 805,665	\$ 490,884

A number of unpaid volunteers have made significant contributions of their time in conjunction with the Organization’s programs and services. The value of this contributed time is not included in these financial statements, as they do not meet the criteria for recognition.

G - LEASE COMMITMENTS

As noted in footnote A-14, the Organization adopted the leasing standards effective January 1, 2022, using the modified retrospective approach with January 1, 2022 as the initial date of application. The leases expire at various dates through July 2024. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

Due to the short-term nature of the operating lease agreements (less than 12 months duration), management has determined that a right-of-use lease asset and lease liability does currently not exist. Management will review and reassess the agreement and underlying assumptions on an annual basis. The following summarizes the other operating lease agreements.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

G - LEASE COMMITMENTS – CONTINUED

The Organization leases office and other facilities under various operating lease agreements. The Organization leases its main office facilities under a 12-month operating lease expiring on July 31, 2023. The lease calls for monthly payments of \$1,709. Rent expense related to this lease was \$20,165 and \$17,057 for the years ended December 31, 2022 and 2021, respectively. Future minimum lease payments required under this lease agreements in 2023 total \$11,963.

The Organization leases additional space for kitchen and dining facilities in conjunction with the pantry operations under an operating lease expiring on January 13, 2023. For the years ended December 31, 2022 and 2021, the lease required monthly payments of \$500. Rent expense related to this lease was \$6,000 and \$6,000 for the years ended December 31, 2022 and 2021, respectively. Subsequent to year end, the lease was renewed for an additional one-year period expiring on December 31, 2023.

In 2021, the Organization entered into a month-to-month operating lease for a mission house with quarterly rent payments of \$2,500. Rent expense related to this lease was \$14,400 and \$5,358 for the years ended December 31, 2022 and 2021, respectively.

As noted in Note F, the Organization received the free use of warehouse for storage space at St. Casimir Church. Amounts have been recognized as revenues and expenses in the accompanying financial statements for the fair value of the donated facilities of \$9,600 and \$9,600 for the years ended December 31, 2022 and 2021, respectively.

Also noted in Note F, the Organization receives the use of 11 hoop houses for growing fresh produce. The hoop houses cover 27,000 square feet. The use of the hoop houses and water are provided free of charge to the Organization. For the year ended December 31, 2022, the value of the rental of the hoop houses has been recognized as revenues and expenses in the accompanying financial statements for the fair value of the donated facilities of \$135,000 for the year ended December 31, 2022.

Rent expense totaled \$186,259 and \$38,158 for the years ended December 31, 2022 and 2021, respectively.

KINSHIP MKE, INC.  
NOTES TO FINANCIAL STATEMENTS - CONTINUED  
DECEMBER 31, 2022 AND 2021

H – RETIREMENT PLAN

During 2020, the Organization established a SIMPLE retirement plan for its employees covering all employees who meet certain requirements. Eligible employees may defer compensation up to 100% of compensation not to exceed the maximum amount allowed by law. Fully funded contributions made by the Organization totaled \$17,496 and \$15,385 for the years ended December 31, 2022 and 2021, respectively.

I – CONCENTRATIONS

The Organization maintains cash balances at a local bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured portion, without regard to outstanding checks and deposits in transit was \$708,191 and \$1,806,499 as of December 31, 2022 and 2021. The Organization has not experienced any losses on these accounts. Management believes the Organization is not exposed to any significant credit risk on cash.

The Organization received approximately \$600,000 and \$550,000 or 20% and 20% respectively, of its revenue, during 2022 and 2021, from two donors.