

KW KIDS CARE, INC.

FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2023

And Report of Independent Auditor

KW KIDS CARE, INC.
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Report of Independent Auditor

To the Board of Directors
KW Kids Care, Inc.
Austin, Texas

Opinion

We have audited the accompanying financial statements of KW Kids Care, Inc. (the “Organization”) which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Organization 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 the Organization’s ability to continue as a going concern within one year after the date 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 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 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.

Cherry Bekaert LLP

Raleigh, North Carolina
November 1, 2024

KW KIDS CARE, INC.
STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

ASSETS

Current Assets:

| | | |
|---------------------------|----|------------------|
| Cash and cash equivalents | \$ | 3,108,341 |
| Accounts receivable | | 11,428 |
| Total Current Assets | | <u>3,119,769</u> |

Website development costs, net

214,851

Total Assets

\$ 3,334,620

LIABILITIES AND NET ASSETS

Current Liabilities:

| | | |
|------------------|----|---------|
| Accrued expenses | \$ | 119,356 |
|------------------|----|---------|

Net Assets:

| | | |
|----------------------------|--|------------------|
| Without donor restrictions | | <u>3,215,264</u> |
|----------------------------|--|------------------|

Total Liabilities and Net Assets

\$ 3,334,620

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

KW KIDS CARE, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------|---------------------------------------|------------------------------------|---------------------|
| Support and Revenue: | | | |
| Contributions | \$ 936,032 | \$ - | \$ 936,032 |
| Event and education income | 548,264 | - | 548,264 |
| Other income | 94,017 | - | 94,017 |
| Total Support and Revenue | <u>1,578,313</u> | <u>-</u> | <u>1,578,313</u> |
| Expenses: | | | |
| Program services | 953,224 | - | 953,224 |
| Supporting Services: | | | |
| General and administrative | 388,958 | - | 388,958 |
| Fundraising | 262,781 | - | 262,781 |
| Total Expenses | <u>1,604,963</u> | <u>-</u> | <u>1,604,963</u> |
| Change in net assets | (26,650) | - | (26,650) |
| Net assets, beginning of year | <u>3,241,914</u> | <u>-</u> | <u>3,241,914</u> |
| Net assets, end of year | <u>\$ 3,215,264</u> | <u>\$ -</u> | <u>\$ 3,215,264</u> |

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

KW KIDS CARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

| | Program Services | General and Administrative | Fundraising | Total |
|--------------------------------|-----------------------------|---------------------------------------|--------------------|---------------------|
| Summit and workshop expenses | \$ 372,074 | \$ - | \$ - | \$ 372,074 |
| Event and education expenses | 174,806 | 14,328 | 17,226 | 206,360 |
| Compensation and related costs | 267,106 | 218,992 | 169,141 | 655,239 |
| Professional services | - | 40,604 | - | 40,604 |
| Information technology | - | 102,247 | - | 102,247 |
| Occupancy costs | - | 10,812 | - | 10,812 |
| Amortization | 102,566 | - | - | 102,566 |
| Advertising and promotion | 27,248 | - | 57,831 | 85,079 |
| Other administrative costs | 9,424 | 1,975 | 18,583 | 29,982 |
| Total Expenses | <u>\$ 953,224</u> | <u>\$ 388,958</u> | <u>\$ 262,781</u> | <u>\$ 1,604,963</u> |

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

KW KIDS CARE, INC.
STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash flows from operating activities:

| | |
|--|----------------|
| Change in net assets | \$ (26,650) |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: | |
| Amortization expense | 102,566 |
| Change in operating liabilities: | |
| Accounts receivable | 10,026 |
| Accrued expenses | 97,899 |
| Net cash flows from operating activities | <u>183,841</u> |

Cash flows from investing activities:

| | |
|--|------------------|
| Payments for website development | <u>(121,204)</u> |
| Net cash flows from investing activities | <u>(121,204)</u> |

| | |
|--|---------------------|
| Net change in cash and cash equivalents | 62,637 |
| Cash and cash equivalents, beginning of year | <u>3,045,704</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,108,341</u> |

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

KW KIDS CARE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 1—Organization and summary of significant accounting policies

Organization – KW Kids Care, Inc., a Texas not-for-profit corporation, (the “Organization”) is an educational 501(c)(3) nonprofit founded in 2015 as a vehicle to empower the next generation of entrepreneurs and world leaders to cultivate a growth mindset, live limitlessly, and fully claim all that life has to offer. The Organization’s learning experiences, coaching, and resources are fueled by a proprietary training program known as Quantum Leap (QL) – a set of tools designed to help individuals define and achieve their own version of success.

The Organization is an affiliated organization of Keller Williams Realty International (“KWRI”), who provides certain administrative services on behalf of the Organization (see Note 5).

Basis of Presentation and Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Net Asset Classifications – Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified as:

Net Assets With Donor Restrictions – Net assets resulting from contributions subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by actions of the Organization and/or the passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity. As of December 31, 2023, there were no net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to donor restrictions. Net assets without donor stipulations may be used for any purpose or designated for specific purposes by action of the board of directors of the Organization. There were no board designated net assets as of December 31, 2023.

Use of Estimates – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent 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 estimated. Significant estimates include establishing the useful lives of website development costs and allocating certain costs across functional lines.

Cash and Cash Equivalents – For the purposes of the statement of cash flows, the Organization considers all investments with original purchased maturities of three months or less to be cash equivalents.

Accounts Receivable – Accounts receivable are recorded at the amount the Organization expects to collect on outstanding balances. The allowance for credit losses is based on the Organization’s assessment of the collectability of the accounts receivable. In accordance with ASC Topic 326: *Financial Instruments – Credit Losses*, the Organization makes ongoing estimates relating to the collectability of the accounts receivables and records an allowance for estimated losses expected from the inability of collection from the required payments. The Organization establishes expected credit losses by evaluating historical levels of credit losses, current economic conditions that may affect a person’s ability to pay. These inputs are used to determine a range of expected credit losses and an allowance is recorded within the range. Accounts receivable are written off when there is no reasonable expectation of recovery. As of December 31, 2023, the allowance for credit losses was immaterial to the financial statements and therefore Organization elected not to recognize an allowance for credit losses.

KW KIDS CARE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 1—Organization and summary of significant accounting policies (continued)

Website Development Costs – Website development costs are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated amortization. Website development costs in excess of \$5,000 is capitalized. Maintenance on website development costs is expensed as incurred. Amortization for other website development costs is provided using the straight-line method over the useful lives of the assets as follows: website and database – internally developed five years and other software and technology equipment three years.

Long-Lived Assets – The Organization reviews the carrying value of long-lived assets for impairment whenever events and 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. In cases where the fair value is less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. For the year ended December 31, 2023, there were no events or circumstances indicating a need for an impairment analysis.

Advertising and Promotion Expense – The Organization expenses advertising and promotion costs as incurred. Advertising and promotion expense for the year ended December 31, 2023 was \$85,079.

Revenue Recognition – The Organization recognizes revenue in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers (ASC 606)*. The Organization recognizes revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which it expects to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers, the Organization performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Organization satisfies its performance obligations. At contract inception, the Organization will assess the goods or services agreed upon within each contract and assess whether each good or service is distinct and determine those that are performance obligations. The Organization then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Organization recognizes revenue from participant event fees, sponsorship fees and education fees when the services are provided. Advance payments are reflected as deferred revenue and are recognized as revenue when the services have been provided.

Contributions – Contributions and grants received (including unconditional promises to give, “pledges”) are recorded as donor-restricted support and without donor-restricted support in the period received depending on the existence and/or nature of any donor restrictions. 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. Conditional promises to give are recognized as the conditions upon which they depend are substantially met. Pledges are recognized as revenue only if sufficient evidence exists in the form of verifiable documentation that a promise was made and received. The Organization uses the allowance method to determine uncollectible unconditional pledges receivable. The allowance is based on prior years’ experience and management’s analysis of specific promises made. There was no deferred revenue for the year ended December 31, 2023. There were no pledges to be collected as of December 31, 2023.

KW KIDS CARE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 1—Organization and summary of significant accounting policies (continued)

Contributed Services and Other Support – The Organization recognizes contributed services at their fair value if the services have value to the Organization and require specialized skills, are provided by the individuals possessing those skills, and would have been purchased if not provided by contributors. The Organization recognizes other contributed support at fair value. During the year ended December 31, 2023, the value of contributed services meeting the requirements for recognition in the financial statements was not material and no amounts have been recorded. Although individuals volunteer their time and perform a variety of tasks that assist the Organization, these services do not meet the criteria for recognition as contributed services.

Income Taxes – The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, as a result, it has been determined to be exempt from federal and state income taxes. There was no unrelated business income for the year ended December 31, 2023.

The Organization does not believe it has engaged in any situation which would result in an uncertain tax position. As a result, management does not believe any uncertain tax positions currently exist and, therefore, no loss contingency has been recognized in the accompanying financial statements. Federal and state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination. Currently, the Organization has no open examinations with the IRS or state taxing authorities.

Functional Expenses – The expense information contained in the statement of activities is presented on a functional basis. Accordingly, certain expenses are allocated between functional categories based on management's estimates. The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. These expenses include compensation and related costs and other administrative costs, which are allocated based upon staff time devoted. Information technology and amortization are allocated using an estimate of usage by program participants.

Concentration of Credit Risk – Financial instruments which potentially subjects the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization maintains cash in banks that are insured by the Federal Deposit Insurance Corporation ("FDIC") as well as cash equivalents in certain financial institutions not insured by the FDIC. As of December 31, 2023, the Organization had bank balances in excess of insured limits of approximately \$2.9 million.

During the year ended December 31, 2023, approximately 49% of the Organization's total support and revenue represented donations collected from realtors employed by KWRI.

Subsequent Events – The Organization has evaluated subsequent events through November 1, 2024, the date on which the Organization's financial statements became available for issuance, and determined there were no additional events for disclosure.

KW KIDS CARE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2—Liquidity

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

| | |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 3,108,341 |
| Accounts receivable | 11,428 |
| | <u>\$ 3,119,769</u> |

None of the above financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of net position. Due to the nature of its mission, the Organization is substantially supported by contributions without restrictions. Therefore, financial assets are typically available for general expenditures upon receipt.

The Organization considers all expenditures related to the ongoing activities of the Organization, as well as the services undertaken to support those activities to be general expenditures.

Note 3—Website development costs, net

The following is a summary of website development costs, net, as of December 31, 2023:

| | |
|---------------------------------|-------------------|
| Software | \$ 32,811 |
| Website - internally developed | 1,195,593 |
| Total website development costs | 1,228,404 |
| Less accumulated amortization | (1,013,553) |
| Website development costs, net | <u>\$ 214,851</u> |

Amortization expense related to website development costs totaled \$102,566 for the year ended December 31, 2023. Estimated amortization expense is approximately \$43,000 for each fiscal year through the year ended December 31, 2027.

Note 4—Commitments and contingencies

The Organization is subject to various claims and liabilities in the ordinary course of business. At December 31, 2023, there were no significant outstanding legal actions or claims against the Organization. The Organization maintains various forms of insurance which the Organization's management believes are adequate to reduce the exposure to such risks to an acceptable level.

KW KIDS CARE, INC.
NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 5—Related party transactions

During the year ended December 31, 2023, the Organization operated under a Master Service Agreement (“MSA”) dated November 15, 2021 with KWRI to provide the Organization with marketing, personnel, office facilities, and management services for the administrative and business affairs of the Organization. The MSA is effective for 12 months and renews for an additional 12 months automatically at the end of each term unless terminated by either party. Costs incurred by KWRI on behalf of the Organization are invoiced and settled on a monthly basis. For the year ended December 31, 2023, total reimbursed expenses incurred was approximately \$677,000.

As noted above, the Organization leases office facilities located in Austin, Texas from KWRI on a month-to-month basis. Rent expense paid to KWRI under this arrangement for the year ended December 31, 2023 was approximately \$11,000 and is included in occupancy costs within the accompanying statement of functional expenses.

During the year ended December 31, 2023, the Organization received contributions of approximately \$42,000, from various members of the board of directors. These amounts represent included in contributions in the accompanying statement of activities.

During the year ended December 31, 2023, the Organization received contributions of approximately \$779,000, through real estate transactions closed by KWRI realtors that were remitted by KWRI to the Organization.

Note 6—Retirement plan

The Organization participates in a defined contribution pension plan, the KWRI 401(k) (the “Plan”), which is administered by KWRI. Employees are eligible to participate in the Plan after 30 days of employment. The Organization matches participant contributions up to 6% of employee compensation (as defined by the Plan). Total employer contributions were approximately \$21,000 for the year ended December 31, 2023.