

**MENDING KIDS INTERNATIONAL  
DBA MENDING KIDS**

**FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

**VASIN, HEYN & COMPANY**

*ABOVE THE BRIGHT LINE*

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AN ACCOUNTANCY CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



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(A California Non-Profit Corporation)  
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CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Mending Kids International  
(A California Non-Profit Corporation)  
Woodland Hills, California

We have audited the accompanying financial statements of Mending Kids International (A California Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## INDEPENDENT AUDITORS' REPORT - Continued

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mending Kids International as of December 31, 2020, 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.

### *Emphasis of Matter*

As described in Note 11 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

*Vorlein, Hayn + Co.*

Calabasas, California  
November 16, 2021

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2020**

	2020
<b>ASSETS</b>	
Cash and cash equivalents	\$ 165,693
Inventory	118,760
Investments	597,169
Total assets	\$ 881,622
 <b>LIABILITIES</b>	
Accounts payable	\$ 6,851
Accrued payroll and related liabilities	18,681
Total liabilities	25,532
 <b>COMMITMENTS AND CONTINGENCIES</b>	
<b>NET ASSETS</b>	
Without donor restrictions:	
Designated for long-term investing	145,042
Undesignated	441,603
With donor restrictions	269,445
Total net assets	856,090
Total liabilities and net assets	\$ 881,622

See accompanying auditors' report and notes to financial statements

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE, SUPPORT AND RESTRICTIONS RELEASED</b>			
Contributions and grants	241,554	29,412	270,966
Forgiveness of Paycheck Protection Program loan	58,900	-	58,900
Forgiveness of interest on Paycheck Protection Program loan	407	-	407
Mission team fees	797	-	797
Interest and investment income, net of expenses	12,342	-	12,342
Realized gain/(loss) on investments	30,762	-	30,762
Unrealized gain/(loss) on investments	20,813	-	20,813
Other income	1,590	-	1,590
In-kind contributions	733,447	-	733,447
Special events	353,831	-	353,831
Restrictions released	<u>64,703</u>	<u>(64,703)</u>	<u>-</u>
 Total revenue, support and restrictions released	 1,519,146	 (35,291)	 1,483,855
<b>EXPENSES</b>			
Program services	1,035,510	-	1,035,510
Support services	84,730	-	84,730
Fundraising expenses	<u>209,370</u>	<u>-</u>	<u>209,370</u>
Total expenses	<u>1,329,610</u>	<u>-</u>	<u>1,329,610</u>
 <b>CHANGE IN NET ASSETS</b>	 189,536	 (35,291)	 154,245
 <b>NET ASSETS - beginning of year</b>	 <u>397,109</u>	 <u>304,736</u>	 <u>701,845</u>
 <b>NET ASSETS - end of year</b>	 <u>\$ 586,645</u>	 <u>\$ 269,445</u>	 <u>\$ 856,090</u>

See accompanying auditors' report and notes to financial statements

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Program Services	Support Services	Fundraising Expenses	2020 Total Expenses
<b>SALARIES AND RELATED EXPENSES</b>				
Salaries	\$ 148,243	\$ 39,259	\$ 54,582	\$ 242,084
Payroll taxes	13,650	3,528	4,905	22,083
Employee benefits	17,839	4,773	6,637	29,249
	<u>179,732</u>	<u>47,560</u>	<u>66,124</u>	<u>293,416</u>
<b>OTHER EXPENSES</b>				
Advertising	-	-	1,191	1,191
Bank charges	7,004	1,874	3,606	12,484
Conferences	227	61	85	373
Consultants	7,867	2,105	24,274	34,246
Dues and subscriptions	4,671	1,250	1,738	7,659
Facility rental and catering	-	-	43,376	43,376
Hometown missions	1,620	-	-	1,620
Insurance	9,232	2,471	3,560	15,263
International surgeries	49,374	-	-	49,374
Meals and entertainment	402	108	274	784
Miscellaneous expenses	941	194	40,569	41,704
Parking	72	19	72	163
Postage and delivery	294	79	756	1,129
Printing	3,287	880	5,349	9,516
Professional fees	4,098	17,976	3,666	25,740
Rent	25,494	6,821	9,485	41,800
Supplies	425	114	1,571	2,110
Surgical expenses	552,149	-	-	552,149
Telephone	6,114	1,635	3,617	11,366
United States surgeries	182,355	-	-	182,355
Utilities	152	41	57	250
	<u>1,035,510</u>	<u>83,188</u>	<u>209,370</u>	<u>1,328,068</u>
Depreciation	<u>-</u>	<u>1,542</u>	<u>-</u>	<u>1,542</u>
Total expenses	<u>\$ 1,035,510</u>	<u>\$ 84,730</u>	<u>\$ 209,370</u>	<u>\$ 1,329,610</u>

See accompanying auditors' report and notes to financial statements

**MENDING KIDS INTERNATIONAL  
(A California Non-Profit Corporation)  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ <u>154,245</u>
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	1,542
Realized and Unrealized (gain)/loss on investments	(51,575)
Forgiveness of Paycheck Protection Program loan	(58,900)
(Increase) decrease in:	
Accounts and other receivables	1,365
Deposits and prepaid expenses	9,537
Inventory	(29,706)
Increase (decrease) in:	
Accounts payable	(55,633)
Accrued payroll and related liabilities	10,219
Deferred revenue	<u>(7,552)</u>
Total adjustments	<u>(180,703)</u>
Net Cash Provided (Used) by Operating Activities	(26,458)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Dividends and interest reinvested	(58)
Proceeds from sale of investments	58,852
Purchase of investments	<u>(137,000)</u>
Net Cash Provided (Used) by Investing Activities	(78,206)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Borrowings from Paycheck Protection Program loan	<u>58,900</u>
Net Cash Provided (Used) by Financing Activities	<u>58,900</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(45,764)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>211,457</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 165,693</u>
<b>Supplementary disclosure of non-cash investing activities:</b>	
In-kind contributions	<u>\$ 733,447</u>
Forgiveness of Paycheck Protection Program loan	<u>\$ 58,900</u>
Forgiveness of interest on Paycheck Protection Program loan	<u>\$ 407</u>

See accompanying auditors' report and notes to financial statements



**MENDING KIDS INTERNATIONAL  
(A California Non-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**1. ORGANIZATION**

Mending Kids International dba Mending Kids (“MKI”) is a nonprofit public benefit corporation chartered by the State of California in 1993 to provide donated surgical services and transportation to sick and injured children worldwide who otherwise could not afford such treatment.

MKI provides the following areas of service:

International In-Bound Program – Transports foreign children with correctable surgical conditions to the United States of America where they can be treated by local physicians and medical facilities.

International Surgeries – Facilitates and funds the “matchmaking” between specialized surgeons or medical facilities and the children who need surgery.

Surgical Missions –Transports medical teams to developing countries where they can provide specialized surgical care to prescreened children, training and exchange of experience to local medical staff.

Hometown Missions Program – Provides free out-patient surgical care to children all over the United States and abroad performed at domestic volunteer surgical centers with volunteer surgeons.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

MKI prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by MKI are described below to enhance the usefulness and understandability of the financial statements.

*Net Assets*

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of MKI, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

**MENDING KIDS INTERNATIONAL  
(A California Non-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. MKI's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by MKI, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

*Cash and Cash Equivalents*

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature.

*Inventory*

Inventory is recorded at the lower of cost or market on a first-in, first-out basis.

*Investments and Investment Income*

MKI carries its investments in marketable securities at fair value in the Statement of Financial Position.

Realized and unrealized gains and losses are included in the accompanying Statement of Activities in the appropriate class of net assets. Investment income and gains or losses restricted by donors are reported as changes in net assets without donor restrictions. Nevertheless, any appreciation in the value of these restricted assets continues to be treated as restricted, consistent with the original restriction of the funds to be used only for the construction of the new building.

The fair values of investments are based on quoted market price therefore, they have been classified as Level 1 investments in the valuation hierarchy.

**MENDING KIDS INTERNATIONAL  
(A California Non-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Property and Equipment, Net*

MKI capitalizes all material expenditures for fixed assets. Property and equipment is capitalized at cost or, if donated, as the estimated fair market value at the time of donation. Equipment is capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than 1 year. Depreciation is recorded using the straight-line method over the estimated useful lives of the related assets which are:

Computer software and website	3 years
Furniture and equipment	5 years

Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

*Vacation Policy*

Accrued vacation benefits are accrued on a monthly basis. Full-time employees accrue vacation time based upon years of service to MKI as follows:

Years Employed	Annualized Accrual
0-2 years	5 days
2-4 years	10 days
4-6 years	15 days
6+ years	20 days

Unused vacation leave will be paid at the time of termination. Total accrued vacation at December 31, 2020, was \$16,686.

**MENDING KIDS INTERNATIONAL  
(A California Non-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Accounting for Contributions*

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor-restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

*Contributed Goods and Services*

MKI received significant contributions of materials and services from individuals, medical facilities, and other organizations. Contributions of donated non-cash assets are measured on a non-recurring basis and are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation, are recorded at fair value at the date of donation. Contributed goods and services are reflected in these financial statements, and consist of the following at December 31, 2020:

	Amount
Donated services - discounted airfare	\$ 112,542
Donated services - discounted medical facility fee	5,610
Donated services - surgeon and medical team services	164,633
Donated medical supplies and equipment	450,662
Total	\$ 733,447

*Revenue and Support*

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, that is, when a stipulated time restriction ends or the purpose for a restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions that are received in the same period for which the restrictions are met are recorded as net assets without donor restrictions.

**MENDING KIDS INTERNATIONAL  
(A California Non-Profit Corporation)  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Income Taxes*

MKI is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified MKI as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

MKI has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2020, MKI had no material unrecognized tax benefits, tax penalties or interest.

MKI's Forms 990, *Return of Organization Exempt from Income Tax*, the tax years ended December 31, 2019, 2018, 2017 are subject to examination by the IRS, generally for 3 years after they were filed.

MKI's Forms 199, *California Exempt Organization Return*, for each of the tax years ended December 31, 2019, 2018, 2017, and 2016 are subject to examination by the Franchise Tax Board, generally for 4 years after they were filed.

*Expense Recognition and Allocation*

The cost of providing MKI's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of MKI.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. MKI generally does not conduct its fundraising activities in conjunction with its other activities.

*Use of Estimates*

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, MKI's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. MKI's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Fair Value Measurements*

MKI reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. 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. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which MKI has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments. The equities and mutual funds are valued at quoted market prices, which represent the net asset value of shares held by MKI at year end.

The carrying amounts of liabilities approximate fair value because of the relatively short maturity of these financial instruments.

When available, MKI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**3. INVENTORY**

In 2020, MKI recognized medical supplies and equipment, most of which were donated, and a small amount were purchased at a discounted rate. Inventory is based on physical counts as of December 31, 2020. The valuation of inventory held for program use is determined based on the replacement method using fair market values.

At December 31, 2020, the value of inventory was \$118,760.

**4. INVESTMENTS**

MKI measures fair value in accordance with FASB ASC 820-10. FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels; Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs, other than the quoted prices in active markets, are observable either directly or indirectly, and Level 3 unobservable inputs in which there is little or no market data, which requires MKI to develop its own assumptions. MKI uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, MKI measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. All assets reported at fair value at December 31, 2020, are Level 1 inputs.

	<u>Total</u>	<u>Level 1</u>
Equities	\$ 215,550	\$ 215,550
Mutual funds:		
Bond funds	73,902	73,902
Equity funds	<u>307,717</u>	<u>307,717</u>
Total investments	<u>\$ 597,169</u>	<u>\$ 597,169</u>

At December 31, 2020, MKI does not have any investments measured using Level 2 or Level 3 inputs.

The composition of the investment return reported in the statement of activities is as follows:

	<u>Amount</u>
Interest and investment income, net of expenses	\$ 12,342
Net realized and unrealized gain	<u>51,575</u>
Total investments	<u>\$ 63,917</u>

These securities are not held for trading purposes. Market values for the marketable securities are from quoted prices as of December 31, 2020, provided by third party sources, and the fair value measurements of level 1. These estimates are not necessarily indicative of the amounts that MKI could realize in a current market exchange.

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**5. PROPERTY AND EQUIPMENT, NET**

Property and equipment at December 31, 2020 consists of the following:

	Amount
Furniture and equipment	\$ 14,783
	14,783
Less: accumulated depreciation	(14,783)
Property and equipment, net	\$ -

Depreciation expense for the year ended December 31, 2020 was \$1,642.

**6. COMMITMENTS**

MKI leases certain facilities and equipment under operating leases with various terms. On April 30, 2020, MKI terminated their office lease. All remaining leases are month to month.

Lease expense under operating leases for the year ended December 31, 2020 was \$41,215.

**7. PAYCHECK PROTECTION PROGRAM LOAN**

During the year ended December 31, 2020 MKI received a Paycheck Protection Program (PPP) loan for \$58,900 to address the impact of the COVID-19 pandemic described in Note 11.

The PPP, which was established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization. The loan and accrued interest is forgivable after either eight weeks or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes such as payroll, benefits, rent and utilities, and maintains its payroll levels.

The Paycheck Protection Program loan was forgiven by the Small Business Administration on December 15, 2020.

**8. SPECIAL EVENTS**

MKI conducts various special events and fundraising activities during the year. The revenue and expenses from special events for the year ended December 31, 2020 were as follows:

	Revenue	Expenses	Net Revenue
Hike to Mend	\$ 23,187	\$ (771)	\$ 22,416
Imagine Gala	322,518	(100,694)	221,824
Other	8,126	(4,075)	4,051
Special events, net	\$ 353,831	\$ (105,540)	\$ 248,291



**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**9. BOARD-DESIGNATED FUNDS**

After receiving an unrestricted bequest in 2009, the Board voluntarily started the Cris Embleton Fund, named after the Organization’s founder. The Cris Embleton fund is currently comprised of board-designated funds which are held in an investment account for the purpose of providing support to MKI’s programs. Changes in the board-designated funds for the year ended December 31, 2020 are as follows:

	<u>Amount</u>
Balance at beginning of year	\$ 138,420
Contributions	-
Investment earnings/(loss)	6,622
Board approved distributions	<u>-</u>
Total	<u>\$ 145,042</u>

**10. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions for the year ended December 31, 2020 are as follows:

	<u>Balance at 12/31/19</u>	<u>Income</u>	<u>Expenditures</u>	<u>Balance at 12/31/20</u>
HANS fund	\$ 2,207	\$ -	\$ (300)	\$ 1,907
Individual surgical care – international	282,529	-	(62,783)	219,746
Individual surgical care – United States	-	11,500	(1,620)	9,880
Overseas surgical missions	<u>20,000</u>	<u>17,912</u>	<u>-</u>	<u>37,912</u>
Total	<u>\$ 304,736</u>	<u>\$ 29,412</u>	<u>\$ (64,703)</u>	<u>\$ 269,445</u>

**11. CONTINGENCIES**

*Contracts and Grants*

Costs recorded under public grants and contracts are subject to disallowance upon audits directed by funding agencies.

*COVID-19*

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

**MENDING KIDS INTERNATIONAL**  
**(A California Non-Profit Corporation)**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**  
**(CONTINUED)**

**12. LIQUIDITY AND FUNDS AVAILABLE**

The total financial assets held MKI at December 31, 2020 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>December 31, 2020</u>
Financial assets:	
Cash and cash equivalents	\$ 165,693
Inventory	118,760
Investments	597,169
Total financial assets	881,622
Less restrictions:	
Board-designated funds	(145,042)
Less donor-imposed restrictions:	
Net assets with donor restrictions	(269,445)
Net financial assets after donor-imposed restrictions	467,135
Financial assets available to meet cash needs for general expenditures within one year	\$ 467,135

In addition to existing financial assets available to meet general expenditures within one year MKI receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. MKI's goal is generally to maintain financial assets to meet 60 days of operating expenses (approximately \$75,000). MKI does not have a line of credit available to meet cash flow needs.

**13. CONCENTRATION RISK**

MKI maintains bank accounts at two financial institutions. Accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). At December 31, 2020 MKI had no amounts that exceeded the FDIC limits.

**14. SUBSEQUENT EVENTS**

MKI has evaluated events and transactions occurring subsequent to the statement of financial position date of December 31, 2020 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through November 16, 2021, the date these financial statements were available to be issued.