KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Financial Statements

Year ended June 30, 2024

(With Independent Auditor’s Report Thereon)

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
Financial Statements
Year ended June 30, 2024

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DavisFarr
CERTIFIED PUBLIC ACCOUNTANTS

Davis Farr LLP
18201 Von Karman Avenue | Suite 1100 | Irvine, CA 92612
Main: 949.474.2020 | Fax: 949.263.5520

Independent Auditor's Report

Board Members
KidWorks Community Development Corporation
Santa Ana, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of KidWorks Community Development Corporation (KidWorks) which comprise the statement of financial position as of June 30, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of KidWorks as of June 30, 2024 and the changes in its net assets and its cash flows for the year then ended, in conformity 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. 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 KidWorks 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 KidWorks' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Report on Summarized Comparative Information

We have previously audited KidWorks Community Development Corporation's June 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 13, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as required by the *Audit Guide* issued by the California Department of Education, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and in conformity with the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* issued by the California Department of Education. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Requirements Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of KidWorks Community Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KidWorks' internal control over financial reporting and compliance.

Davis Farr LLP

Irvine, California
October 30, 2024

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

June 30, 2024

(with comparative totals as of June 30, 2023)

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents (note 14)	$ 907,622	1,687,365
Contributions receivable (note 3)	370,373	338,903
Grants receivable (note 4)	113,971	35,885
Investments (note 5)	4,244,273	3,016,133
Prepaid expenses	268,993	239,685
Total current assets	5,905,232	5,317,971
Property and equipment, net (note 7)	3,888,499	3,853,391
Deposits	1,325	1,325
TOTAL ASSETS	$ 9,795,056	9,172,687
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 99,201	144,296
Accrued expenses (note 9)	280,387	280,437
Deferred revenue (note 6)	636,987	278,097
Total current liabilities	1,016,575	702,830
Total liabilities	1,016,575	702,830
Net assets:		
Without donor restrictions	7,525,432	7,208,800
With donor restrictions (note 12)	1,253,049	1,261,057
Total net assets	8,778,481	8,469,857
TOTAL LIABILITIES AND NET ASSETS	$ 9,795,056	9,172,687

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Statement of Activities

Year ended June 30, 2024

(with comparative totals for the year ended June 30, 2023)

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	Totals 2023
SUPPORT				
Contributions	$ 605,108	717,833	1,322,941	1,530,084
Donated goods, services, facilities	123,431	-	123,431	112,779
Non-government grants	2,002,533	-	2,002,533	2,086,053
Government grants and contracts	536,024	-	536,024	554,887
Total support	3,267,096	717,833	3,984,929	4,283,803
REVENUE				
Special events	581,635	-	581,635	722,158
Less: cost of direct benefits to donors	(296,973)	-	(296,973)	(238,857)
Net special events	284,662	-	284,662	483,301
Program service fees	9,668	-	9,668	11,456
Interest and dividend income	116,735	6,959	123,694	49,444
Net realized/unrealized gain (loss) on investments	118,455	12,952	131,407	87,506
Other revenue	400	-	400	668,709
Total revenue	529,920	19,911	549,831	1,300,416
Net assets released from restrictions	745,752	(745,752)	-	-
TOTAL SUPPORT AND REVENUE	4,542,768	(8,008)	4,534,760	5,584,219
EXPENSES				
Program services	3,135,444	-	3,135,444	3,020,228
Fundraising	520,579	-	520,579	511,334
Management and general	570,113	-	570,113	389,053
TOTAL EXPENSES	4,226,136	-	4,226,136	3,920,615
CHANGE IN NET ASSETS	316,632	(8,008)	308,624	1,663,604
NET ASSETS, BEGINNING OF YEAR	7,208,800	1,261,057	8,469,857	6,806,253
NET ASSETS, END OF YEAR	$ 7,525,432	1,253,049	8,778,481	8,469,857

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year ended June 30, 2024

(with comparative totals for the year ended June 30, 2023)

	Program Services	Fundraising	Management and General	Totals 2024	Totals 2023
Payroll expenses					
Salaries and wages	$ 1,894,197	314,260	294,331	2,502,788	2,278,883
Employee benefits	113,862	43,177	49,911	206,950	172,240
Payroll taxes	146,600	24,928	22,780	194,308	179,583
Workers' comp insurance	32,538	2,057	3,808	38,403	34,750
Total payroll expenses	2,187,197	384,422	370,830	2,942,449	2,665,456
Advertising and marketing	24,353	27,387	4,499	56,239	79,166
Awards and recognition	17,322	1,216	12,336	30,874	36,413
Bank charges	28	18,565	24,501	43,094	28,750
Board, staff, donor development	21,951	3,285	21,677	46,913	34,374
Contract and temp services	26,649	7,080	4,776	38,505	40,713
Depreciation	132,095	9,210	19,448	160,753	156,056
Donated facilities	24,600	-	-	24,600	24,600
Donated goods and services	89,758	9,073	-	98,831	87,778
Dues and subscriptions	20,094	13,005	4,915	38,014	41,462
Equipment leases and repairs	15,268	3,689	9,041	27,998	28,656
Event expenses	-	296,973	-	296,973	238,857
Facility repairs and maintenance	11,619	246	9,093	20,958	44,157
Field trips and camps	12,061	-	-	12,061	16,382
Food and beverage	2,850	-	154	3,004	18,375
Incentives and stipends	22,644	-	-	22,644	29,409
Insurance	26,982	4,619	11,111	42,712	39,684
Miscellaneous	4,602	1,978	1,280	7,860	5,312
Postage	284	8,222	104	8,610	3,182
Printing	3,346	1,415	1,220	5,981	5,520
Professional fees	66,034	13,260	39,672	118,966	118,535
Program meals	71,259	-	88	71,347	65,330
Rent	22,789	549	679	24,017	22,713
Scholarships	101,804	-	-	101,804	60,772
Supplies, books and materials	141,537	4,635	19,047	165,219	156,493
Taxes and licenses	3,152	98	4,685	7,935	7,974
Telephone	14,441	2,408	3,214	20,063	21,622
Transportation	30,969	2,166	2,239	35,374	29,053
Travel and meetings	6,080	478	1,876	8,434	5,507
Utilities	33,676	1,519	3,628	38,823	36,821
Write-off of contributions receivable	-	2,054	-	2,054	10,350
Total expenses	3,135,444	817,552	570,113	4,523,109	4,159,472
Less special event expenses included in statement of activities	-	(296,973)	-	(296,973)	(238,857)
Total expenses included in the expense section of the statement of activities	$ 3,135,444	520,579	570,113	4,226,136	3,920,615

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year ended June 30, 2024

(with comparative totals for the year ended June 30, 2023)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 308,624	$ 1,663,604
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	160,753	156,056
Realized (gain) loss on investments	7,222	(6,527)
Net unrealized (gain) loss on investments	(138,629)	(80,979)
(Increase) decrease in contributions receivable	(31,470)	(330,186)
(Increase) decrease in grants receivable	(78,086)	(27,736)
(Increase) decrease in prepaid expenses	(29,308)	(24,830)
Increase (decrease) in accounts payable	(45,095)	57,865
Increase (decrease) in accrued expenses	(50)	60,804
Increase (decrease) in deferred revenue	358,890	64,317
NET CASH PROVIDED BY OPERATING ACTIVITIES	512,851	1,532,388
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,583,121)	(2,408,644)
Sale of investments	1,486,388	1,428,996
Purchase of property and equipment	(195,861)	(139,519)
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	(1,292,594)	(1,119,167)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(779,743)	413,221
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	1,687,365	1,274,144
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 907,622	$ 1,687,365

NONCASH INVESTING/FINANCING ACTIVITIES

There were no significant noncash investing and financing activities for the fiscal years ended June 30, 2024 and 2023.

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2024

NOTE 1— ORGANIZATION AND NATURE OF ACTIVITIES

KidWorks' outreach programs began in 1993 from a rented apartment unit in central Santa Ana. Since then, KidWorks has expanded to operate three community centers that combined serve over 500 children, youth and parents in weekly programs and over 3,000 community members annually. KidWorks operates three centers, the Dan Donahue Center, the KidWorks Center on Townsend, and the KidWorks Center at Cedar Evergreen, which are all safe havens where children and families receive education and support to help them succeed. The centers are strategically located in neighborhoods that are characterized by gangs, low levels of education, and dense housing. Most of the residents served are low-income and Latino. A significant number of Cambodian families are also served by KidWorks.

The mission of KidWorks is to restore at-risk neighborhoods one life at a time. The Organization builds on the strengths and potential in the community through education, character formation, and personal development. The goals of KidWorks are to 1) be a model of community transformation by building on existing community assets; 2) be a safe haven for youth and families; and 3) be a place for learning, nurturing, and leadership development. KidWorks regularly collaborates with other organizations to make the programs as robust as possible.

KidWorks believes that all aspects of life are interconnected-spiritual, emotional, physical, mental, economic, and social. To this end, KidWorks provides the following programs which address academics and arts, health and fitness, college and career readiness, and leadership and spiritual development.

Preschool: KidWorks operates a state-licensed preschool that serves 48 children annually. The goal of the Preschool is to make every student Kindergarten ready.

After School Programs offer multi-faceted services to engage children, youth and families.

> **University Starts Now** offers academic support to at-risk children and youth, ages 5-18, alongside their parents. Goal of the academic program is for all children enrolled in the program to ultimately graduate from a college or university.
>
> **Summer Programs** offers a 6-week summer program for children and teens that includes an outdoor camp, career exploration, sports, arts, college preparation and more.
>
> **Spiritual/Character and Leadership Development** facilitates character building lessons for children through weekly faith-based discussions and community services groups for teenagers.

NOTE 1— ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Family and Community Engagement

Community Engagement encourages at-risk youth and parents to participate in activities that promote personal empowerment, service opportunities and community transformation.

Family Engagement provides classes, workshops and support groups to parents of enrolled children and youth to develop confidence, parenting, and leadership skills.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting
The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts 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 events and results could differ from those assumptions and estimates.

Accounting for Contributions
Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase 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 of the restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents
For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Contributions Receivable and Promises to Give

Unconditional promises to give are recorded at net realizable value. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions not expected to be received within one year are recognized as support with donor restrictions. Management believes the contributions receivable as of June 30, 2024 are fully collectible and therefore, the Organization has not recorded an allowance for doubtful accounts.

Grants Receivable

Grants receivable consist primarily of reimbursements due from governmental agencies under various grant agreements and private grants awarded. Receivables are stated at the amount that management expects to collect from outstanding balances. Management believes the grants receivable as of June 30, 2024, are fully collectible; and therefore, the Organization has not recorded an allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Expenditures for major additions and improvements that exceed $1,000 are capitalized. Minor replacements, maintenance, and repairs are expensed as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Transportation Equipment	5 years
Computer Equipment	5-7 years
Furniture and Office Equipment	5-7 years
Leasehold Improvements	15 years
Buildings	40 years

Long Lived Assets

The Organization reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year to cause the Organization to believe there has been any impairment of the carrying value of its long-lived assets as of June 30, 2024. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-kind Contributions
Contributed nonfinancial assets include donated professional services, donated goods and materials, and other in-kind contributions which are recorded at the respective fair values of the goods or services received (Note 13). In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated 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.

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 these net assets are the broad limits resulting for the nature of the organization, 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.

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. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included 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.

Advertising and Marketing Costs
The Organization uses advertising and marketing to promote its programs among the communities it serves. Advertising costs are expensed as incurred. Advertising and marketing expense for the year ended June 30, 2024, was $56,240.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Recognition & Allocation

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities and the 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 using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are charged directly to the program for which work has been done as documented with electronic timesheets. Program support staff salaries and appropriate pooled costs are allocated in accordance with procedure and methodology as based on an established percentage of time based on job duties.

- Depreciation costs for allowable equipment used solely by one program are charged directly to the program using the equipment. If more than one program uses the equipment, then an allocation of the depreciation costs will be based on the ratio of each program's expenses to the total of such expenses.

- Facilities expense is allocated based upon usable square footage. The ratio of total square footage used by all personnel to total square footage is calculated. Facilities costs related to general and administrative activities are allocated to programs based on the ratio of program square footage to total square footage.

- Professional service costs, office expense and supplies, printing, telephone and communications, training/conferences/seminars, and other costs are allocated to the program benefiting from the cost. Costs that benefit more than one program are allocated to those programs based on the ratio of total staff in the program to total staff in the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and general and administrative expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and Section 23701(d) of the California Tax Code. Consequently, the accompanying financial statements do not reflect any provision for income taxes. Contributions to the Organization are deductible for tax purposes under Section 170(b)(1) of the IRC.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years after they are filed, respectively.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, Fair Value Measurements. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).

- Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowments

The Organization's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted funds and Board-designated endowments. Donor-restricted perpetual endowments are contributions restricted by donors to investment in perpetuity with only investment income and appreciation being used to support the organization's activities. Board-designated endowments are resources set aside by the Board of Directors for an indeterminate period to operate in a manner similar to a donor-restricted perpetual endowment. Because a Board-designated endowment results from an internal designation, it can be spent upon action of the Board of Directors. Investment earnings from the donor-restricted endowments are included in the Board-designated endowments, as they can be spent based on the discretion of the Board.

The Board of Directors of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted funds that are not classified in net assets with donor restriction are classified as net assets without donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

Reconciliation of CDE to GAAP Expense Reporting

The supplementary Combining Statement of Activities and basic financial statements present financial data in conformity with GAAP. The other supplementary financial data presented in the audit, including data in the Schedule of Expenditures by State Categories, present expenditures according to CDE reporting requirements. However, reporting differences arise because CDE contract funds must be expended during the contract period (usually one year). For example, program amounts that are capitalized and depreciated over multiple years under

NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GAAP are expensed in the contract period under CDE requirements. To address such reporting differences, the audit report includes a Reconciliation of CDE and GAAP Expense Reporting.

NOTE 3 — CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2024 are due as follows:

Less than one year	$ 370,373
	$ 370,373

NOTE 4 — GRANTS RECEIVABLE

Grants and contracts receivable as of June 30, 2024 were as follows:

California Department of Education	$ 8,263
City of Santa Ana	105,708
	$ 113,971

NOTE 5 — INVESTMENTS

Fair values of assets measured on a recurring basis at June 30, 2024 are as follows:

The Organization entered into an agreement with Orange County Community Foundation ("OCCF") to hold, manage, invest and reinvest endowment funds on behalf of KidWorks.

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual funds	$ 1,738,836	1,738,836	-	-
Common fund - OCCF	334,889	-	-	334,889
Certificates of Deposit	600,000	-	600,000	-
U.S Treasury Bills	398,555	-	398,555	-
U.S Treasury Notes	1,171,993	-	1,171,993	-
Total	$ 4,244,273	1,738,836	2,170,548	334,889

NOTE 5 — INVESTMENTS (Continued)

The table below presents information about recurring fair value measurements that use significant unobservable inputs (Level 3 measurements):

Fair value at the beginning of the year, 7/1/2023	$ 301,818
Interest and dividends	1,697
Investment fees	(3,134)
Change in fair value	34,508
Fair value at the end of the year, 6/30/2024	$ 334,889

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are managed by professional investment managers who have responsibility for investing the funds in various investment classes. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

NOTE 6 – DEFERRED REVENUE

At June 30, 2024, the Organization recorded $171,187 of deferred grants revenue. The Organization satisfies its performance obligations as eligible expenses are incurred. The grants are paid after invoices are submitted for reimbursement to the granting agencies.

At June 30, 2024, deferred revenue of $468,800 included special events sponsorships. The Organization satisfies its performance obligation and recognizes revenue when the customer receives the goods or services.

NOTE 7 — PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 is summarized as follows:

Buildings and improvements	$ 3,282,715
Computer equipment	378,399
Furniture and fixtures	345,665
Land	1,390,482
Vehicles	143,578
	5,540,839
Less: accumulated depreciation	(1,652,340)
	$ 3,888,499

Depreciation expense for the year ended June 30, 2024 was $160,753.

NOTE 8 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 are as follows:

Financial assets:	
Cash and cash equivalents	$ 907,622
Contributions receivable	370,373
Grants receivable	113,971
Investments	4,244,273
Total financial assets	5,636,239
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(1,003,166)
Board-restricted endowment funds	(334,889)
Donor-restricted endowment funds	(249,883)
Amount available for general expenditures within one year	$ 4,048,301

The above table reflects donor-restricted endowment funds as unavailable because it is the Organization’s intention to invest those resources for the long-term support of the Organization. Note 2 provides more information about those funds and about the spending policies for all endowment funds.

NOTE 9 — ACCRUED EXPENSES

Accrued expenses as of June 30, 2024 consisted of the following:

Accrued payroll	$ 116,484
Accrued vacation	116,718
Other accrued expenses	47,185
	$ 280,387

It is the Organization's policy to accrue vacation pay for its employees. Full-time staff may accrue up to a maximum of 240 hours, based on years of service, which may be paid out at the end of their employment period. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

NOTE 10 — RETIREMENT PLAN

The Organization maintains a defined contribution profit sharing plan covering substantially all employees meeting minimum eligibility requirements. The plan allows for elective deferrals to be made by the employee subject to limitations. The Organization is allowed to make matching contributions as well as discretionary contributions to the plan for qualified participants. The Organization may terminate the plan at any time. Employer contributions made for the year ended June 30, 2024 were $28,802.

NOTE 11 — COMMITMENTS AND CONTINGENCIES

The Organization rents facilities for its afterschool programs at KidWorks Center at Townsend and KidWorks Cedar Evergreen. The Townsend agreement is with the Orange Housing Development Corporation and provides the space rent free. The fair market value of the lease is $2,050 per month.

Rental expenses were $24,017 for the year ended June 30, 2024.

The Organization has received federal and state government funds for specific purposes that are subject to review and audit by funding agencies. Such audits could generate expenditure disallowances or refunds payable under terms of the agency contracts. No material amounts are currently payable. Loss of government support would have a significant impact on the Organization's ability to provide specific program services.

NOTE 12 — NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 are available for the following purposes:

Time restricted	$ 1,003,166
Endowments	249,883
	$ 1,253,049

NOTE 13 - ENDOWMENTS

The Organization's endowments were established either by donors (referred to *as donor-restricted endowment funds*) and or by resources set aside by the Board of Directors to function as endowments (referred to as *board-designated endowment funds*). Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 13 – ENDOWMENTS (CONTINUED)

The net asset composition of the endowment as of June 30, 2024 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment funds	$ -	249,883	249,883
Board-designated endowment funds	334,889	-	334,889
Total	$ 334,889	249,883	584,772

Changes in endowment net assets for the year ended June 30, 2024 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	$ 301,818	231,822	533,640
Contributions	-	500	500
Investment income (loss)	33,071	19,911	52,982
Appropriation of endowment assets for expenditure	-	(2,350)	(2,350)
Endowment net assets, end of year	$ 334,889	249,883	584,772

NOTE 14 – IN-KIND CONTRIBUTIONS

For the year ended June 30, 2024, contributed nonfinancial assets recognized within the statements of activities included the following:

Food inventory	$ 88,378
Free use of facilities	24,600
Materials and supplies	10,453
Total	$ 123,431

Contributed equipment, furniture, food, materials and supplies are valued using estimated U.S. wholesale prices (principal market) of identical or similar products using pricing data under a "like-kind" methodology considering the goods' condition and utility for use at the time of the contribution. Contributed equipment, furniture, food, materials, and supplies are used in program services.

Contributed facility use is valued using the estimated average rent of similar apartment complexes. Contributed facility use is used in program services as an afterschool center.

NOTE 14 — CONCENTRATIONS

The Organization's cash and cash equivalents are maintained in various banks and financial institutions. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At June 30, 2024, the uninsured cash balance was $543,115. The Organization maintains its cash with a high-quality financial institution which limits credit risks.

NOTE 15— CALIFORNIA DEPARTMENT OF EDUCATION (CDE) CONTRACTS

During the fiscal year ended June 30, 2024, the Organization entered into three contract agreements to provide child development services as follows:

2024 Contract Number		Grant Amount
CSPP-3348	CA State Preschool Program	$ 367,447
CPKS-3054	Child Development Support Contract	5,000
CACFP-05677	Child & Adult Care Food Program	17,053
		$ 389,500

NOTE 16 — NUTRITION PROGRAM

The Organization had one nutrition agreement with CDE for a Child and Adult Care Food Program, as reported in the Schedule of Expenditures of Federal and State Awards. However, no nutrition audit report schedules are included in the audit because the audit disclosed no nutrition overpayments, underpayments, or program findings; the contractor did not request reimbursement of audit costs; and the audit is not a program-specific nutrition audit.

NOTE 17 — SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through October 30, 2024, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.