

**KIDWORKS COMMUNITY
DEVELOPMENT CORPORATION**

Financial Statements

Year ended June 30, 2021

(With Independent Auditor's Report Thereon)

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
Financial Statements
Year Ended June 30, 2021

TABLE OF CONTENTS

Independent Auditor’s Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7
Other Required Information	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	20
Schedule of Findings and Questioned Costs	22

Independent Auditor's Report

Board Members
KidWorks Community Development Corporation
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of KidWorks Community Development Corporation (KidWorks), which comprise the Statement of Financial Position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended and 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KidWorks as of June 30, 2021 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.

Emphasis of Matter

As described further in note 14 to the financial statements, there was a prior period restatement of net assets. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited KidWorks' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 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 29, 2021, 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.



October 29, 2021
Irvine, California

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION**Statement of Financial Position****June 30, 2021****(with comparative totals as of June 30, 2020)**

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents (note 14)	\$ 1,707,039	1,235,768
Contributions receivable (note 3)	-	160,090
Grants receivable (note 4)	9,350	75,199
Investments (note 5)	886,122	484,003
Prepaid expenses	<u>162,311</u>	<u>206,036</u>
Total current assets	2,764,822	2,161,096
Property and equipment, net (note 6)	4,001,414	4,087,270
Deposits	<u>1,325</u>	<u>1,325</u>
TOTAL ASSETS	<u>\$ 6,767,561</u>	<u>6,249,691</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 30,539	16,329
Accrued expenses (note 8)	205,515	148,416
Loan payable, current portion	<u>-</u>	<u>157,837</u>
Total current liabilities	<u>236,054</u>	<u>322,582</u>
Noncurrent liabilities:		
Loan payable, net of current portion	<u>-</u>	<u>197,296</u>
Total noncurrent liabilities	<u>-</u>	<u>197,296</u>
Total liabilities	<u>236,054</u>	<u>519,878</u>
Net assets:		
Without donor restrictions	5,742,101	4,909,473
With donor restrictions (note 12)	<u>789,406</u>	<u>820,340</u>
Total net assets	<u>6,531,507</u>	<u>5,729,813</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,767,561</u>	<u>6,249,691</u>

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Statement of Activities

Year ended June 30, 2021

(with comparative totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2021	2020
SUPPORT				
Contributions	\$ 1,135,688	51,000	1,186,688	771,607
Donated goods, services, facilities	202,943	-	202,943	176,345
Non-government grants	1,174,966	314,167	1,489,133	1,234,848
Government grants and contracts	254,362	-	254,362	241,646
Forgiveness of PPP loan	<u>355,133</u>	-	<u>355,133</u>	-
Total support	<u>3,123,092</u>	<u>365,167</u>	<u>3,488,259</u>	<u>2,424,446</u>
REVENUE				
Special events	240,879	-	240,879	682,494
Less: cost of direct benefits to donors	<u>(11,640)</u>	-	<u>(11,640)</u>	<u>(42,452)</u>
Net special events	229,239	-	229,239	640,042
Program service fees	7,400	-	7,400	11,245
Interest and dividend income (loss)	10,661	4,415	15,076	19,328
Net realized/unrealized gain (loss)				
on investments	67,322	43,854	111,176	(5,598)
Other revenue	<u>2,285</u>	-	<u>2,285</u>	<u>4,196</u>
Total revenue	316,907	48,269	365,176	669,213
Net assets released from restrictions	<u>311,870</u>	<u>(311,870)</u>	-	-
TOTAL SUPPORT AND REVENUE	<u>3,751,869</u>	<u>101,566</u>	<u>3,853,435</u>	<u>3,093,659</u>
EXPENSES				
Program services	2,368,317	-	2,368,317	2,455,230
Fundraising	329,682	-	329,682	376,803
Management and general	<u>221,242</u>	-	<u>221,242</u>	<u>216,050</u>
TOTAL EXPENSES	<u>2,919,241</u>	-	<u>2,919,241</u>	<u>3,048,083</u>
CHANGE IN NET ASSETS	832,628	101,566	934,194	45,576
NET ASSETS, BEGINNING OF YEAR AS RESTATED (NOTE 14)	<u>4,909,473</u>	<u>687,840</u>	<u>5,597,313</u>	<u>5,684,237</u>
NET ASSETS, END OF YEAR	<u>\$ 5,742,101</u>	<u>789,406</u>	<u>6,531,507</u>	<u>5,729,813</u>

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
Statement of Functional Expenses
Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	Program		Management and General	Totals	
	Services	Fundraising		2021	2020
Payroll expenses					
Salaries and wages	\$ 1,377,458	173,095	77,814	1,628,367	1,671,250
Employee benefits	105,094	37,651	29,631	172,376	175,417
Payroll taxes	92,816	20,175	10,434	123,425	136,158
Workers' comp insurance	22,741	1,307	2,768	26,816	43,474
Total payroll expenses	1,598,109	232,228	120,647	1,950,984	2,026,299
Advertising and marketing	23,555	34,252	2,385	60,192	50,452
Awards and recognition	12,279	1,918	2,006	16,203	8,627
Bank charges	3	7,990	5,300	13,293	13,335
Board, staff, donor development	3,763	1,251	845	5,859	22,687
Contract and temp services	24,200	3,900	2,400	30,500	38,405
Depreciation	133,361	8,416	14,311	156,088	154,858
Donated facilities	24,600	-	-	24,600	49,200
Donated goods and services	161,790	5,000	11,553	178,343	127,307
Dues and subscriptions	17,978	3,022	4,478	25,478	23,968
Equipment leases and repairs	12,750	1,529	5,536	19,815	24,609
Event expenses	-	6,592	-	6,592	12,371
Facility repairs and maintenance	35,114	1,625	3,965	40,704	46,525
Field trips and camps	-	-	-	-	5,910
Food and beverage	441	18	-	459	20,090
Incentives and stipends	18,350	-	-	18,350	14,931
Insurance	21,375	3,029	6,449	30,853	35,920
Miscellaneous	329	-	7	336	7,214
Postage	567	3,850	64	4,481	5,356
Printing	2,634	2,337	387	5,358	2,054
Professional fees	56,984	8,944	24,064	89,992	102,459
Program meals	19,257	-	-	19,257	30,396
Rent	19,500	-	1,656	21,156	21,468
Scholarships	40,463	-	-	40,463	53,198
Supplies, books and materials	93,789	2,205	5,502	101,496	77,467
Taxes and licenses	4,169	97	1,679	5,945	5,260
Telephone	19,941	1,500	4,394	25,835	21,399
Transportation	-	-	-	-	4,073
Travel and meetings	765	117	11	893	3,468
Utilities	22,251	1,502	3,603	27,356	31,358
Write-off of contributions receivable	-	10,000	-	10,000	49,871
Total expenses	2,368,317	341,322	221,242	2,930,881	3,090,535
Less expenses included in revenue section of the statement of activities	-	(11,640)	-	(11,640)	(42,452)
Total expenses included in the expense section of the statement of activities	\$ 2,368,317	329,682	221,242	2,919,241	3,048,083

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
Statement of Cash Flows
Year ended June 30, 2021
(with comparative totals for the year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 934,194	45,576
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	156,088	154,858
Forgiveness of loan	(355,133)	-
(Gain) loss on disposal of fixed assets	-	6,998
Realized (gain) loss on investments	(19,541)	20
Net unrealized (gain) loss on investments	(91,635)	5,578
(Increase) decrease in contributions receivable	27,590	209,368
(Increase) decrease in grants receivable	65,849	28,544
(Increase) decrease in prepaid expenses	43,725	(111,836)
Increase (decrease) in accounts payable	14,210	(27,421)
Increase (decrease) in accrued expenses	57,099	19,134
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>832,446</u>	<u>330,819</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(381,523)	(179,068)
Sale of investments	90,580	128,880
Purchase of property and equipment	<u>(70,232)</u>	<u>(13,575)</u>
NET CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(361,175)</u>	<u>(63,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of loan payable	<u>-</u>	<u>355,133</u>
NET CASH FLOWS PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>	<u>355,133</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	471,271	622,189
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,235,768</u>	<u>613,579</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,707,039</u>	<u>1,235,768</u>
NONCASH INVESTING/FINANCING ACTIVITIES		
Forgiveness of loan	<u>\$ 355,133</u>	<u>-</u>

See accompanying notes to financial statements

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 1— ORGANIZATION AND NATURE OF ACTIVITIES

KidWorks Community Development Corporation (the Organization) began its outreach programs in 1993 from a rented apartment unit in central Santa Ana. Since then, KidWorks has expanded to operate four community centers that combined serve over 800 children, youth and parents in weekly programs and over 4,000 community members annually. The Organization 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.

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 prepare every student for kindergarten.

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. The goal of the academic program is for all children enrolled in the program to ultimately graduate from a college or university.

FitWorks offers family-friendly activities and nutritional, health-focused programs and workshops.

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.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Spiritual/Character and Leadership Development facilitates character building lessons for children through weekly faith-based discussions and community service groups for teenagers.

Youth and Family Engagement

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

AdultWorks 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.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 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, 2021 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, 2021. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long-lived assets.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Goods, Services, and Facilities

The Organization receives in-kind goods, services, and facilities, which are recorded at estimated fair market value at the date of donation, if significant. Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2021, the Organization received the following non-cash donations:

Equipment and furniture	\$	5,675
Food inventory		154,575
Free use of facilities		24,600
Materials and supplies		18,093
Total	\$	<u>202,943</u>

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition. Management estimated the value of donated time spent by volunteers for the year ended June 30, 2021 to be \$91,710.

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.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 was \$60,192.

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 benefitting 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.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

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 – PRIOR YEAR DATA

Selected information regarding the prior year has been included in the accompanying financial statements. Certain reclassifications have been made to prior year amounts to conform to the current year presentation. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's prior year financial statements, from which this selected financial data was derived.

NOTE 4 – GRANTS RECEIVABLE

Grants and contracts receivable as of June 30, 2021 were as follows:

California Department of Education	\$	4,350
St. Andrew's Presbyterian Church		<u>5,000</u>
	\$	<u><u>9,350</u></u>

NOTE 5 – INVESTMENTS

Fair values of assets measured on a recurring basis at June 30, 2021 are as follows:

	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	\$ 801,396	801,396	-	-
Common fund - OCCF	<u>84,726</u>	<u>-</u>	<u>-</u>	<u>84,726</u>
Total	<u><u>\$ 886,122</u></u>	<u><u>801,396</u></u>	<u><u>-</u></u>	<u><u>84,726</u></u>

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

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, 7/1/2020	\$	65,940
Interest and dividends		246
Investment fees		(752)
Change in fair value		<u>19,292</u>
Fair value at the end of the year, 6/30/2021	\$	<u>84,726</u>

Investment return for the year ended June 30, 2021 is summarized as follows:

Interest and dividends	\$	15,076
Net realized/unrealized gain (loss)		<u>111,176</u>
	\$	<u>126,252</u>

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 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 is summarized as follows:

Buildings and improvements	\$	3,132,671
Computer equipment		184,514
Furniture and fixtures		323,210
Land		1,390,482
Vehicles		<u>143,578</u>
		5,174,455
Less: accumulated depreciation		<u>(1,173,041)</u>
	\$	<u>4,001,414</u>

Depreciation expense for the year ended June 30, 2021 was \$156,088.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 7 – 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, 2021 are as follows:

Financial assets:	
Cash and cash equivalents	\$ 1,707,039
Grants receivable	9,350
Investments	<u>886,122</u>
Total financial assets	<u>2,602,511</u>
Less financial assets held to meet donor-imposed restrictions:	
Purpose-restricted net assets	(550,667)
Board-restricted endowment funds	(84,726)
Donor-restricted endowment funds	<u>(238,739)</u>
Amount available for general expenditures within one year	<u>\$ 1,728,379</u>

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. Notes 2 and 14 provide more information about those funds and about the spending policies for all endowment funds.

NOTE 8 – ACCRUED EXPENSES

Accrued expenses as of June 30, 2021 consisted of the following:

Accrued payroll	\$ 93,026
Accrued vacation	77,730
Other accrued expenses	<u>34,759</u>
	<u>\$ 205,515</u>

NOTE 9 – COMPENSATED ABSENCES

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.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

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, 2021 was \$18,586.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Organization rents a facility for its afterschool programs at KidWorks Center at Townsend. The Townsend agreement is with the Orange County Housing Authority and provides the space rent free. The fair market value of the lease is \$2,050 per month. The Organization also rents various office equipment under non-cancelable operating leases.

Minimum lease payments required under the non-cancelable operating leases are as follows:

Year Ending June 30,	Total
2022	\$ 9,373
	\$ 9,373

Rental expenses were \$21,156 for the year ended June 30, 2021

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.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 12 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2021 are available for the following purposes:

Foundation for Success	\$ 259,000
Festival of Chefs	145,000
Golf Classic	20,000
Pickleball	1,000
Time restricted	125,667
Endowments	238,739
	<u>\$ 789,406</u>

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.

The net asset composition of the endowment as of June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Donor-restricted endowment funds	\$ -	238,739	238,739
Board-designated endowment funds	84,726	-	84,726
Total	<u>\$ 84,726</u>	<u>238,739</u>	<u>323,465</u>

Changes in endowment net assets for the year ended June 30, 2021 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, beginning of year	\$ 65,940	204,120	270,060
Contributions	-	1,000	1,000
Investment income (loss)	18,786	48,269	67,055
Appropriation of endowment assets for expenditure	-	(14,650)	(14,650)
Endowment net assets, end of year	<u>\$ 84,726</u>	<u>238,739</u>	<u>323,465</u>

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

Notes to the Financial Statements

Year ended June 30, 2021

NOTE 14 – PRIOR PERIOD ADJUSTMENTS

During the fiscal year ended June 30, 2021, there was an adjustment to beginning net assets to correct contributions receivable.

	2020
Original beginning net assets with donor restrictions	\$ 820,340
Contributions receivable adjustment	(132,500)
Restated beginning net assets with donor restrictions	<u>\$ 687,840</u>

NOTE 15 – 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, 2021, the uninsured cash balance was \$1,260,526. The Organization maintains its cash with a high-quality financial institution which limits credit risks.

NOTE 16 – CALIFORNIA DEPARTMENT OF EDUCATION (CDE) CONTRACTS

During the fiscal year ended June 30, 2021, the Organization entered into three contract agreements to provide child development services as follows:

2021 Contract Number		Grant Amount
CSPP-0355	CA State Preschool Program	\$ 216,261
CPKS-0056	Child Development Support Contract	5,000
CACFP-05677	Child & Adult Care Food Program	8,114
		<u>\$ 229,375</u>

NOTE 17 – 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 18 – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through October 29, 2021, 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.

OTHER REQUIRED INFORMATION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Board Members
KidWorks Community Development Corporation
Santa Ana, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of KidWorks Community Development Corporation ("KidWorks"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KidWorks' internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KidWorks' internal control. Accordingly, we do not express an opinion on the effectiveness of KidWorks' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KidWorks' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit,

and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Davis Fan UP". The signature is written in a cursive, flowing style.

October 29, 2021
Irvine, California

KidWorks Community Development Corporation

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

(A) Summary of Auditor's Results

1. An unmodified report was issued by the auditors on the basic financial statements of the auditee.
2. No material weaknesses or significant deficiencies in internal control over financial reporting based on our audit of the financial statements of the auditee were reported.
3. No material weaknesses or significant deficiencies with CDE Child Development Programs were reported.
4. No material instances of noncompliance with CDE Child Development Programs were reported.

(B) Findings Related to the Financial Statements which are Required to be Reported in Accordance with GAGAS

There are no auditor's findings required to be reported in accordance with GAGAS.