

KIDS' CORPS, INC.

Financial Statements, Additional Supplementary
Information and Compliance Reports

(With Independent Auditor's Report Thereon)

Years Ended June 30, 2018 and 2017

*Altman, Rogers
& Co.* CERTIFIED
PUBLIC
ACCOUNTANTS

KIDS' CORPS, INC.

Financial Statements, Additional Supplementary
Information and Compliance Reports

(With Independent Auditor's Report Thereon)

Years Ended June 30 2018, and 2017

KIDS' CORPS, INC.

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Independent Auditor's Report

Members of the Board of Directors
Kids' Corps, Inc.
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of Kids' Corps, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from 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 audit opinion.

Members of the Board of Directors
Kids' Corps, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids' Corps, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying additional supplementary information as listed in the Table of Contents, which includes the Schedule of Functional Expenses, the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of State Financial Assistance, as required by *the State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and the Schedules of Revenue and Expenses – Budget and Actual for the Head Start State Grant HS 18.078.01 and Parents as Teachers Grant PA 18.078.01 are presented for purposes of additional analysis and are 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. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2019 on our consideration of Kids' Corps, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the effectiveness of the Kids' Corps, Inc.'s 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 Kids' Corps, Inc.'s internal control over financial reporting and compliance.



Anchorage, Alaska
February 14, 2019

Kids' Corps, Inc.

Statements of Financial Position June 30, 2018 and 2017

<i>ASSETS</i>	2018	2017
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 500	87,484
Receivables:		
Grants receivable	394,160	230,744
Promises to give	49,949	47,994
Accounts receivable, net of allowance of \$1,972 in 2018 and \$661 in 2017	52,710	11,626
Prepaid items	37,883	-
Total current assets	535,202	377,848
Noncurrent assets:		
Leasehold deposits	9,040	9,040
Property, plant and equipment, net of depreciation of \$1,226,558 in 2018 and \$1,129,573 in 2017	444,220	434,918
Total non-current assets	453,260	443,958
TOTAL ASSETS	\$ 988,462	821,806
<i>LIABILITIES AND NET ASSETS</i>		
Liabilities:		
Current:		
Cash overdraft	2,503	-
Accounts payable	22,824	59,347
Accrued payroll and payroll liabilities	90,036	115,185
Total liabilities	115,363	174,532
Net assets:		
Unrestricted:		
Designated for property, plant and equipment	444,220	434,918
Undesignated	378,930	164,362
Total Unrestricted	823,150	599,280
Temporarily restricted	49,949	47,994
Total net assets	873,099	647,274
TOTAL LIABILITIES AND NET ASSETS	\$ 988,462	821,806

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Activities

Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenues:						
Grants:						
Federal sources	\$ 3,199,416	-	3,199,416	3,710,636	-	3,710,636
State of Alaska	901,004	-	901,004	905,336	-	905,336
Other grants	-	-	-	5,000	-	5,000
Contributions:						
Individual	30,270	-	30,270	35,050	-	35,050
United Way	1,996	49,949	51,945	2,313	47,994	50,307
Rasmuson	-	-	-	5,884	-	5,884
In-kind	36,456	-	36,456	-	-	-
Revenue:						
Child care fees	200,603	-	200,603	168,513	-	168,513
Anchorage School District contract	110,000	-	110,000	114,400	-	114,400
Other revenues	5,026	-	5,026	2,378	-	2,378
Net assets released from restriction	47,994	(47,994)	-	55,575	(55,575)	-
Total public support and revenues	<u>4,532,765</u>	<u>1,955</u>	<u>4,534,720</u>	<u>5,005,085</u>	<u>(7,581)</u>	<u>4,997,504</u>
Expenses:						
Program services:						
Head Start	3,610,812	-	3,610,812	4,110,367	-	4,110,367
Early Head Start	237,975	-	237,975	318,277	-	318,277
Parents as Teachers	112,110	-	112,110	129,314	-	129,314
Total program services	<u>3,960,897</u>	<u>-</u>	<u>3,960,897</u>	<u>4,557,958</u>	<u>-</u>	<u>4,557,958</u>
Support services:						
Administration	<u>347,998</u>	<u>-</u>	<u>347,998</u>	<u>401,073</u>	<u>-</u>	<u>401,073</u>
Total expenses	<u>4,308,895</u>	<u>-</u>	<u>4,308,895</u>	<u>4,959,031</u>	<u>-</u>	<u>4,959,031</u>
Change in net assets	223,870	1,955	225,825	46,054	(7,581)	38,473
Net assets at beginning of year	<u>599,280</u>	<u>47,994</u>	<u>647,274</u>	<u>553,226</u>	<u>55,575</u>	<u>608,801</u>
Net assets at the end of year	<u>\$ 823,150</u>	<u>49,949</u>	<u>873,099</u>	<u>599,280</u>	<u>47,994</u>	<u>647,274</u>

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Increase (decrease) in cash:		
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 225,825	38,473
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	96,985	102,533
Bad debt expense	1,311	9,212
(Increase) decrease in assets:		
Accounts receivable	(42,395)	(6,568)
Grants receivable	(163,416)	(117,618)
Promises to give	(1,955)	7,581
Prepaid items	(37,883)	28,781
Increase (decrease) in liabilities:		
Accounts payable	(36,523)	(3,562)
Deferred revenue	-	(5,884)
Accrued payroll and payroll liabilities	(25,149)	(6,018)
Net cash provided by operating activities	16,800	46,930
Cash flows (used) by investing activities:		
Purchase of property and equipment	(106,287)	(7,318)
Change in cash and cash equivalents	(89,487)	39,612
Cash and cash equivalents - Beginning of year	87,484	47,872
Cash and cash equivalents - End of year	\$ (2,003)	87,484
Cash and cash equivalents comprised of:		
Unrestricted cash	\$ 500	87,484
Cash overdraft	(2,503)	-
Total cash and cash equivalents	\$ (2,003)	87,484

See accompanying notes to financial statements.

Kids' Corps, Inc.

Notes to Financial Statements
June 30, 2018 and 2017

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

Kids' Corps, Inc. (KCI) was incorporated under the laws of the State of Alaska as a non-profit organization in 1987. KCI currently operates Head Start programs in eight locations in Anchorage.

Basis of Presentation

The accounting records of KCI are maintained on an accrual basis of accounting under which revenues are recognized when earned and expenses when incurred.

Classification of Net Assets

KCI reports information regarding its financial position and activities according to three classes of net assets. Unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent that portion of net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets represent the portion of net assets whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by actions of KCI. When the stipulated time restriction ends or action is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statements of Activities as net assets released from restrictions.

Permanently restricted net assets represent the portion of net assets from contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of KCI. Currently, KCI does not have any permanently restricted net assets.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Public Support and Revenue

Contributions and Promises to Give

Unconditional promises to give cash and other assets to KCI are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at the fair value at the date the gift is received. The gifts are reported as either temporary or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements. KCI had \$49,949 and \$47,994 in promises to give receivable at June 30, 2018 and 2017 respectively.

Grants

KCI receives a significant portion of its operating revenue from federal and state grants. Income from grants is recognized to the extent of allowable costs incurred. Expenses in excess of cash receipts are reflected as grants receivable in the financial statements.

Child Care Fees

Child care fees represent funds from the State of Alaska, parents and other sources to provide extended day care services to children.

Anchorage School District Contract

Revenues received for providing comprehensive speech language services.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Donated Services and Materials

Donated services are recognized as contributions in accordance with FASB ASC 958, Accounting for Contributions Received and Contributions Made, if the services (1) create or enhance nonfinancial assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the KCI. In-kind contributions for space, supplies, and professional services are recorded in the Statements of Activities at market value and recognized as revenue and expenses in the period they are received, except for donated equipment, which is recorded as revenue in the period received and the asset is depreciated over its estimated useful life.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the KCI considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts and Grants Receivable

Accounts and grants receivable are recorded on the accrual basis when the goods and services are billed. KCI records an allowance for doubtful accounts for the estimated uncollectible portion of the accounts receivable. This estimate is based on management's historical collection experience and a review of current accounts receivable. Receivables are charged off when all collection efforts have been exhausted.

Grant receivables from the State and Federal government were all deemed collectible; therefore management has not established an allowance for doubtful accounts on these receivables.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30 year end, are recorded as prepaid expenses.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. Estimated useful lives are; buildings and improvements – 15 to 30 years, vehicles, furniture and equipment – 5 to 7 years. KCI capitalizes property and equipment purchased with a cost greater than \$5,000 and a useful life of more than one year. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Property and equipment purchased with grant funds are owned by KCI while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. KCI does not temporarily restrict assets acquired with grant monies designated for property and equipment. KCI considers the restrictions fulfilled when the asset is acquired.

Income Taxes

KCI is a non-profit corporation exempt from income taxation under Section 501 (c) (3) of the Internal Revenue Code.

Although KCI is exempt from income taxes, income derived from unrelated business income, if any, is subject to the requirements of filing Federal Income Tax Form 990-T and a tax liability may be determined on these activities. The KCI had no income derived from unrelated business activities as of June 30, 2018 and 2017.

KCI's policy is to report interest and penalties associated with tax contingencies as interest expense and other expense, respectively. As of June 30, 2018 and 2017, there were no accrued interest or penalties related to tax contingencies. As of June 30, 2018 and 2017, there were no uncertain tax positions or unrecognized tax benefits for which management believes it is reasonably possible that the total amounts of tax contingencies will significantly increase or decrease within 12 months of the reporting date. KCI files tax returns in the U.S. Federal Jurisdiction and the State of Alaska. As of 2018, the tax years that remain subject to examination begin with 2015.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Unearned Revenue

Unearned revenue represent amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Advertising

Advertising costs of KCI are expensed as incurred. Advertising expense was \$4,866 and \$7,213 for the years ended June 30, 2018 and 2017, respectively.

Allocation of Costs

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Schedule of Functional Expenses. The allocation of costs among the various programs and supporting services benefited is based on estimates made by management.

Fair Value of Financial Instruments

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following financial statements instruments are recorded at fair value or at amounts that approximate fair value: (1) cash and cash equivalents (2) receivables, net (3) certain other current assets and (4) accounts payable and (5) other current liabilities. The carrying amounts reported in the statements of financial position for the above financial instruments closely approximates their fair value due to the short term nature of these assets and liabilities.

Note 2

Cash and Cash Equivalents / Concentration of Credit Risk

KCI maintains its cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2018 and 2017, the bank balances were not in excess of FDIC coverage, respectively.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 3 Receivables

	<u>2018</u>	<u>2017</u>
Accounts Receivable:		
Childcare Fees	\$ 54,682	12,287
Allowance for Doubtful Accounts	(1,972)	(661)
	<u>52,710</u>	<u>11,626</u>
Grants Receivable:		
U.S. Department of Health and Human Services	394,160	167,536
State of Alaska	-	29,190
Childcare Food Program	-	34,018
	<u>394,160</u>	<u>230,744</u>
Promises to Give:		
United Way	49,949	47,994
	<u>49,949</u>	<u>47,994</u>
Total accounts receivable, net of allowance	\$ 496,819	290,364

Note 4 Property and Equipment

Property and equipment are as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 34,000	34,000
Building	136,000	136,000
Building improvements	1,177,068	1,143,468
Vehicles	283,832	211,145
Furniture and equipment	39,878	39,878
Total property and equipment	1,670,778	1,564,491
Less total accumulated depreciation	(1,226,558)	(1,129,573)
Net property and equipment	\$ 444,220	434,918

Depreciation expense at June 30, 2018 and 2017 was \$96,985 and \$102,533, respectively.

Note 5 Sources of Contributions

Contributions received by KCI from individuals for the year ended June 30, 2018 and 2017, were \$30,270 and \$35,050 respectively. Contributions received by KCI from United Way for the years ended June 30, 2018 and 2017, were \$51,945 and \$50,307, respectively.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 6 Operating Leases

KCI has five operating leases for office space and program sites. All leases are for property in the Anchorage area. Lease terms range from one to ten years and \$1,091 to \$22,759 per month. Most leases generally contain renewal options. Future minimum lease payments under these operating leases are:

<u>Fiscal Year</u>	<u>2018</u>	<u>2017</u>
2018	-	453,108
2019	454,594	453,108
2020	454,594	453,108
2021	101,846	453,108
2022	96,180	96,180
<u>Thereafter</u>	<u>32,060</u>	<u>32,060</u>
<u>Total</u>	<u>\$ 1,139,274</u>	<u>1,940,672</u>

Rental expense under these leases was \$454,958 and \$459,255 for the years ended June 30, 2018 and 2017, respectively.

Note 7 Retirement Plan

KCI has a defined contribution retirement plan authorized under Section 401(k) of the Internal Revenue Code. The plan is open to all employees who have worked for KCI a minimum of 90 days. KCI has the option to match employee contributions at a rate of 50% of employee contributions up to 6% of the employee's annual salary. KCI's contributions vest over six years of service. KCI's contributions for the years ended June 30, 2018 and 2017 were \$33,267 and \$14,079, respectively.

Note 8 Donated Services

The fair value of donated services and supplies included as contributions (in-kind revenue) in the financial statements and the corresponding program expenses (contractual expenses) were for office space and speech services in the amount of \$36,456 and \$0, for the years ended June 30, 2018 and 2017, respectively. These donations were expensed in the Head Start Program.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 9 **Description of Program and Supporting Services**

Program services:

Head Start – provides a comprehensive program for low income families with children between 3-5 years of age.

Early Head Start – provides a comprehensive program for low income families with infants, toddlers and pregnant women.

Parents as Teachers – provides support to parents for their children's education.

Supporting Services:

Administration – Includes the functions necessary to maintain an adequate working environment; provide coordination of the Organization's programs; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

Note 10 **Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30 were comprised of the following grants with time restrictions as to use:

		<u>2018</u>	<u>2017</u>
United Way Grant	\$	<u>49,949</u>	<u>47,994</u>

Time restricted grants were released from restrictions for the years ending June 30, 2018 and 2017 in the amounts of \$47,994 and \$55,575, respectively.

Note 11 **Economic Dependency**

KCI received approximately 66% and 67% of its total revenue from the U.S. Department of Health and Human Services (DHHS) for fiscal years ended June 30, 2018 and 2017, respectively.

Note 12 **Subsequent Events**

Management has evaluated subsequent events through February 14, 2019, the date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting principles.

KIDS' CORPS, INC.

Schedule A

Schedule of Functional Expenses

Year Ended June 30, 2018

	<u>Program Services</u>				<u>Support Services</u>	<u>Total Program and Support Services</u>
	<u>Head Start</u>	<u>Early Head Start</u>	<u>Parents as Teachers</u>	<u>Total Program Services</u>	<u>Administration</u>	
Salaries and benefits	\$ 2,372,954	173,631	86,815	2,633,400	260,445	2,893,845
Contractual	308,713	-	-	308,713	-	308,713
Repairs and maintenance	11,312	404	-	11,716	1,751	13,467
Rent and utilities	413,988	34,915	9,976	458,879	39,902	498,781
Travel and training	42,012	2,471	2,471	46,954	2,471	49,425
Supplies	286,274	16,453	9,872	312,599	16,453	329,052
Equipment	33,182	-	-	33,182	-	33,182
Other	43,515	1,036	1,036	45,587	6,215	51,802
Insurance	23,214	336	-	23,550	10,093	33,643
Depreciation	75,648	8,729	1,940	86,317	10,668	96,985
Total	\$ 3,610,812	237,975	112,110	3,960,897	347,998	4,308,895

Year ended June 30, 2017

	<u>Program Services</u>				<u>Support Services</u>	<u>Total Program and Support Services</u>
	<u>Head Start</u>	<u>Early Head Start</u>	<u>Parents as Teachers</u>	<u>Total Program Services</u>	<u>Administration</u>	
Salaries and benefits	\$ 2,718,976	198,950	99,475	3,017,401	298,424	3,315,825
Contractual	292,142	-	-	292,142	-	292,142
Repairs and maintenance	49,011	1,750	-	50,761	7,585	58,346
Rent and utilities	387,637	32,692	9,341	429,670	37,363	467,033
Travel and training	2,949	50,144	2,950	56,043	2,950	58,993
Supplies	417,120	23,972	14,383	455,475	23,972	479,447
Equipment	86,303	-	-	86,303	-	86,303
Other	46,771	1,114	1,114	48,999	6,682	55,681
Insurance	29,483	427	-	29,910	12,818	42,728
Depreciation	79,975	9,228	2,051	91,254	11,279	102,533
Total	\$ 4,110,367	318,277	129,314	4,557,958	401,073	4,959,031

KIDS' CORPS, INC.

Schedule B

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Grant Title	Grant/Pass-Through Number	Catalog of Federal Domestic Assistance Number	Total Grant Award	Eligible Expenditures
U.S. Department of Health and Human Services:				
Direct:				
Head Start	10CH010413-02	93.600	\$ 395,514	395,514
Head Start	10CH010413-03	93.600	<u>2,575,568</u>	<u>2,575,568</u>
Total Department of Health and Human Services			<u>2,971,082</u>	<u>2,971,082</u>
U.S. Department of Agriculture:				
Passed through State of Alaska Department of Education and Early Development - Child Care Food Program	28801	10.558	<u>261,711</u>	<u>228,334</u>
Total federal financial assistance			<u>\$ 3,232,793</u>	<u>3,199,416</u>

Notes To Schedule:

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Kids' Corps, Inc. under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Kids' Corps, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kids' Corps, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Kids' Corps, Inc. has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Subrecipients

No amounts were passed through to subrecipients.

KIDS' CORPS, INC.

Schedule C

Schedule of State Financial Assistance

Year Ended June 30, 2018

Grant Title	Grant Number	Total Grant Award	Eligible Expenses
Department of Education and Early Development			
Division of Teacher and Learning Support			
* Head Start	HS 18.078.01	\$ 818,699	818,699
* Parents as Teachers	PA 18.078.01	82,305	82,305
Total state financial assistance		\$ 901,004	901,004

Note 1. Basis of Presentation

The accompanying schedule of state financial Assistance (the "Schedule") includes the state award activity of Kids' Corps, Inc. under programs of the State of Alaska for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of Kids' Corps, Inc., it is not intended to and does not present the financial statements of Kids' Corps, Inc.

Note 2. Summary of Significant Accounting Policies

Expenses reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the financial statements.

Note 3. Passed Through Awards

No Amounts were passed through to subrecipients.

Note 4. Major Programs

* Denotes a major program for State Single Audit Compliance purposes.

KIDS' CORPS, INC.

Schedule D

Schedules of Revenue and Expenses - Budget and Actual

Head Start State Grant: HS-18-078-01

Year Ended June 30, 2018			Variance
	Budget	Actual	Favorable
			(Unfavorable)
Revenue:			
Grant	\$ 818,699	818,699	-
Expenses:			
Personnel	602,119	602,119	-
Travel	1,614	1,614	-
Contractual expense	139,277	139,277	-
Supplies	59,026	59,026	-
Equipment	3,908	3,908	-
Staff training	12,755	12,755	-
Total expenses	818,699	818,699	-
Excess of revenue over expenses	\$ -	-	-

Parents as Teachers Grant: PA-18-078-01

Year Ended June 30, 2018			Variance
	Budget	Actual	Favorable
			(Unfavorable)
Revenue:			
Grant	\$ 82,305	82,305	-
Expenses:			
Personnel	72,197	72,174	23
Travel	2,451	2,451	-
Contractual	1,821	1,820	1
Supplies	2,400	1,140	1,260
Other	3,436	4,720	(1,284)
Total expenses	82,305	82,305	-
Excess of revenue over expenses	\$ -	-	-

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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

Independent Auditor's Report

Members of the Board of Directors
Kids' Corps, Inc.
Anchorage, Alaska

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 Kids' Corps, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kids' Corps, Inc.'s internal control over financial reporting (internal control) to determine 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 Kids' Corps, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Kids' Corps, Inc.'s 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. 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.

Members of the Board of Directors
Kids' Corps, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kids' Corps, Inc.'s 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 the determination of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
February 14, 2019

**Report on Compliance For Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

Members of the Board of Directors
Kids' Corps, Inc.
Anchorage, Alaska

Report on Compliance for Each Major Federal Program

We have audited Kids' Corps, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kids' Corps, Inc.'s major federal programs for the year ended June 30, 2018. Kids' Corps, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Federal Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kids' Corps, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Kids' Corps, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kids' Corps, Inc.'s compliance.

Members of the Board of Directors
Kids' Corps, Inc.

Opinion on Each Major Federal Program

In our opinion, Kids' Corps, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Kids' Corps, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kids' Corps, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kids' Corps, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
February 14, 2019

Kids' Corps, Inc.

Federal Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Is there a going concern emphasis-of-matter paragraph included in the audit report? yes no

Internal control over financial reporting:
Material weakness (es) identified? yes no
Significant deficiency(ies) identified? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major programs (2 CFR 200.516 (a)(1)):
Material weakness (es) identified? yes no
Significant deficiency (ies) identified? yes none reported

Any material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program (2 CFR 200.516 (a)(2))? yes no

Type of auditor's report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, (2 CFR 200.516 (a)(3) or (4))? yes no

Identification of major programs:

CFDA Number(s)

93.600

Name of Federal Program or Cluster

Head Start

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

Kids' Corps, Inc.

Federal Schedule of Findings and Questioned Costs, Continued

Section II – Financial Statement Findings

Kids' Corps, Inc. did not have any findings that related to the financial statements.

Section III – Federal Award Findings and Questioned Costs

Kids' Corps, Inc. did not have any findings related to federal awards.

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Report on Compliance for Each Major State Program and Report on Internal Control over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Independent Auditor's Report

Members of the Board of Directors
Kids' Corps, Inc.
Anchorage, Alaska

Report on Compliance for Each Major State Program

We have audited Kids' Corps, Inc.'s compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of Kids' Corps, Inc.'s major state programs for the year ended June 30, 2018. Kids' Corps, Inc.'s major state programs are identified in the accompanying Schedule of State Financial Assistance.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kids' Corps, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about Kids' Corps, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However our audit does not provide a legal determination of Kids' Corps, Inc.'s compliance.

Members of the Board of Directors
Kids' Corps, Inc.

Opinion on Each Major State Program

In our opinion, Kids' Corps, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of Kids' Corps, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Kids' Corps, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Kids' Corps, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

Altman, Rogers & Co.

Anchorage, Alaska
February 14, 2019

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Kids' Corps, Inc.

State Schedule of Findings and Questioned Costs Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Is there a going concern emphasis-of-matter paragraph
included in the audit report?

___ yes x no

Internal control over financial reporting:

Material weakness(es) identified?

___ yes x no

Significant deficiency(ies) identified?

___ yes x none reported

Noncompliance material to financial statements noted?

___ yes x no

State Awards

Internal Control over major programs:

Material weakness(es) identified?

___ yes x no

Significant deficiency(ies) identified?

___ yes x none reported

Type of auditor's report issued on compliance
for major program:

Unmodified

Dollar threshold used to distinguish a state major program:

\$ 75,000

Section II – Financial Statement Findings

Kids' Corps, Inc. did not have any findings that related to the financial statements.

Section III – State Award Findings and Questioned Costs

Kids' Corps, Inc. did not have any findings related to state awards.