

KIDS' CORPS, INC.

Financial Statements, Additional Supplementary
Information and Compliance Reports

(With Independent Auditor's Report Thereon)

Years Ended June 30, 2023 and 2022

*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 2023, and 2022

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 Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kids' Corps, Inc. as of June 30, 2023 and 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kids' Corps, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 14 to the financial statements, in 2023, the Organization implemented FASB ASU 2016-02 – Leases (topic 842), which established standards of accounting and financial reporting for leases by lessees and lessors.

The new standard requires the Organization to recognize certain lease assets and liabilities for all leases (operating and financing). Under this Statement, a lessee is required to recognize a liability and an intangible right-to-use lease asset. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids' Corps, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Kids' Corps, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kids' Corps, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Additional Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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*, and the Schedule of Revenues and Expenses – Budget and Actual for the Head Start State Grant HS 23-078-01 and the Parents as Teachers Grant 160-306-23004 are 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. 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 March 19, 2024, 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 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
March 19, 2024

KIDS' CORPS, INC.

Statements of Financial Position

June 30, 2023 and 2022

<i>ASSETS</i>	2023	2022
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 697,344	361,524
Receivables:		
Grants receivable	780,632	764,659
Accounts receivable, net of allowance of \$4,979 in 2023 and \$4,979 in 2022	5,441	35,814
Prepaid items	435	-
Total current assets	1,483,852	1,161,997
Non-current assets:		
Leasehold deposits	27,855	9,040
Operating right-of-use asset	509,294	211,222
Property and equipment, net of accumulated depreciation of \$1,653,233 in 2023 and \$1,542,056 in 2022	366,710	477,887
Total non-current assets	903,859	698,149
TOTAL ASSETS	\$ 2,387,711	1,860,146
<i>LIABILITIES AND NET ASSETS</i>		
Current liabilities:		
Accounts payable	59,672	109,329
Accrued payroll and payroll liabilities	176,224	281,317
Refundable advances	511,637	-
Current portion of operating lease liability	181,887	155,579
Total current liabilities	929,420	546,225
Non-current liabilities:		
Operating lease liability, net of current portion	327,943	56,278
Total liabilities	1,257,363	602,503
Net assets:		
Without donor restrictions:		
Designated for property, plant and equipment	366,710	477,887
Undesignated	763,638	779,756
Total net assets	1,130,348	1,257,643
TOTAL LIABILITIES AND NET ASSETS	\$ 2,387,711	1,860,146

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Activities

Years Ended June 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Grants:						
Federal sources	\$ 5,798,757	-	5,798,757	5,708,802	-	5,708,802
State of Alaska	663,011	-	663,011	603,616	-	603,616
Local	-	-	-	30,000	-	30,000
Contributions:						
Individual	50,532	-	50,532	52,241	-	52,241
United Way	38,422	-	38,422	45,001	-	45,001
In-kind	158,092	-	158,092	155,052	-	155,052
Revenue:						
Child care fees	166,594	-	166,594	187,154	-	187,154
Anchorage School District contract	79,560	-	79,560	81,015	-	81,015
Other revenues	301	-	301	24	-	24
Net assets released from restriction	-	-	-	36,063	(36,063)	-
Total public support and revenues	<u>6,955,269</u>	<u>-</u>	<u>6,955,269</u>	<u>6,898,968</u>	<u>(36,063)</u>	<u>6,862,905</u>
Expenses:						
Program services:						
Head Start	4,325,309	-	4,325,309	4,399,053	-	4,399,053
Early Head Start	1,630,877	-	1,630,877	1,466,140	-	1,466,140
Parents as Teachers	138,754	-	138,754	141,407	-	141,407
Total program services	<u>6,094,940</u>	<u>-</u>	<u>6,094,940</u>	<u>6,006,600</u>	<u>-</u>	<u>6,006,600</u>
Support services:						
Administration	<u>987,624</u>	<u>-</u>	<u>987,624</u>	<u>586,550</u>	<u>-</u>	<u>586,550</u>
Total expenses	<u>7,082,564</u>	<u>-</u>	<u>7,082,564</u>	<u>6,593,150</u>	<u>-</u>	<u>6,593,150</u>
Change in net assets	(127,295)	-	(127,295)	305,818	(36,063)	269,755
Net assets at beginning of year	<u>1,257,643</u>	<u>-</u>	<u>1,257,643</u>	<u>951,825</u>	<u>36,063</u>	<u>987,888</u>
Net assets at the end of year	<u>\$ 1,130,348</u>	<u>-</u>	<u>1,130,348</u>	<u>1,257,643</u>	<u>-</u>	<u>1,257,643</u>

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Functional Expenses
Year Ended June 30, 2023

	Program Services				Support Services	Total Program and Support Services
	Head Start	Early Head Start	Parents as Teachers	Total Program Services	Administration	
Salaries and benefits	\$ 3,059,773	1,153,683	100,320	4,313,776	702,242	5,016,018
Contractual	336,042	126,704	11,018	473,764	77,124	550,888
Repairs and maintenance	3,401	1,316	-	4,717	768	5,485
Rent and utilities	379,276	143,245	12,456	534,977	87,193	622,170
Travel and training	52,716	19,877	1,728	74,321	12,099	86,420
Supplies	288,484	108,773	9,458	406,715	66,209	472,924
Equipment	21,556	7,186	-	28,742	-	28,742
Other	83,338	31,423	2,732	117,493	19,127	136,620
Insurance	31,793	11,988	1,042	44,823	7,297	52,120
Depreciation	68,930	26,682	-	95,612	15,565	111,177
Total	\$ 4,325,309	1,630,877	138,754	6,094,940	987,624	7,082,564

Year ended June 30, 2022

	Program Services				Support Services	Total Program and Support Services
	Head Start	Early Head Start	Parents as Teachers	Total Program Services	Administration	
Salaries and benefits	\$ 3,076,093	1,025,364	119,619	4,221,076	417,469	4,638,545
Contractual	358,906	119,636	12,443	490,985	42,694	533,679
Repairs and maintenance	2,771	923	-	3,694	411	4,105
Rent and utilities	419,714	139,693	2,265	561,672	62,338	624,010
Travel and training	42,065	14,022	3,591	59,678	2,487	62,165
Supplies	325,295	108,432	309	434,036	37,742	471,778
Equipment	18,589	6,196	-	24,785	-	24,785
Other	66,680	22,227	3,180	92,087	10,232	102,319
Insurance	29,887	9,963	-	39,850	4,428	44,278
Depreciation	59,053	19,684	-	78,737	8,749	87,486
Total	\$ 4,399,053	1,466,140	141,407	6,006,600	586,550	6,593,150

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Cash Flows Years Ended June 30, 2023 and 2022

	2023	2022
Increase (decrease) in cash:		
Cash flows provided (used) by operating activities:		
Change in net assets	\$ (127,295)	269,755
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	111,177	87,486
Lease expense (the portion of lease expense that amortized the operating right-of-use asset)	155,480	66,067
(Increase) decrease in assets:		
Accounts receivable	30,373	(35,814)
Grants receivable	(15,973)	(113,713)
Promises to give	-	36,063
Prepaid items	(435)	4,397
Leasehold deposits	(18,815)	-
Increase (decrease) in liabilities:		
Accounts payable	(49,657)	40,096
Accrued payroll and payroll liabilities	(105,093)	70,948
Refundable advances	511,637	-
Operating lease liability	(155,579)	(65,432)
Net cash provided by operating activities	335,820	359,853
Cash flows (used) by investing activities:		
Purchase of property and equipment	-	(290,120)
Change in cash and cash equivalents	335,820	69,733
Cash and cash equivalents - Beginning of year	361,524	291,791
Cash and cash equivalents - End of year	\$ 697,344	361,524
Lease liabilities resulting from obtaining right-to-use assets:		
Operating leases	\$ 453,552	277,289

See accompanying notes to financial statements.

Kids' Corps, Inc.

Notes to Financial Statements
June 30, 2023 and 2022

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 Generally Accepted Accounting Principles (GAAP). Under GAAP, net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

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 those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Gifts are reported as with donor restrictions 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, net assets with donor restrictions are reclassified as net assets without donor restrictions 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 contributions without donor restrictions in the accompanying financial statements. KCI had no conditional contributions which have not been recognized as revenues at June 30, 2023 and 2022, respectively, for conditions for which they depend that have not been met.

Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants that have not been recognized as revenue at June 30, 2023 and 2022 because qualifying expenditures have not yet been incurred, with advance payments of \$511,637 and \$0, respectively.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

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.

Revenue from Contracts with Customers

Revenue is recognized in the period services are performed which is when the performance obligations are satisfied, and consists primarily of child care fees. Revenue is reported at the amount that reflects the consideration which the Organization expects to be entitled for providing those services.

Performance obligations are determined based on the nature of the services provided by the Organization. Revenue for performance obligations are satisfied over time and are recognized based upon the actual charges incurred in relation to total expected charges. The Organization believes that this method provides a reasonable depiction of the transfer of services over the term of performance obligations based upon the inputs needed to satisfy the obligation. The Organization does not have any performance obligations which were not satisfied by the end of the reporting period.

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.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

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 credit losses 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.

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 support without donor restrictions 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 report assets acquired with grant monies designated for property and equipment as assets with donor restrictions. KCI considers the restrictions fulfilled when the asset is acquired.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Leases

KCI has adopted FASB ASC 842, Leases, with a date of initial application of June 30, 2022. For leases with a lease term greater than one year, KCI recognizes a lease asset for its right-to-use the underlying leased asset and a lease liability for the corresponding lease obligation. KCI determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets, current portion operating lease liabilities, and operating lease liabilities, net of current portion in KCI's statement of financial position at June 30, 2023. Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, KCI uses an incremental borrowing rate comparable with that of the lease term. KCI considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if KCI is reasonably certain to exercise the option, (2) terminate the lease if KCI is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor. The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred.

KCI has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

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, 2023 and 2022.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

KCI's policy is to report interest and penalties associated with tax contingencies as interest expense and other expense, respectively. As of June 30, 2023 and 2022, there were no accrued interest or penalties related to tax contingencies. As of June 30, 2023 and 2022, 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 2023, the tax years that remain subject to examination begin with 2020.

Advertising

Advertising costs of KCI are expensed as incurred. Advertising expense was \$45,436 and \$32,994 for the years ended June 30, 2023 and 2022, 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 Statements 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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

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, 2023 and 2022, the bank balances exceeded the insured limit by \$488,940 and \$129,925, respectfully.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 3 Receivables

Accounts Receivable:		<u>2023</u>	<u>2022</u>
Childcare Fees	\$	10,420	40,793
Allowance for Credit Losses		(4,979)	(4,979)
		<u>5,441</u>	<u>35,814</u>
Grants Receivable:			
U.S. Department of Health		543,654	565,939
State of Alaska		221,022	184,788
Childcare Food Program		15,956	13,932
		<u>780,632</u>	<u>764,659</u>
Total accounts receivable, net of allowance	\$	<u>786,073</u>	<u>800,473</u>

Note 4 Property and Equipment

Property and equipment are as follows:

		<u>2023</u>	<u>2022</u>
Land	\$	34,000	34,000
Building		136,000	136,000
Building improvements		1,487,026	1,487,026
Vehicles		243,719	243,719
Furniture and equipment		119,198	119,198
Total property and equipment		<u>2,019,943</u>	<u>2,019,943</u>
Less total accumulated depreciation		<u>(1,653,233)</u>	<u>(1,542,056)</u>
Net property and equipment	\$	<u>366,710</u>	<u>477,887</u>

Depreciation expense at June 30, 2023 and 2022 was \$111,177 and \$87,486, respectively.

Note 5 Sources of Contributions

Contributions received by KCI from individuals and foundations for the year ended June 30, 2023 and 2022, were \$50,532 and \$52,241 respectively. Contributions received by KCI from United Way for the years ended June 30, 2023 and 2022, were \$38,422 and \$45,001 respectively.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 6 **Operating Leases**

The Organization has entered into the following lease arrangements:

Operating Leases:

KCI rents office space from an unrelated third parties under multiple operating leases through 2027. These leases generally contain renewal options for periods ranging from 1 to 5 years and requires KCI to pay all executory costs (property taxes, maintenance, and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases:

KCI has no material related-party leases.

KCI's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Quantitative Disclosures:

	<u>2023</u>	<u>2022</u>
Lease costs:		
Operating lease cost	\$ <u>195,187</u>	\$ <u>67,050</u>
	<u>2023</u>	<u>2022</u>
Other information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	155,579	65,432
Weighted-average remaining lease term:		
Operating leases	2.57 years	2.22 years
Weighted-average discount rate:		
Operating leases	4.16%	4.0%

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023, are as follows:

	Operating Leases
2024	\$ 181,887
2025	123,296
2026	92,218
2027	85,080
2028	<u>27,349</u>
Lease liabilities	<u>\$ 509,830</u>

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, 2023 and 2022 were \$43,547 and \$37,844, respectively.

Note 8 Donated Services

The fair value of donated services, rent and supplies included as contributions (in-kind revenue) in the financial statements and the corresponding program expenses (contractual expenses) for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Head Start Program Services:	\$	
Donated rent	127,692	127,692
Contractual	30,400	27,360
Total	<u>\$ 158,092</u>	<u>155,052</u>

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 **Economic Dependency**

KCI received approximately 83% and 84% of its total revenue from the U.S. Department of Health and Human Services (DHHS) for fiscal years ended June 30, 2023 and 2022, respectively.

Note 11 **Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits, contractual, repairs and maintenance, rent and utilities, travel and training, supplies, equipment, insurance, depreciation, and other.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 12 **Liquidity and Availability**

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

Cash and cash equivalents	\$ 697,344
Accounts receivable and grants receivable	<u>786,073</u>
Total	<u>\$ 1,483,417</u>

As a part of its liquidity management plan, the Organization retains cash in excess of daily requirements to use in current and upcoming programs and projects

Note 13 **Subsequent Events**

Management has evaluated subsequent events through March 19, 2024, the date which the financial statements were available for issue. No events were identified that would require disclosure according to generally accepted accounting principles.

Note 14 **Change in Accounting Principle**

In 2022, KCI adopted FASB Accounting Standards Update (ASU) No. 2016-02, Leases, which established standards of accounting and financial reporting for leases by lessees and lessors. The new standard requires lessees to recognize right-of-use assets and related lease liabilities for lease classified as operating and finance on the balance sheet for all arrangements, and lessors to recognize net investment in leases on the balance sheet for all arrangements classified as nonoperating.

As a result of adopting this new accounting standard, the change has applied to the earliest period presented using a modified retrospective approach.

	Previously Reported 2022 Balances	2022 Balances as Adjusted	Effect of Change
Statement of Activities:			
Rent and utilities	\$ 623,375	624,010	635
Operating right of use asset	-	211,222	211,222
Operating lease liability	-	211,857	211,857

KIDS' CORPS, INC.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

Grant Title	Grant/Pass-Through Number	Assistance Listing Number	Total Grant Award	Eligible Expenditures
U.S. Department of Health and Human Services:				
Direct - Head Start Cluster:				
Head Start	10CH012119-01	93.600	\$ 4,845,801	1,787,728
Head Start	10CH012119-02	93.600	4,845,801	3,550,260
COVID-19 Head Start - American Rescue Plan	10HE001064-01 C6	93.600	307,501	248,727
Total U.S. Department of Health and Human Services			9,999,103	5,586,715
U.S. Department of Agriculture:				
Passed through State of Alaska Department of Education and Early Development -				
Child and Adult Care Food Program	28801 (10/01/2022 - 09/30/23)	10.558	374,736	169,295
Child and Adult Care Food Program	28801 (10/01/2021 - 09/30/22)	10.558	260,176	42,747
Total U.S. Department of Agriculture			634,912	212,042
Total federal financial assistance			\$ 10,634,015	5,798,757

See Notes To Schedule

Kids' Corps, Inc.

Notes to Schedule of Expenditures of Federal Awards

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, 2023. 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.

Schedules of Revenue and Expenses - Budget and Actual

Head Start State Grant: HS-23-078-01

Year Ended June 30, 2023				Variance Favorable (Unfavorable)
		Budget	Actual	
Revenue:				
Grant	\$	543,011	543,011	-
Expenses:				
Personnel		543,011	543,011	-
Total expenses		543,011	543,011	-
Excess of revenue over expenses	\$	-	-	-

Parents as Teachers Grant: 160-306-23004

Year Ended June 30, 2023				Variance Favorable (Unfavorable)
		Budget	Actual	
Revenue:				
Grant	\$	120,000	120,000	-
Expenses:				
Personnel		82,194	109,118	(26,924)
Travel		2,411	1,200	1,211
Facility		2,160	2,265	(105)
Supplies		13,845	309	13,536
Other		19,390	7,108	12,282
Total expenses		120,000	120,000	-
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' Corp, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 March 19, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kids' Corp, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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' Corp, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Kids' Corp, 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.

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

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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kids' Corp, 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 financial statements. 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.



Anchorage, Alaska
March 19, 2024

**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

Opinion on Each Major Federal Program

We have audited Kids' Corps, Inc.'s compliance with the types of compliance requirements identified as subject to audit 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, 2023. Kids' Corps, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Kids' Corps, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Kids' Corps, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Kids' Corps, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Kids' Corps, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Kids' Corps, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kids' Corps, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kids' Corps, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Kids' Corps, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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
March 19, 2024

Kids' Corps, Inc.

Federal Schedule of Findings and Questioned Costs
Year Ended June 30, 2023

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:

Assistance Listing Number(s)

93.600

10.558

Name of Federal Program or Cluster

Head Start

Child and Adult Care Food Program

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.