

KIDS' CORPS, INC.

Financial Statements, Additional Supplementary
Information and Compliance Reports

(With Independent Auditor's Report Thereon)

Years Ended June 30, 2022 and 2021

*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 2022, and 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

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.

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 22-078-01 and the Parents as Teachers Grant 601-306-22004 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 December 14, 2022, 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.

Altman, Rogers & Co.

Anchorage, Alaska
December 14, 2022

Kids' Corps, Inc.

Statements of Financial Position June 30, 2022 and 2021

<i>ASSETS</i>	2022	2021
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 361,524	291,791
Receivables:		
Grants receivable	764,659	650,946
Promises to give	-	36,063
Accounts receivable, net of allowance of \$4,979 in 2022 and \$4,979 in 2021	35,814	-
Prepaid items	-	4,397
Total current assets	1,161,997	983,197
Noncurrent assets:		
Leasehold deposits	9,040	9,040
Property, plant and equipment, net of depreciation of \$1,542,056 in 2022 and \$1,454,570 in 2021	477,887	275,253
Total non-current assets	486,927	284,293
TOTAL ASSETS	\$ 1,648,924	1,267,490
<i>LIABILITIES AND NET ASSETS</i>		
Liabilities:		
Current:		
Accounts payable	109,329	69,233
Accrued payroll and payroll liabilities	281,317	210,369
Total liabilities	390,646	279,602
Net assets:		
Without donor restrictions:		
Designated for property, plant and equipment	477,887	275,253
Undesignated	780,391	676,572
Total net assets without donor restrictions	1,258,278	951,825
With donor restrictions	-	36,063
Total net assets	1,258,278	987,888
TOTAL LIABILITIES AND NET ASSETS	\$ 1,648,924	1,267,490

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Activities

Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues:						
Grants:						
Federal sources	\$ 5,708,802	-	5,708,802	4,258,564	-	4,258,564
State of Alaska	603,616	-	603,616	563,646	-	563,646
Local	30,000	-	30,000	-	-	-
Contributions:						
Individual	52,241	-	52,241	30,922	-	30,922
United Way	45,001	-	45,001	75,456	36,063	111,519
In-kind	155,052	-	155,052	124,392	-	124,392
Revenue:						
Child care fees	187,154	-	187,154	104,161	-	104,161
Anchorage School District contract	81,015	-	81,015	70,848	-	70,848
Other revenues	24	-	24	35	-	35
Net assets released from restriction	36,063	(36,063)	-	38,344	(38,344)	-
Total public support and revenues	<u>6,898,968</u>	<u>(36,063)</u>	<u>6,862,905</u>	<u>5,266,368</u>	<u>(2,281)</u>	<u>5,264,087</u>
Expenses:						
Program services:						
Head Start	4,398,418	-	4,398,418	4,211,086	-	4,211,086
Early Head Start	1,466,140	-	1,466,140	311,464	-	311,464
Parents as Teachers	141,407	-	141,407	132,460	-	132,460
Total program services	<u>6,005,965</u>	<u>-</u>	<u>6,005,965</u>	<u>4,655,010</u>	<u>-</u>	<u>4,655,010</u>
Support services:						
Administration	586,550	-	586,550	451,183	-	451,183
Total expenses	<u>6,592,515</u>	<u>-</u>	<u>6,592,515</u>	<u>5,106,193</u>	<u>-</u>	<u>5,106,193</u>
Change in net assets	306,453	(36,063)	270,390	160,175	(2,281)	157,894
Net assets at beginning of year	<u>951,825</u>	<u>36,063</u>	<u>987,888</u>	<u>791,650</u>	<u>38,344</u>	<u>829,994</u>
Net assets at the end of year	<u>\$ 1,258,278</u>	<u>-</u>	<u>1,258,278</u>	<u>951,825</u>	<u>36,063</u>	<u>987,888</u>

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Functional Expenses 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	419,079	139,693	2,265	561,037	62,338	623,375
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	\$ 4,398,418	1,466,140	141,407	6,005,965	586,550	6,592,515

Year ended June 30, 2021

	Program Services				Support Services	Total Program and Support Services
	Head Start	Early Head Start	Parents as Teachers	Total Program Services	Administration	
Salaries and benefits	\$ 3,003,411	219,762	109,880	3,333,053	329,643	3,662,696
Contractual	344,140	-	-	344,140	38,238	382,378
Repairs and maintenance	13,570	485	-	14,055	2,100	16,155
Rent and utilities	373,751	31,521	9,006	414,278	36,024	450,302
Travel and training	2,236	38,017	2,236	42,489	2,236	44,725
Supplies	243,595	14,000	8,400	265,995	14,000	279,995
Equipment	83,249	-	-	83,249	-	83,249
Other	71,301	1,698	1,697	74,696	10,186	84,882
Insurance	27,444	398	-	27,842	11,932	39,774
Depreciation	48,389	5,583	1,241	55,213	6,824	62,037
Total	\$ 4,211,086	311,464	132,460	4,655,010	451,183	5,106,193

See accompanying notes to financial statements.

KIDS' CORPS, INC.

Statements of Cash Flows

Years Ended June 30, 2022 and 2021

	2022	2021
Increase (decrease) in cash:		
Cash flows provided (used) by operating activities:		
Change in net assets	\$ 270,390	157,894
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	87,486	62,037
Bad debt expense	-	121
(Increase) decrease in assets:		
Accounts receivable	(35,814)	(121)
Grants receivable	(113,713)	(237,123)
Promises to give	36,063	6,363
Prepaid items	4,397	35,707
Increase (decrease) in liabilities:		
Accounts payable	40,096	(5,586)
Accrued payroll and payroll liabilities	70,948	8,603
Net cash provided by operating activities	359,853	27,895
Cash flows (used) by investing activities:		
Purchase of property and equipment	(290,120)	(46,070)
Change in cash and cash equivalents	69,733	(18,175)
Cash and cash equivalents - Beginning of year	291,791	309,966
Cash and cash equivalents - End of year	\$ 361,524	291,791

See accompanying notes to financial statements.

Kids' Corps, Inc.

Notes to Financial Statements
June 30, 2022 and 2021

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 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 \$0 and \$36,063 in promises to give receivable at June 30, 2022 and 2021 respectively. KCI had no conditional contributions which has not been recognized as revenues at June 30, 2022 and 2021, respectively, for conditions for which they depend that have not been met.

Grants

KCI receives a significant portion of its operating revenue from federal and state grants, which are conditioned upon performance requirements and/ or the incurrence of allowable expenses. 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

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.

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.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

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.

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, 2022 and 2021.

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, 2022 and 2021, there were no accrued interest or penalties related to tax contingencies. As of June 30, 2022 and 2021, 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 2022, the tax years that remain subject to examination begin with 2019.

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 \$32,994 and \$20,660 for the years ended June 30, 2022 and 2021, 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.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

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, 2022 and 2021, the bank balances exceeded the insured limit by \$129,925 and \$83,914, respectfully.

Note 3 Receivables

	<u>2022</u>	<u>2021</u>
Accounts Receivable:		
Childcare Fees	\$ 40,793	4,979
Allowance for Doubtful Accounts	(4,979)	(4,979)
	<u>35,814</u>	<u>-</u>
Grants Receivable:		
U.S. Department of Health and Human Services	565,939	435,937
State of Alaska	184,788	176,366
Childcare Food Program	13,932	38,643
	<u>764,659</u>	<u>650,946</u>
Promises to Give:		
United Way	-	36,063
	<u>-</u>	<u>36,063</u>
<u>Total accounts receivable, net of allowance</u>	<u>\$ 800,473</u>	<u>687,009</u>

Note 4 Property and Equipment

Property and equipment are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 34,000	34,000
Building	136,000	136,000
Building improvements	1,487,026	1,243,164
Vehicles	243,719	243,719
Furniture and equipment	119,198	72,940
Total property and equipment	2,019,943	1,729,823
Less total accumulated depreciation	(1,542,056)	(1,454,570)
<u>Net property and equipment</u>	<u>\$ 477,887</u>	<u>275,253</u>

Depreciation expense at June 30, 2022 and 2021 was \$87,486 and \$62,037, respectively.

Kids' Corps, Inc.

Notes to Financial Statements, Continued

Note 5 Sources of Contributions

Contributions received by KCI from individuals and foundations for the year ended June 30, 2022 and 2021, were \$82,241 and \$30,922 respectively. Contributions received by KCI from United Way for the years ended June 30, 2022 and 2021, were \$45,001 and \$111,519 respectively.

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 \$425 to \$20,724 per month. Most leases generally contain renewal options. Future minimum lease payments under these operating leases are:

<u>Fiscal Year</u>	<u>2022</u>	<u>2021</u>
2022	339,884	339,884
2023	258,361	258,361
Total	\$ <u>598,245</u>	<u>598,245</u>

Rental expense under these leases was \$381,577 and 381,577 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021 were \$37,844 and \$23,476, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Head Start Program Services:	\$	
Donated rent	127,692	36,456
Contractual	27,360	25,670
Supplies	-	62,266
Total	\$ <u>155,052</u>	<u>124,392</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 **Net Assets With Donor Restrictions**

Net assets with donor restrictions at June 30 were comprised of the following grants with time restrictions as to use:

		<u>2022</u>	<u>2021</u>
United Way Grant	\$	-	<u>36,063</u>

Time restricted grants were released from restrictions for the years ending June 30, 2022 and 2021 in the amounts of \$36,063 and \$38,344, respectively.

Note 11 **Economic Dependency**

KCI received approximately 84% and 80% of its total revenue from the U.S. Department of Health and Human Services (DHHS) for fiscal years ended June 30, 2022 and 2021, respectively.

Note 12 **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 13 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	\$ 361,524
Accounts receivable and grants receivable	<u>800,473</u>
Total	\$ <u>1,161,997</u>

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

Note 14 Subsequent Events

Management has evaluated subsequent events through December 14, 2022, 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 Expenditures of Federal Awards

Year Ended June 30, 2022

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	10CH010413-06	93.600	\$ 4,690,453	2,154,516
Head Start	10CH010413-06 C3	93.600	165,490	165,490
Head Start	10CH012119-01	93.600	4,724,609	3,083,073
Head Start - COVID	10HE001064-01 C5	93.600	67,116	67,116
Head Start - American Rescue Plan	10HE001064-01 C6	93.600	307,501	57,786
Total Department of Health and Human Services			9,955,169	5,527,981
U.S. Department of Agriculture:				
Passed through State of Alaska Department of Education and Early Development -				
Child and Adult Care Food Program	28801 (10/01/2021 - 09/30/22)	10.558	260,176	115,813
Child and Adult Care Food Program	28801 (10/01/2020 - 09/30/21)	10.558	260,271	15,008
Total Department of Agriculture			520,447	130,821
U.S. Department of Treasury:				
Passed through Alaska Community Foundation				
American Rescue Plan	27180	21.027	50,000	50,000
Total federal financial assistance			\$ 10,525,616	5,708,802

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, 2022. 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 B

Schedules of Revenue and Expenses - Budget and Actual

Head Start State Grant: HS-22-078-01

Year Ended June 30, 2022				Variance Favorable (Unfavorable)
		Budget	Actual	
Revenue:				
Grant	\$	483,616	483,616	-
Expenses:				
Personnel		483,616	483,616	-
Travel		-	-	-
Contractual		-	-	-
Supplies		-	-	-
Other		-	-	-
Total expenses		483,616	483,616	-
Excess of revenue over expenses	\$	-	-	-

Parents as Teachers Grant: 601-306-22004

Year Ended June 30, 2022				Variance Favorable (Unfavorable)
		Budget	Actual	
Revenue:				
Grant	\$	120,000	120,000	-
Expenses:				
Personnel		107,977	109,118	(1,141)
Travel		1,200	1,200	-
Facility		2,400	2,265	135
Supplies		2,500	309	2,191
Other		5,923	7,108	(1,185)
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, 2022, 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 December 14, 2022.

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
December 14, 2022

**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, 2022. 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, 2022.

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
December 14, 2022

Kids' Corps, Inc.

Federal Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

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

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.