

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2020

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KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
(Federal Employer Identification Number 76-0626934)
101-861

CERTIFICATE OF BOARD
August 31, 2020

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Kaleidoscope Youth Development Services, Inc. was reviewed and approved disapproved for the year ended August 31, 2020, at a meeting of the governing body of said charter school on the 21st day of January, 2021.



Signature of Board Secretary



Signature of Board President

GOMEZ & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Kaleidoscope Youth Development Services, Inc.
Houston, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Kaleidoscope Youth Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kaleidoscope Youth Development Services, Inc. as of August 31, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

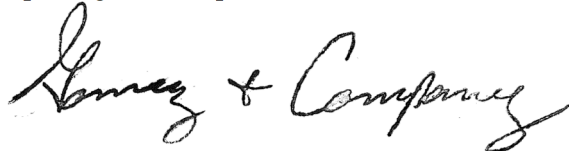
Other Matters

Other 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 January 20, 2021, on our consideration of Kaleidoscope Youth Development Services, 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 Kaleidoscope Youth Development Services, 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 Kaleidoscope Youth Development Services, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Ramirez & Company". The signature is written in black ink and is positioned above the typed name and date.

Houston, TX
January 20, 2021

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 557,481
Grants Receivable	1,430,379
Other Receivables	9,040
Prepaid Expenses	213,175
TOTAL CURRENT ASSETS	<u>2,210,075</u>

PROPERTY AND EQUIPMENT

Land	217,172
Building and Improvements	7,260,778
Furniture and Equipment	1,083,391
Vehicles	416,507
	<u>8,977,848</u>
Less: Accumulated Depreciation	<u>(2,377,368)</u>
	<u>6,600,480</u>

TOTAL ASSETS

\$ 8,810,555

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 436,227
Accrued Expenses	14,938
Accrued Payroll Liabilities	205,381
Payroll Tax Liabilities	272,353
Interest Payable	116,647
Deferred Revenue	336,929
Current Portion Paycheck Protection Program Loan	709,444
Current Portion Notes Payable	293,372
TOTAL CURRENT LIABILITIES	<u>2,385,291</u>

NONCURRENT LIABILITIES

Noncurrent portion of Payment Protection Program Loan	993,222
Noncurrent portion of Notes Payable	4,457,891
TOTAL NONCURRENT LIABILITIES	<u>5,451,113</u>

TOTAL LIABILITIES

7,836,404

NET ASSETS

Without Donor Restrictions	99,436
With Donor Restrictions	874,715
TOTAL NET ASSETS	<u>974,151</u>

TOTAL LIABILITIES NET ASSETS

\$ 8,810,555

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Federal Program Revenues	\$ -	\$ 1,280,361	\$ 1,280,361
State Program Revenues	-	7,960,746	7,960,746
Local Support	499,785	-	499,785
Net Assets Released from Restrictions:	11,422,499	(11,422,499)	-
Total Revenues	<u>11,922,284</u>	<u>(2,181,392)</u>	<u>9,740,892</u>
Expenses			
Charter School	6,322,924	-	6,322,924
Red Cross Program	8,188	-	8,188
General and Administrative	5,490,827	-	5,490,827
Fundraising	100,345	-	100,345
Total Expenses	<u>11,922,284</u>	<u>-</u>	<u>11,922,284</u>
Gain on Sale of Assets		-	
Change in Net Assets	<u>-</u>	<u>(2,181,392)</u>	<u>(2,181,392)</u>
Net Assets, beginning of year	<u>99,436</u>	<u>3,056,107</u>	<u>3,155,543</u>
Net Assets, end of year	<u>\$ 99,436</u>	<u>\$ 874,715</u>	<u>\$ 974,151</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2020

	Program Services			Supporting Services			Total
	Charter School	Red Cross Program	Total Program Services	General and Management	Fundraising Services	Total Supporting Services	
Salaries	\$ 4,990,497	\$ 7,031	\$ 4,997,528	\$ 1,814,710	\$ 76,918	\$ 1,891,628	\$ 6,889,156
Payroll taxes	144,342	-	144,342	130,243	14,539	144,782	289,124
Employee benefits	553,423	358	553,781	197,658	-	197,658	751,439
Equipment Lease	1,198	-	1,198	29,250	-	29,250	30,448
Occupancy	-	-	-	484,333	-	484,333	484,333
Utilities	-	-	-	405,541	-	405,541	405,541
Supplies	208,266	295	208,561	296,260	53	296,313	504,874
Repairs and Maintenance	29,873	-	29,873	205,381	311	205,692	235,565
Travel	29,648	230	29,878	3,417	85	3,502	33,380
Professional fees	201,885	-	201,885	665,006	5,491	670,497	872,382
Insurance	-	-	-	131,592	-	131,592	131,592
Miscellaneous expenses	163,792	274	164,066	388,422	523	388,945	553,011
Depreciation and amortization	-	-	-	523,138	2,425	525,563	525,563
Interest expense	-	-	-	215,876	-	215,876	215,876
	<u>\$ 6,322,924</u>	<u>\$ 8,188</u>	<u>\$ 6,331,112</u>	<u>\$ 5,490,827</u>	<u>\$ 100,345</u>	<u>\$ 5,591,172</u>	<u>\$ 11,922,284</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,181,392)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	527,891
Gain on sale of equipment	(7,997)
(Increase) decrease in Grant Receivable	1,459,964
(Increase) decrease in Prepaid	(105,759)
Increase (decrease) in Accounts Payable	(617,889)
Increase (decrease) in Deferred Revenue	330,929
Increase (decrease) in Other Liabilities	<u>(312,000)</u>
Total Adjustments	<u>1,275,139</u>
Net Cash Provided (Used) by Operating Activities	<u>(906,252)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of fixed assets	(163,805)
Sale of Fixed Asset	<u>8,089</u>
Net Cash Provided (Used) by Investing Activities	<u>(155,716)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans and line of credit	1,951,650
Repayment of Debt	<u>(745,669)</u>
Net Cash Provided (Used) by Financing Activities	<u>1,205,981</u>

NET INCREASE (DECREASE) IN CASH 144,013

CASH AT BEGINNING OF YEAR 413,468

CASH AT END OF YEAR \$ 557,481

Supplemental Disclosures of Cash Flow Information

Interest	<u><u>\$ 215,876</u></u>
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KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

A. Organization:

Kaleidoscope Youth Development Services, Inc. (Corporation), a nonprofit organization, was incorporated in the State of Texas in 1999, under the Texas Non-Profit Corporation Act. The Internal Revenue Service determined that the organization was exempt from federal income tax under section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3).

Pursuant to its charter granted by the State Board of Education in accordance with Texas Education Code Section 12, Subchapter D, Open-Enrollment Charter School, the Organization operates as part of the state public school system subject to all federal and state laws and rules governing public schools. The Organization is also subject to all laws and rules pertaining to open-enrollment charter schools in section 12 of the Texas Education Code.

The organization was formed to provide elementary educational services to children and families in the Houston area, with an elementary charter school being the primary method of service provision. The organization currently provides services to 883 children and families. It is managed by a five member Board of Directors that has the exclusive power and duty to direct the supervision, management, and administration of the Organization's activities.

The charter holder, Kaleidoscope Youth Development Services, Inc., only operates a single charter school and does not conduct any other charter or non-charter activities.

B. Summary of Significant Accounting Policies:

BASIS OF PRESENTATION

Kaleidoscope Youth Development Services, Inc. reports its financial information based on the *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 205 Presentation of Financial Statements*. Under *FASB ASC 958-205*, an organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

CLASSIFICATION OF NET ASSETS

Net assets of KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, Inc. are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions— Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restrictions – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

Restrictions may be met by the passage of time or by actions of the KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, Inc. Certain restrictions may need to be maintained in perpetuity. Earnings related to restricted net assets will be included in net assets without donor-restrictions unless otherwise specifically required to be included in donor-restricted net assets by the donor or by applicable state law. On occasion, the governing board may designate a portion of net assets without donor restrictions for a specific purpose. Designated net assets are not governed by donor-imposed restrictions and may be reversed by the governing board at any time.

SUPPORT AND REVENUE

Support and revenue are recorded based on the accrual method.

CASH DONATIONS AND DONATED SERVICES

Cash donations are considered to be available for unrestricted use unless specifically restricted by the donor. No amounts have been reflected in the financial statements for donated services since no objective basis is available to measure the value of such donations. Nevertheless, a substantial number of volunteers have donated their time in connection with the program service and administration of the Organization.

CONTRIBUTIONS

In accordance with *Financial Accounting Standards Board Accounting Standards Codification 958 Not-for-Profit Entities- 605 Revenue Recognition*, contributions received are recorded as with donor restrictions and without donor restrictions support depending on the existence or nature of any donor restrictions.

PROPERTY AND EQUIPMENT

Property and equipment purchased by Kaleidoscope Youth Development Services, Inc. are recorded at cost. Donations of property and equipment are recorded at their fair value at the date of the gift. All purchases and donations in excess of \$5,000 individually or as a group are capitalized. Depreciation is provided on the straight-line method based upon estimated useful lives of five years for equipment, furniture, and automobiles, twenty-five years for building and land improvements, and twenty-five years for buildings. Gains or losses on retired or sold property and equipment are reflected in income for the period. The proceeds from such sales which are not legally required or expected to be reinvested in property and equipment are transferred to unrestricted net assets.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

PLEDGES AND ACCOUNTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give a contribution to Kaleidoscope Youth Development Services, Inc. that is in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

No provision has been made for uncollectible promises to give and accounts receivable as of the statement of financial position date, given that none have been identified.

FUNCTIONAL EXPENSES

Expenses are charged to each program based on direct expenditures incurred. Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff, or other reasonable methods for allocating the Organization's multiple function expenditures.

INCOME TAXES

Kaleidoscope Youth Development Services, Inc. qualifies as a tax-exempt organization under section 501(c) (3) of the Internal Revenue Code and, therefore, has no provision for income taxes.

CASH AND CASH EQUIVALENTS

Kaleidoscope Youth Development Services, Inc. considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash is held in demand accounts at local banks. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The bank accounts, at times, exceeded federally insured limits. Kaleidoscope Youth Development Services, Inc. has not experienced any losses on such accounts.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values on the statement of financial position. Unrealized gains and losses are included in the change in net assets. The Academy classifies its marketable debt securities as "held to maturity" if it has the positive intent and ability to hold the securities to maturity. All other marketable securities are classified as "available for sale." Realized gains and losses and unrealized gains and losses, determined using the specific identification method, are included in the change in net assets.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

B. Summary of Significant Accounting Policies: (Continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires Kaleidoscope Youth Development Services, Inc. management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

C. Pension Plan Obligations:

Plan Description

The charter school contributes to the Teacher Retirement System of Texas (“TRS”), a cost sharing, multiple-employer defined benefit pension plan with one exception; all risks and costs are not shared by the charter school but are the liability of the State of Texas. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public-school systems of Texas.

The plan operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government code, Title 8, Chapters 803 and 805 respectively. The Texas State legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit plan. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800- 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the State and each other. Assets contributed by one charter or independent school district (“ISD”) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2020 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2020	ABO 2020	Percent Funded
TRS	\$ 184,361,871,000	\$ 218,974,205,000	75.54%

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

C. Pension Plan Obligations: (Continued)

Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) the state constitution requires the legislature to establish a member contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 1 year, the period would be increased by such action. State law provides for a member contribution rate of 7.7% for fiscal year 2020, and a state contribution rate of 7.5% for fiscal year 2020.

The charter school's employee contributions to the system for the year ended August 31, 2020 were \$1,539,116 equal to the required contributions for the year.

Other contributions made from federal and private grants and from the charter school for salaries above the statutory minimum were contributed at a rate of 7.5% totaling \$119,897 for the year ended August 31, 2020. The charter school's contributions into this plan do not represent more than 5% of the total contributions to the plan. The charter school was not assessed a surcharge.

D. Budget:

The official school budget is prepared for adoption for required Governmental Fund Types. The annual budget is adopted on a basis consistent with generally accepted accounting principles and is formally adopted by the Board of Directors.

E. Health Care Coverage:

During the year ended August 31, 2020, employees of the Corporation were covered by a Health Insurance Plan (the Plan). The Corporation contributed \$350 per month per employee, \$375 per month per employee spouse, \$400 per month per employee child and \$425 per month per employee family to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to licensed insurers.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

F. Note Payable:

The Organization's obligations under notes payable consists of the following:

Note payable to Damier Truck Financial secured by vehicles. The note is dated July 29, 2016, has a 5.1% interest rate and a face amount of \$ 185,083	\$ 55,353
Note payable to Damier Truck Financial secured by vehicles. The note is dated September 1, 2016, has a 4.49% interest rate and a face amount of \$92,591	30,731
Capital lease agreement to Ellis Industries Equipment secured by vehicles. The lease agreement is dated September 1, 2017 with an interest rate of 5% and a face amount of \$110,000.	2,988
Note payable to Capital Impact Partners. The note is dated March 30, 2018, has an interest only period of 6% from March 30, 2018 through December 31, 2018. From January 1, 2020 to the maturity date it has an interest rate of 7% and has a face amount of \$1,350,000. Secured by real estate.	1,170,253
Capital lease agreement to Leaf Capital Funding LLC. secured by equipment. The lease agreement is dated July 26, 2018 with an interest rate of 3.74% and a face amount of \$179,405.	108,702
Community Disaster Loan from FEMA, 2019. The note is dated March 15, 2019 with a face value \$ 3,169,951 and an interest rate of 2.5%. The note has a balloon payment due January 31, 2024.	3,169,951
Note payable CIT Bank, secured by equipment. The note is dated September 5, 2018, payable in 36 installments of \$682.55 with a face amount of \$20,805 and an implied rate of 11.4%	8,322
Note payable to financing company with monthly installments of \$11,039 bearing interest at 0.0% through January 01, 2021. The note is secured by interests in an insurance policy.	54,963
Emergency Injury Disaster Loan with monthly installments of \$641 bearing interest of 2.75%, starting 12-months from the date of the promissory note. Balance and principle to be payable Thirty years from the date of the promissory note.	<u>150,000</u>
Total Notes Payable	4,751,263
Less: Current portion of Notes Payable	<u>293,372</u>
Notes Payable net of current portion	<u>\$ 4,457,891</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

F. Note Payable: (Continue)

Maturities of notes payable over the next five years are as follows:

<u>Year Ending August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 293,372	\$ 168,717	\$ 462,089
2022	179,176	160,882	340,057
2023	181,481	151,586	333,067
2024	3,326,375	97,623	3,423,998
2025	623,007	83,702	706,709
Thereafter	147,852	48,561	182,498
Total	<u>\$ 4,751,263</u>	<u>\$ 711,071</u>	<u>\$ 5,448,418</u>

G. Community Disaster Loan from FEMA:

The organization received a Community Disaster Loan from FEMA for the amount of \$3,169,951 dated March 15, 2019. The loan has a maturity date of January 31, 2024 with an interest rate of 2.5%. The organization will be eligible to be reviewed for loan forgiveness in February 2022. The Community Disaster Loan has been recognized as debt. The Community Disaster Loan will be recognized as debt forgiveness once the organization has been notified by FEMA that the debt has been forgiven.

H. Paycheck Protection Program Loan:

The organization received a loan from the Paycheck Protection Program for the amount of \$1,702,666 dated April 9, 2020. The loan has a maturity date of May 4, 2022 with an interest rate of 0.98%. The organization applied for loan forgiveness on December 17, 2020. The PPP Loan has been accounted for as Debt under the provisions of FASB-ASC 470. The PPP Loan will be recognized as debt forgiveness once the organization has been notified by the SBA that the debt has been forgiven.

I. Debt Covenant:

The loan agreements contain the following restrictions and covenants:

The Organization will maintain the following ratios a Debt Service Coverage Ratio of not less than 1.20 to 1.00 to be tested yearly. The term debt service coverage ratio should mean for this loan: The Organization's annual operating EBITDA (earnings before interest, taxes, depreciation and amortization) divided by the sum of all the Organization's principal payments of long-term debt and interest expense on the debt for the year. As of 8/31/20, the Organization was not in compliance with debt covenants with a debt service ratio of (2.80). The Organization shall maintain a Leverage Ratio of not greater than 1.5:1.00. The leverage ratio is calculated as the sums of the Organization's total liabilities divided by the organization's total tangible net worth. As of 8/31/20, the Organization was not in compliance with debt covenants with a leverage ratio of 7.80.

The Organization shall maintain a Current Ratio of Current Assets to Current Liabilities of not less than 1.00:1.00. As of 8/31/20, the Organization was not in compliance with debt covenants with a current ratio of .93.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

I. Debt Covenant: (Continued)

In addition, the Organization shall maintain a minimum days cash on hand ration of not less than 20 days. The calculation is unrestricted cash divided by total operating expenses, plus interest, minus depreciation expense for the period tested, divided by the number of days in the period tested. As of 8/31/20, the Organization was not in compliance with debt covenants.

J. Liquidity and Availability of Financial Assets:

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date:

Financial assets at year-end		
Cash	\$	557,481
Accounts Receivable		1,439,419
Total Financial assets at year-end	\$	<u>1,996,900</u>
Less those unavailable for general expenditures		
within one year, due to:		
Donor-restricted imposed restrictions as to		
use or time:		-0-
Financial assets available to meet cash needs for general		
expenditure within one year	\$	<u>1,996,900</u>

The Organization manages its liquid assets conservatively within standard depository bank accounts at national banks. Cash is managed to provide sufficient funds for meeting program expenditures of the Organization.

K. Special Services Alliance for Texas Charter Cooperative:

The Rhodes School received \$185,413 federal funds to administer The Special Services Alliance for Texas Charter Cooperative (SSATCC). SSATC named The Rhodes School as the fiscal agent. SSATCC received \$151,346 in IDEA-B Formula funds respectively for the year ended August 31, 2020. SSATCC has a TEA approved Shared Services Arrangement (SSA) with the following member schools/ entities, member revenue and member expense for the year ended August 31, 2020:

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
Wallip Preparatory Academy	\$ 34,067	\$ 34,067
The Rhodes School	151,346	151,346
Total IDEA-B	<u>\$ 185,413</u>	<u>\$ 185,413</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

L. Commitments and Contingencies:

The charter school receives funds through state and federal programs that are governed by various statutes and regulations. State program funding is based primarily on student attendance data submitted to the Texas Education Agency, and it is subject to audit and adjustment. Expenses charged to federal programs are subject to audit and adjustment by the grantor agency. The programs administered by the charter school have complex compliance requirements and should state or federal auditors discover areas of noncompliance, charter school funds may be subject to refund if so, determined by the Texas Education Agency or the grantor agency. The school is economically dependent on these charter school funds.

M. Operating Lease Commitment:

Kaleidoscope Youth Development Services, Inc.'s minimum annual lease commitment is as follows:

<u>Twelve months ending August 31,</u>	<u>Amount</u>
2021	\$ 220,500
2022	220,500
2023	231,528
2024	231,528
2025	231,528
Thereafter	231,538
Total	<u>\$ 1,367,112</u>

Operating lease expense amounted to \$514,781 for the twelve months ended August 31, 2020.

N. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2020, are available for the following periods:

<u>Periods after August 31, 2020</u>	
Texas Education Agency-State	\$ 885,390
Total restricted fund	<u>\$ 885,390</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

Texas Education Agency-Federal	\$ 1,280,361
Texas Education Agency-State	10,114,546
Red Cross Program	<u>16,917</u>
Total restrictions released	<u>\$ 11,411,824</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2020

O. 2018 Harvey Supplemental Funds:

The Texas Education Agency was awarded additional supplemental funds in fall of 2020 through the U.S. Department of Education for schools impacted by Hurricane Harvey. The Rhodes School was notified of a potential grant amount of \$783,244. The Rhodes School will recognize the funds from the agency once final documentation is received. The Rhodes School anticipates receiving this documentation early January 2021.

P. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 20, 2021, the date which the financial statements were available to be issued.

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Kaleidoscope Youth Development Services, Inc.
Houston, Texas

We have audited the financial statements of Kaleidoscope Youth Development Services, Inc. (a nonprofit organization) as of and for the year ended August 31, 2020, and our report thereon dated January 20, 2021, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules for Individual Charter School dated August 31, 2020 and appearing on pages 18 to 22 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.



Houston, TX
January 20, 2021

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2020

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 557,481
Grants Receivable	1,430,379
Other Receivables	9,040
Prepaid Expenses	213,175
TOTAL CURRENT ASSETS	2,210,075
PROPERTY AND EQUIPMENT	
Land	217,172
Building and Improvements	7,260,778
Furniture and Equipment	1,083,391
Vehicles	416,507
	8,977,848
Less: Accumulated Depreciation	(2,377,368)
	6,600,480
TOTAL ASSETS	\$ 8,810,555
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 436,227
Accrued Expenses	14,938
Accrued Payroll Liabilities	205,381
Payroll Tax Liabilities	272,353
Interest Payable	116,647
Deferred Revenue	336,929
Current Portion Paycheck Protection Program Loan	709,444
Current Portion Notes Payable	293,372
TOTAL CURRENT LIABILITIES	2,385,291
NONCURRENT LIABILITIES	
Noncurrent portion of Payment Protection Program Loan	993,222
Noncurrent portion of Notes Payable	4,457,891
TOTAL NONCURRENT LIABILITIES	5,451,113
TOTAL LIABILITIES	7,836,404
NET ASSETS	
Without Donor Restrictions	82,519
With Donor Restrictions	891,632
TOTAL NET ASSETS	974,151
TOTAL LIABILITIES NET ASSETS	\$ 8,810,555

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Local Support:			
5740 Other Revenues from Local Sources	\$ 486,570	\$ -	\$ 486,570
5750 Revenue from Cocurricular Activities	21,944	-	21,944
Total Local Support	<u>508,514</u>	<u>-</u>	<u>508,514</u>
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	7,747,618	7,747,618
5820 State Program Revenues Distributed by Texas Education Agency	-	213,128	213,128
Total State Program Revenues	<u>-</u>	<u>7,960,746</u>	<u>7,960,746</u>
Federal Program Revenues:			
5920 Federal Revenues Distributed by by Texas Education Agency	-	728,969	728,969
5930 Federal Revenues Distributed by Other Government Agencies	-	551,392	551,392
Total Federal Program Revenues	<u>-</u>	<u>1,280,361</u>	<u>1,280,361</u>
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	11,405,582	(11,405,582)	-
Total Revenues	<u>11,914,096</u>	<u>(2,164,475)</u>	<u>9,749,621</u>
Expenses			
11 Instruction	4,998,587	-	4,998,587
12 Instructional Resources and Media Services	75,498	-	75,498
13 Curriculum Development and Instructional Staff Development	210,488	-	210,488
21 Instructional Leadership	299,125	-	299,125
23 School Leadership	739,127	-	739,127
31 Guidance, Counseling and Evaluating Services	251,798	-	251,798
32 Social Work Services	-	-	-
33 Health Services	58,550	-	58,550
34 Student (Pupil) Transportation	483,714	-	483,714
35 Food Services	480,353	-	480,353
36 Cocurricular/Extracurricular Activities	14,062	-	14,062
41 General Administration	1,086,494	-	1,086,494
51 Plant Maintenance and Operations	2,287,151	-	2,287,151
52 Security and Monitoring Services	8,989	-	8,989
53 Data Processing Services	425,388	-	425,388
61 Community Services	178,551	-	178,551
71 Debt Service	215,876	-	215,876
81 Fundraising	100,345	-	100,345
Total Expenses	<u>11,914,096</u>	<u>-</u>	<u>11,914,096</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>(2,164,475)</u>	<u>(2,164,475)</u>
NET ASSETS, beginning of year	<u>82,519</u>	<u>3,056,107</u>	<u>3,138,626</u>
NET ASSETS, end of year	<u>\$ 82,519</u>	<u>\$ 891,632</u>	<u>\$ 974,151</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (2,164,475)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	527,891
Gain on sale of equipment	(7,997)
(Increase) decrease in Grant Receivable	1,459,964
(Increase) decrease in Prepaid	(105,759)
Increase (decrease) in Accounts Payable	(570,749)
Increase (decrease) in Deferred Revenue	330,929
Increase (decrease) in Other Liabilities	<u>(312,000)</u>
Total Adjustments	<u>1,322,280</u>
Net Cash Provided (Used) by Operating Activities	<u>(842,195)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of fixed assets	(163,805)
Sale of Fixed Asset	<u>8,089</u>
Net Cash Provided (Used) by Investing Activities	<u>(155,716)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans and line of credit	1,951,650
Repayment of Debt	<u>(745,669)</u>
Net Cash Provided (Used) by Financing Activities	<u>1,205,981</u>

NET INCREASE (DECREASE) IN CASH 208,070

CASH AT BEGINNING OF YEAR 349,411

CASH AT END OF YEAR \$ 557,481

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For:

Interest	<u>\$ 215,876</u>
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KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020

EXPENSES

6100 Payroll Costs	\$ 7,924,755
6200 Professional and Contracted Services	2,028,268
6300 Supplies and Materials	504,579
6400 Other Operating Costs	1,240,618
6500 Debt	215,876
Total Expenses	<u>\$ 11,914,096</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 THE RHODES SCHOOL
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2020

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 557,481	\$ -
1510 Land and Improvements	-	217,172	-
1520 Building and Improvements	264,878	5,739,982	1,255,918
1531 Vehicles	-	416,507	-
1549 Furniture and Equipment	-	731,519	351,872
Total Capital Assets	<u>\$ 264,878</u>	<u>\$ 7,662,661</u>	<u>\$ 1,607,790</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2020

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 584,358	\$ 508,822	\$ 486,570	\$ (22,252)
5750 Revenue from Cocurricular Activities	5,500	21,899	21,944	45
Total Local Support	<u>589,858</u>	<u>530,721</u>	<u>508,514</u>	<u>(22,207)</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	9,082,357	8,391,072	7,747,618	(643,454)
5820 State Program Revenues Distributed by Texas Education Agency	233,545	234,095	213,128	(20,967)
Total State Program Revenues	<u>9,315,902</u>	<u>8,625,167</u>	<u>7,960,746</u>	<u>(664,421)</u>
Federal Program Revenues:				
5920 USDA Donated Commodities	1,018,986	912,244	728,969	(183,275)
5930 Federal Revenues Distributed by Other Government Agencies	-	453,966	551,392	97,426
5940 Federal Revenues Distributed Directly from Federal Government	-	1,702,666	-	(1,702,666)
Total Federal Program Revenues	<u>1,018,986</u>	<u>3,068,876</u>	<u>1,280,361</u>	<u>(1,788,515)</u>
Total Revenues	<u>10,924,746</u>	<u>12,224,764</u>	<u>9,749,621</u>	<u>(2,475,143)</u>
EXPENSES				
11 Instruction	5,220,031	4,972,087	4,998,587	(26,500)
12 Instructional Resources and Media Services	77,266	77,358	75,498	1,860
13 Curriculum Development and Instructional Staff Development	304,984	301,397	210,488	90,909
21 Instructional Leadership	458,320	288,878	299,125	(10,247)
23 School Leadership	690,191	697,886	739,127	(41,241)
31 Guidance, Counseling and Evaluating Services	445,787	293,281	251,798	41,483
33 Health Services	68,102	58,621	58,550	71
34 Student (Pupil) Transportation	764,164	523,862	483,714	40,148
35 Food Services	488,121	468,040	480,353	(12,313)
36 Cocurricular/Extracurricular Activities	16,787	14,100	14,062	38
41 General Administration	983,223	1,149,185	1,086,494	62,691
51 Plant Maintenance and Operations	2,456,408	2,398,664	2,287,151	111,513
52 Security and Monitoring Services	25,768	38,068	8,989	29,079
53 Data Processing Services	435,195	411,821	425,388	(13,567)
61 Community Services	95,581	182,964	178,551	4,413
71 Debt Service	314,575	222,477	215,876	6,601
81 Fundraising	122,661	45,709	100,345	(54,636)
Total Expenses	<u>12,967,164</u>	<u>12,144,398</u>	<u>11,914,096</u>	<u>230,302</u>
CHANGE IN NET ASSETS	<u>(2,042,418)</u>	<u>80,366</u>	<u>(2,164,475)</u>	<u>(2,244,841)</u>
NET ASSETS, beginning of year	<u>3,138,626</u>	<u>3,138,626</u>	<u>3,138,626</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 1,096,208</u>	<u>\$ 3,218,992</u>	<u>\$ 974,151</u>	<u>\$ (2,244,841)</u>

See accompanying notes to financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Kaleidoscope Youth Development Services, Inc.
Houston, Texas

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 Kaleidoscope Youth Development Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of August 31, 2020, 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 January 20, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Kaleidoscope Youth Development Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Kaleidoscope Youth Development Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

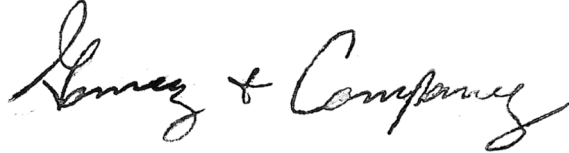
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kaleidoscope Youth Development Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in cursive script that reads "Ramirez & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
January 20, 2021

GOMEZ & COMPANY

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Kaleidoscope Youth Development Services, Inc.
Houston, Texas

Report on Compliance for Each Major Federal Program

We have audited Kaleidoscope Youth Development Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kaleidoscope Youth Development Services, Inc.'s major federal programs for the year ended August 31, 2020. Kaleidoscope Youth Development Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Kaleidoscope Youth Development Services, 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 August 31, 2020.

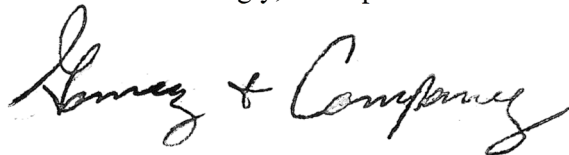
Report on Internal Control Over Compliance

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

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

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

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

A handwritten signature in cursive script, appearing to read "Honey & Company".

Houston, TX
January 20, 2021

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2020

Summary of Audit Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses on internal control over financial statements.
3. No instances of noncompliance material to the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses on internal control over major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major programs.
6. The audit did not disclose any audit findings which are required to be reported in accordance with 2 CFR section 200.516(a).
7. Major programs:
 - U.S. Department of Education
 - Passed – Through Texas Education Agency
 - National School Lunch Program* CFDA Number 10.555
 - School Breakfast Program* CFDA Number 10.553
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000
9. Kaleidoscope Youth Development Services, Inc. does qualify as a low-risk auditee.

<u>Current Year Findings</u>	<u>Questioned Costs</u>
No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a).	\$ -0-

*Denotes a cluster.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2020

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a). for the period ended August 31, 2019.

\$ -0-

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Federal Grantor/ Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass - Through Entity Identifying Number	Federal Expenditures	Amount Relating to Subrecipients
<u>U.S. Department of Education</u>				
Passed - Through Texas Education Agency:				
Title I, Part A, School Improvement	84.010A	20610100000000	\$ 207,529	\$
Title I, Part A, School Improvement	84.010A	20610101101861	19,312	
Idea - B Formula	84.027A	206600000000000000	138,198	34,067
Idea - B Formula	84.027A	206600011018616000	13,148	
Idea - B Preschool	84.173A	206610000000000000	4,103	
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	20694500000000	5,213	
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	20694501101861	21,641	
Title IV, Part A, Subpart 1	84.424A	20680100000000	1,800	
Title IV, Part A, Subpart 1	84.424A	20680101101861	6,443	
Restart Hurricane Recovery	84.938A	18511700000000	25,000	
Total U.S. Department of Education			<u>442,387</u>	<u>34,067</u>
<u>U.S. Department of Agriculture</u>				
Passed - Through Texas Education Agency				
Federal Food Service Reimbursement				
School Breakfast	10.553	71402001	86,295	
National School Lunch	10.555	71302001	160,665	
Passed - Through Texas Department of Agriculture				
USDA Commodity Food Distribution	10.555		39,622	-
Total U.S. Department of Agriculture			<u>286,582</u>	<u>-</u>
<u>U.S. Department of the Treasury</u>				
Passed - Through Texas Division of Emergency Management				
COVID-19 Coronavirus Relief Fund	21.019	2020-CF-21019	87,426	-
Total U.S. Department of the Treasury			<u>87,426</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 816,395</u>	<u>\$ 34,067</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2020

NOTE 1- SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of federal awards (the Schedule) includes the federal grant activity of Kaleidoscope Youth Development Services, Inc. under programs of the federal government for the year ended August 31, 2020. 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 operation of Kaleidoscope Youth Development Services, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Kaleidoscope Youth Development Services, Inc.

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.

Pass-through entity identifying numbers are presented where available.

Indirect Cost Rate

Kaleidoscope Youth Development Services, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 2 – OTHER SOURCES OF FEDERAL REVENUES

Other sources of federal revenues are \$453,966 reimbursement from FEMA expenditures in prior years and \$10,000 from the Economic Injury Disaster Loan Emergency Advance, which are not includible in the current Schedule of Expenditures of Federal Awards (SEFA).

Reconciliation of Federal Revenues and (SEFA):

Total expenditure of federal awards per the SEFA	\$ 816,395
FEMA Revenue / Expenditures	453,966
Economic Injury Disaster Loan Emergency Advance	<u>10,000</u>
Total Federal Revenue per the Statement of Activities	\$ 1,280,361