

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2021

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

CERTIFICATE OF BOARD
August 31, 2021

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Kaleidoscope Youth Development Services, Inc. was reviewed and X approved _____ disapproved for the year ended August 31, 2021, at a meeting of the governing body of said charter school on the 21 day of January, 2022.

DocuSigned by:
Brittany Hill
773D9521BB6B43B...

Signature of Board Secretary

DocuSigned by:
[Signature]
E5524FEE1665435...

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, 2021, 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, 2021 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.

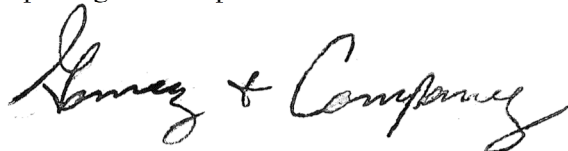
Other Matters

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 18, 2022, 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.



Houston, TX
January 18, 2022

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF FINANCIAL POSITION

AUGUST 31, 2021

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 2,456,542
Grants Receivable	750,338
Other Receivables	670
Prepaid Expenses	86,419
TOTAL CURRENT ASSETS	<u>3,293,969</u>
PROPERTY AND EQUIPMENT	
Land	217,172
Building and Improvements	7,260,778
Furniture and Equipment	1,119,867
Vehicles	425,318
	<u>9,023,135</u>
Less: Accumulated Depreciation	<u>(2,916,779)</u>
	<u>6,106,356</u>
TOTAL ASSETS	<u>\$ 9,400,325</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 386,694
Accrued Expenses	14,931
Accrued Payroll Liabilities	195,746
Payroll Tax Liabilities	157,302
Interest Payable	200,003
Current Portion Paycheck Protection Program Loan	53,505
Current Portion Notes Payable	173,650
TOTAL CURRENT LIABILITIES	<u>1,181,831</u>
NONCURRENT LIABILITIES	
Noncurrent portion of Payment Protection Program Loan	1,551,657
Noncurrent portion of Notes Payable	4,264,980
TOTAL NONCURRENT LIABILITIES	<u>5,816,637</u>
TOTAL LIABILITIES	<u>6,998,468</u>
NET ASSETS	
Without Donor Restrictions	99,436
With Donor Restrictions	2,302,421
TOTAL NET ASSETS	<u>2,401,857</u>
TOTAL LIABILITIES NET ASSETS	<u>\$ 9,400,325</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Federal Program Revenues	\$ -	\$ 3,751,403	\$ 3,751,403
State Program Revenues	-	7,878,106	7,878,106
Local Support	417,627	-	417,627
Net Assets Released from Restrictions:	10,201,803	(10,201,803)	-
Total Revenues	<u>10,619,430</u>	<u>1,427,706</u>	<u>12,047,136</u>
EXPENSES			
Program Services			
Instruction and Instructional - Related Services	4,518,366	-	4,518,366
Instructional and School Leadership	812,547	-	812,547
Ancillary Services	202,744	-	202,744
Support Services - Student (Pupil)	913,737	-	913,737
Total Program Services	<u>6,447,394</u>	<u>-</u>	<u>6,447,394</u>
Support Services			
Administrative Support Services	1,213,088	-	1,213,088
Support Services - Non-Student Based	2,657,504	-	2,657,504
Debt Service	189,764	-	189,764
Fundraising	111,680	-	111,680
Total Support Services	<u>4,172,036</u>	<u>-</u>	<u>4,172,036</u>
Total Expenses	<u>10,619,430</u>	<u>-</u>	<u>10,619,430</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>1,427,706</u>	<u>1,427,706</u>
NET ASSETS, BEGINNING OF YEAR	<u>99,436</u>	<u>874,715</u>	<u>974,151</u>
NET ASSETS, END OF YEAR	<u>\$ 99,436</u>	<u>\$ 2,302,421</u>	<u>\$ 2,401,857</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2021

	Program Services		Supporting Services			Total
	Charter School	General and Management	Fundraising Services	Total Supporting Services		
Salaries	\$ 4,953,411	\$ 1,149,370	\$ 76,994	\$ 1,226,364	\$ 6,179,775	
Payroll taxes	109,435	20,961	\$ 3,198	24,159	133,594	
Employee benefits	561,347	117,155	\$ 5,473	122,628	683,975	
Equipment Lease	-	391,625	\$ -	391,625	391,625	
Occupancy	-	-	\$ -	-	-	
Utilities	-	348,253	\$ -	348,253	348,253	
Supplies	256,202	279,538	\$ -	279,538	535,740	
Repairs and Maintenance	44,763	186,501	\$ -	186,501	231,264	
Travel	2,109	1,400	\$ -	1,400	3,509	
Professional fees	339,090	566,955	\$ 17,070	584,025	923,115	
Insurance	18,981	118,169	\$ -	118,169	137,150	
Miscellaneous expenses	157,725	155,585	\$ 8,945	164,530	322,255	
Depreciation and amortization	4,331	535,080	-	535,080	539,411	
Interest expense	-	189,764	-	189,764	189,764	
	<u>\$ 6,447,394</u>	<u>\$ 4,060,356</u>	<u>\$ 111,680</u>	<u>\$ 4,172,036</u>	<u>\$ 10,619,430</u>	

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,427,706
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	539,411
(Increase) decrease in Grant Receivable	688,411
(Increase) decrease in Prepaid	126,756
Increase (decrease) in Accounts Payable	(49,533)
Increase (decrease) in Deferred Revenue	(336,929)
Increase (decrease) in Other Liabilities	(41,338)
	926,778
Total Adjustments	926,778
Net Cash Provided (Used) by Operating Activities	2,354,484

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of fixed assets	(45,287)
	(45,287)
Net Cash Provided (Used) by Investing Activities	(45,287)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from loans and line of credit	1,605,162
Repayment of Debt	(2,015,298)
	(410,136)
Net Cash Provided (Used) by Financing Activities	(410,136)

NET INCREASE (DECREASE) IN CASH 1,899,061

CASH AT BEGINNING OF YEAR 557,481

CASH AT END OF YEAR \$ 2,456,542

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For:

Interest	\$ 189,764
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KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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, 2021

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, 2021

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, 2021

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, 2021 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2021	ABO 2021	Percent Funded
TRS	\$ 223,172,755,000	\$ 227,273,464,000	88.79%

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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 2021, and a state contribution rate of 7.5% for fiscal year 2021.

The charter school's employee contributions to the system for the year ended August 31, 2021 were \$510,578 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 \$106,455 for the year ended August 31, 2021. 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, 2021, 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, 2021

F. Note Payable:

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

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. An amendment to this loan was made on September 21, 2021 to reflect the sale of a portion of the property originally secured by the loan. The loan amount has been reduced as a result of the sale.	\$ 1,045,920
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.	72,759
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
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	4,438,630
Less: Current portion of Notes Payable	<u>173,650</u>
Notes Payable net of current portion	<u>\$ 4,264,980</u>

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>
2022	\$ 173,650	\$ 160,544	\$ 334,194
2023	181,471	151,586	333,057
2024	3,326,375	97,623	3,423,998
2025	623,007	83,702	706,709
2026	134,127	0	134,127
Total	<u>\$ 4,438,630</u>	<u>\$ 493,455</u>	<u>\$ 4,932,085</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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 had a maturity date of January 31, 2024 with an interest rate of 2.5%. On September 30, 2021, the United States Congress passed the Extending Government Funding and Delivering Emergency Assistance Act which canceled repayments of the remaining balances of all community disasters.

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 had a maturity date of May 4, 2022 with an interest rate of 0.98%. The PPP Loan was accounted for as Debt under the provisions of FASB-ASC 470. The organization applied for loan forgiveness on December 17, 2020 and the loan was forgiven on July 19, 2021.

The organization received a second loan from the Paycheck Protection Program for the amount of \$1,605,162 dated March 16, 2021. The loan had a maturity date of March 16, 2026 with an interest rate of 0.98%. The PPP Loan was accounted for as Debt under the provisions of FASB-ASC 470. The organization applied for loan forgiveness on October 21, 2021 and the loan was forgiven on November 9, 2021.

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 8/31/21, the Organization was in compliance with debt covenants with a debt service ratio of 5.37. 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 8/31/21, the Organization was not in compliance with debt covenants with a leverage ratio of 2.91.

The Organization shall maintain a Current Ratio of Current Assets to Current Liabilities of not less than 1.00:1.00. As of 8/31/21, the Organization was in compliance with debt covenants with a current ratio of 2.79.

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 8/31/21, the Organization was in compliance with debt covenants.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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	\$	2,456,542
Accounts Receivable		750,891
Other Receivables		670
Total Financial assets at year-end	\$	3,208,103
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	\$	3,208,103

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 \$220,516 federal funds to administer The Special Services Alliance for Texas Charter Cooperative (SSATCC). SSATC named The Rhodes School as the fiscal agent. SSATCC received \$170,668 in IDEA-B Formula funds respectively for the year ended August 31, 2021. 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, 2021:

<u>Member/ Entity</u>	<u>Revenue</u>	<u>Expense</u>
Wallip Preparatory Academy	\$ 49,847	\$ 49,847
The Rhodes School	170,668	170,668
Total IDEA-B	\$ 220,515	\$ 220,515

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.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2021

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>
2022	\$ 220,500
2023	231,528
2024	231,528
2025	231,528
2026	231,528
Total	<u>\$ 1,146,612</u>

Operating lease expense amounted to \$391,625 for the twelve months ended August 31, 2021.

N. Lawsuit:

The organization is involved in litigation in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect of the financial position of the company.

O. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2021, are available for the following periods:

<u>Periods after August 31, 2021</u>	
Texas Education Agency-State	\$ 2,302,421
Total restricted fund	<u>\$ 2,302,421</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	\$ 2,028,296
Texas Education Agency-State	6,450,400
Paycheck Protection Program Loan	<u>1,723,107</u>
Total restrictions released	<u>\$ 10,201,803</u>

P. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 18, 2022, 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, 2021, and our report thereon dated January 18, 2022, 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, 2021 and appearing on pages 17 to 20 and on pages 29 to 30 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 18, 2022

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Local Support:			
5740 Other Revenues from Local Sources	\$ 417,627	\$ -	\$ 417,627
Total Local Support	417,627	-	417,627
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	7,833,121	7,833,121
5820 State Program Revenues Distributed			
by Texas Education Agency	-	44,985	44,985
Total State Program Revenues	-	7,878,106	7,878,106
Federal Program Revenues:			
5920 Federal Revenues Distributed by			
by Texas Education Agency	-	2,028,297	2,028,297
5940 Federal Revenues Distributed by			
from the Federal Government	-	1,723,106	1,723,106
Total Federal Program Revenues	-	3,751,403	3,751,403
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	10,201,803	(10,201,803)	-
Total Revenues	10,619,430	1,427,706	12,047,136
Expenses			
11 Instruction	4,188,440	-	4,188,440
12 Instructional Resources and Media Services	30,078	-	30,078
13 Curriculum Development and Instructional			
Staff Development	299,847	-	299,847
21 Instructional Leadership	156,791	-	156,791
23 School Leadership	655,757	-	655,757
31 Guidance, Counseling and Evaluating Services	284,290	-	284,290
32 Social Work Services	-	-	-
33 Health Services	161,276	-	161,276
34 Student (Pupil) Transportation	393,799	-	393,799
35 Food Services	355,762	-	355,762
36 Cocurricular/Extracurricular Activities	2,900	-	2,900
41 General Administration	928,798	-	928,798
51 Plant Maintenance and Operations	2,133,578	-	2,133,578
52 Security and Monitoring Services	32,712	-	32,712
53 Data Processing Services	491,214	-	491,214
61 Community Services	202,744	-	202,744
71 Debt Service	189,764	-	189,764
81 Fundraising	111,680	-	111,680
Total Expenses	10,619,430	-	10,619,430
CHANGE IN NET ASSETS	-	1,427,706	1,427,706
NET ASSETS, beginning of year	99,436	874,715	974,151
NET ASSETS, end of year	\$ 99,436	\$ 2,302,421	\$ 2,401,857

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2021

EXPENSES

6100 Payroll Costs	\$ 6,997,344
6200 Professional and Contracted Services	1,894,258
6300 Supplies and Materials	586,456
6400 Other Operating Costs	951,608
6500 Debt	189,764
Total Expenses	<u>\$ 10,619,430</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 THE RHODES SCHOOL
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2021

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 2,456,542	\$ -
1510 Land and Improvements	-	217,172	-
1520 Building and Improvements	-	7,260,778	-
1531 Vehicles	-	425,318	-
1549 Furniture and Equipment	-	1,119,867	-
Total Capital Assets	\$ -	\$ 11,479,677	\$ -

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 865,476	\$ 417,066	\$ 417,627	\$ 561
Total Local Support	<u>865,476</u>	<u>417,066</u>	<u>417,627</u>	<u>561</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	7,327,327	7,933,444	7,833,121	(100,323)
5820 State Program Revenues Distributed by Texas Education Agency	-	-	-	-
by Texas Education Agency	-	49,578	44,985	(4,593)
Total State Program Revenues	<u>7,327,327</u>	<u>7,983,022</u>	<u>7,878,106</u>	<u>(104,916)</u>
Federal Program Revenues:				
5920 USDA Donated Commodities	1,260,426	2,119,464	2,028,297	(91,167)
5930 Federal Revenues Distributed by Other Government Agencies	-	-	-	-
5940 Federal Revenues Distributed Directly from Federal Government	-	1,702,666	1,723,106	20,440
Total Federal Program Revenues	<u>1,260,426</u>	<u>3,822,130</u>	<u>3,751,403</u>	<u>(70,727)</u>
Total Revenues	<u>9,453,229</u>	<u>12,222,218</u>	<u>12,047,136</u>	<u>(175,082)</u>
EXPENSES				
11 Instruction	4,123,523	4,199,871	4,188,440	11,431
12 Instructional Resources and Media Services	76,526	29,182	30,078	(896)
13 Curriculum Development and Instructional Staff Development	204,207	297,138	299,847	(2,709)
21 Instructional Leadership	210,808	154,866	156,791	(1,925)
23 School Leadership	670,782	651,887	655,757	(3,870)
31 Guidance, Counseling and Evaluating Services	296,667	319,483	284,290	35,193
33 Health Services	76,337	166,436	161,276	5,160
34 Student (Pupil) Transportation	377,260	398,878	393,799	5,079
35 Food Services	410,251	359,164	355,762	3,402
36 Cocurricular/Extracurricular Activities	-	2,900	2,900	-
41 General Administration	822,698	923,706	928,798	(5,092)
51 Plant Maintenance and Operations	1,959,954	2,093,052	2,133,578	(40,526)
52 Security and Monitoring Services	6,561	32,987	32,712	275
53 Data Processing Services	355,744	512,216	491,214	21,002
61 Community Services	186,107	207,885	202,744	5,141
71 Debt Service	189,310	169,340	189,764	(20,424)
81 Fundraising	10,000	110,810	111,680	(870)
Total Expenses	<u>9,976,735</u>	<u>10,629,801</u>	<u>10,619,430</u>	<u>10,371</u>
CHANGE IN NET ASSETS	<u>(523,506)</u>	<u>1,592,417</u>	<u>1,427,706</u>	<u>(164,711)</u>
NET ASSETS, beginning of year	<u>974,151</u>	<u>974,151</u>	<u>974,151</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 450,645</u>	<u>\$ 2,566,568</u>	<u>\$ 2,401,857</u>	<u>\$ (164,711)</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, 2021, 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 18, 2022.

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.

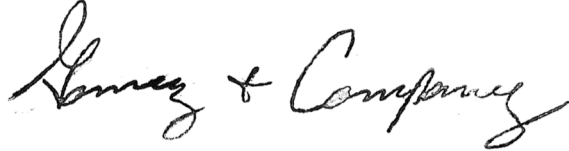
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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 "Honey & Company". The signature is written in black ink and is positioned above the typed text.

Houston, TX
January 18, 2022

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, 2021. 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, 2021.

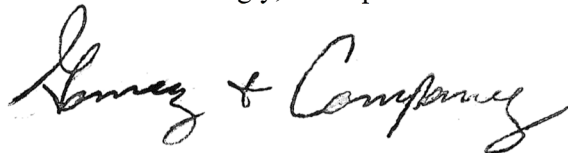
Report on Internal Control Over Compliance

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 18, 2022

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2021

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
Restart Hurricane Recovery

CFDA Number 84.938A
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-

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2021

No audit findings were noted as per governmental auditing standards and 2 CFR section 200.516(a). for the period ended August 31, 2020.

\$ -0-

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

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	20610101101861	\$ 349,728	\$
Title I, Part A, School Improvement	84.010A	21610101101861	7,767	
Idea - B Formula	84.027A	206600011018616000	49,246	
Idea - B Formula	84.027A	216600011018616000	121,422	49,847
Idea - B Preschool	84.173A	216610011018616000	3,787	
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	20694501101861	14,411	
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	21694501101861	29,753	
Title IV, Part A, Subpart 1	84.424A	20680101101861	11,445	
Title IV, Part A, Subpart 1	84.424A	21680101101861	22,142	
School Improvement Grant	84.377A	17610740101861	6,394	
Restart Hurricane Recovery	84.938A	21511704101861	783,244	
Total U.S. Department of Education, non-COVID-19 Assistance			<u>1,399,339</u>	<u>49,847</u>
<i>COVID-19</i> - Elementary and Secondary School Emergency Relief Fund (ESSER) of the Coronavirus Aid, Relief, and Economic Security (CARES) Act	84.425D	20521001101861	207,063	
<i>COVID-19</i> - American Rescue Plan Elementary and Secondary School Emergency Relief (ARP ESSER) Fund	84.425U	21528001101861	195,534	
Total U.S. Department of Education, COVID-19 Assistance			<u>402,597</u>	
Total U.S. Department of Education			<u>1,801,936</u>	<u>49,847</u>
<u>U.S. Department of Agriculture</u>				
Passed - Through Texas Education Agency				
Federal Food Service Reimbursement				
School Breakfast	10.553	71402001	3,218	
School Breakfast	10.553	71402101	48,285	
National School Lunch	10.555	71302001	4,903	
National School Lunch	10.555	71302101	93,595	
			<u>150,001</u>	
Passed - Through Texas Department of Agriculture				
USDA Commodity Food Distribution	10.555		4,344	-
Total U.S. Department of Agriculture, non-COVID-19 Assistance			<u>154,345</u>	<u>-</u>
Passed - Through Texas Department of Agriculture				
<i>COVID-19</i> - Emergency Operations Cost Reimbursement	10.55		72,016	-
Total U.S. Department of Agriculture, COVID-19 Assistance			<u>72,016</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 226,361</u>	<u>\$ -</u>
Total Expenditures of Federal Awards			<u>\$ 2,028,297</u>	<u>\$ 49,847</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021. 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 source of federal revenues is \$1,723,106 of debt forgiveness from the Paycheck Protection Program Loan dated April 9, 2020, which is 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	\$ 2,028,297
Paycheck Protection Program Loan	1,723,106
Total Federal Revenue per the Statement of Activities	<u>\$ 3,751,403</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 THE RHODES SCHOOL
 SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
 FOR THE YEAR ENDED AUGUST 31, 2021

Description (List each parcel separately)	Property Address	Total Assessed	Ownership Interest-Local	Ownership Interest-State	Ownership Interest-Federal
B Block 1	13334 Wallisville RD Houston, TX 77049	\$ 2,644,810		\$ 2,644,810	
Lot 31 and Lot 34 of Old Riber Acres, Section 1	1215 Pecan Street Channelview, TX 77530	1,358,814		1,358,814	
Lot 47 through Lot 51, Block 9 of Houmont Park	12822 Unison RD Houston, TX 77044	752,774		752,774	

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 THE RHODES SCHOOL
 SCHEDULE OF RELATED PARTY TRANSACTIONS
 FOR THE YEAR ENDED AUGUST 31, 2021

Related Party Name	Name of Relation to the Related Party	Relationship	Types of Transactions	Description of Terms and Conditions	Source of Fund Used	Payment Frequency	Total Paid During FY	Principal Balance Due
MB Financial Consulting Services	Ashley Miller	Sister-in-law	Consulting Services		State	Monthly	\$108,000.00	