

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

FOR THE YEAR ENDED AUGUST 31, 2023



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

CERTIFICATE OF BOARD
August 31, 2023

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, 2023, at a meeting of the governing body of said charter school on the 26 day of January, 2024.



Signature of Board Secretary



Signature of Board President

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Kaleidoscope Youth Development Services, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2023 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

LOUISIANA • TEXAS

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

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

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

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (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 schedule of expenditures 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 24, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 the Organization's internal control over financial reporting and compliance.



A Professional Accounting Corporation

Houston, TX
January 24, 2024

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2023

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	\$ 1,713,690
Grants Receivable	1,726,791
Other Receivables	23,142
Prepaid Expenses	148,772
TOTAL CURRENT ASSETS	3,612,395
PROPERTY AND EQUIPMENT	
Land	23,050
Building and Improvements	6,393,801
Furniture and Equipment	1,028,405
Vehicles	620,485
	8,065,741
Less: Accumulated Depreciation	(3,106,129)
	4,959,612
OTHER ASSETS	
Right of Use Asset, Operating Lease, Net	808,262
Total Other Assets	808,262
TOTAL ASSETS	\$ 9,380,269
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts Payable	\$ 472,724
Accrued Expenses	148,278
Accrued Payroll Liabilities	262,284
Payroll Tax Liabilities	45,194
Interest Payable	5,598
Current Portion Operating Lease Payable	265,027
Current Portion Notes Payable	130,600
Other Liabilities	23,424
TOTAL CURRENT LIABILITIES	1,353,129
NONCURRENT LIABILITIES	
Operating Lease Payable, Net of Current Portion	543,235
Noncurrent portion of Notes Payable	428,842
TOTAL NONCURRENT LIABILITIES	972,077
TOTAL LIABILITIES	2,325,206
NET ASSETS	
Without Donor Restrictions	99,436
With Donor Restrictions	6,955,627
TOTAL NET ASSETS	7,055,063
TOTAL LIABILITIES NET ASSETS	\$ 9,380,269

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Federal Program Revenues	\$ -	\$ 5,040,531	\$ 5,040,531
State Program Revenues	-	6,375,270	6,375,270
Local Support	2,469,350	-	2,469,350
Net Assets Released from Restrictions:	9,892,053	(9,892,053)	-
Total Revenues	<u>12,361,403</u>	<u>1,523,748</u>	<u>13,885,151</u>
EXPENSES			
Program Services			
Instruction and Instructional - Related Services	6,291,903	-	6,291,903
Instructional and School Leadership	964,143	-	964,143
Ancillary Services	236,415	-	236,415
Support Services - Student (Pupil)	1,478,539	-	1,478,539
Total Program Services	<u>8,971,000</u>	<u>-</u>	<u>8,971,000</u>
Support Services			
Administrative Support Services	985,293	-	985,293
Support Services - Non-Student Based	2,292,802	-	2,292,802
Debt Service	34,397	-	34,397
Fundraising	77,911	-	77,911
Total Support Services	<u>3,390,403</u>	<u>-</u>	<u>3,390,403</u>
Total Expenses	<u>12,361,403</u>	<u>-</u>	<u>12,361,403</u>
CHANGE IN NET ASSETS	<u>-</u>	<u>1,523,748</u>	<u>1,523,748</u>
NET ASSETS, BEGINNING OF YEAR	<u>99,436</u>	<u>5,431,879</u>	<u>5,531,315</u>
NET ASSETS, END OF YEAR	<u>\$ 99,436</u>	<u>\$ 6,955,627</u>	<u>\$ 7,055,063</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Program Services</u>	<u>Supporting Services</u>			
	<u>Charter School</u>	<u>General and Management</u>	<u>Fundraising Services</u>	<u>Total Supporting Services</u>	<u>Total</u>
Salaries	\$ 5,699,776	\$ 785,180	\$ -	\$ 785,180	\$ 6,484,956
Payroll taxes	96,086	11,722	-	11,722	107,808
Employee benefits	652,061	84,338	53	84,391	736,452
Equipment Lease	-	266,872	-	266,872	266,872
Occupancy	-	5,583	-	5,583	5,583
Utilities	-	352,883	-	352,883	352,883
Supplies	983,053	144,034	-	144,034	1,127,087
Repairs and Maintenance	69,536	376,125	-	376,125	445,661
Travel	94,177	15,111	-	15,111	109,288
Professional fees	1,046,238	532,498	77,832	610,330	1,656,568
Insurance	-	163,053	-	163,053	163,053
Miscellaneous expenses	323,733	145,695	26	145,721	469,454
Depreciation and amortization	6,340	395,001	-	395,001	401,341
Interest expense	-	34,397	-	34,397	34,397
	<u>\$ 8,971,000</u>	<u>\$ 3,312,492</u>	<u>\$ 77,911</u>	<u>\$ 3,390,403</u>	<u>\$ 12,361,403</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED AUGUST 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 1,523,748
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	401,341
Gain/Loss on sale of Property and Equipment	2,163
(Increase) decrease in Grants Receivable	(958,352)
(Increase) decrease in Prepaid Expenses	(31,909)
(Increase) decrease in Right of Use Assets for Operating Leases	(808,262)
Increase (decrease) in Accounts Payable	90,329
Increase (decrease) in Deferred Revenue	1,225
Increase (decrease) in Operating Lease Payable	808,262
Increase (decrease) in Other Liabilities	(77,526)
Total Adjustments	<u>(572,729)</u>
Net Cash Provided (Used) by Operating Activities	<u>951,019</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid for purchases of Property and Equipment	<u>(72,656)</u>
Net Cash Provided (Used) by Investing Activities	<u>(72,656)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of Debt Notes Payable	<u>(155,385)</u>
Net Cash Provided (Used) by Financing Activities	<u>(155,385)</u>

NET INCREASE (DECREASE) IN CASH 722,978

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 990,712

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 1,713,690

Supplemental Disclosures of Cash Flow Information

Cash Paid During the Year For:

Interest	<u><u>\$ 37,049</u></u>
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KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

A. Organization:

Kaleidoscope Youth Development Services, Inc. (the Organization), 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

The Organization reports its financial information based on the *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC)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 the Organization 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, 2023

B. Summary of Significant Accounting Policies: (Continued)

Restrictions may be met by the passage of time or by actions of the Organization. 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.

NEW ACCOUNTING STANDARD AFFECTING LEASE ACCOUNTING

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which supersedes existing guidance for accounting for leases under *Topic 840, Leases*. The FASB also subsequently issued the following additional ASUs, which amend and clarify Topic 842: ASU 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU 2018-10, *Codification Improvements to Topic 842, Leases*; ASU 2018-11, *Leases (Topic 842): Targeted Improvements*; ASU 2018-20, *Narrow-scope Improvements for Lessors*; ASU 2019-01, *Leases (Topic 842): Codification Improvements*; ASU 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (topic 815), and Leases (topic 842): Effective Dates*; ASU 2020-02, *Financial Instruments – Credit Losses (Topic 326) and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)*; and ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The most significant change in the new leasing guidance is the requirement to recognize right of use (ROU) assets and lease liabilities for operating leases on the statement of financial position.

The Organization elected to adopt this ASU using the modified retrospective approach required by the standards and implementing the standards using the effective date method, which established September 1, 2022 as both the effective date and date of initial application. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. In addition, the Organization made the following elections: to use hindsight in determining the lease term for existing leases; to apply the short-term lease exception to all leases with a term of one year or less; and to use a risk-free discount rate for all operating leases, determined using a period comparable with that of the lease term.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

B. Summary of Significant Accounting Policies: (Continued)

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 the Organization 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.

PLEDGES AND GRANTS RECEIVABLE

Contributions are recognized when the donor makes a promise to give a contribution to the Organization 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 grants 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

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

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

B. Summary of Significant Accounting Policies: (Continued)

CASH AND CASH EQUIVALENTS

The organization 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. Investments in debt securities have been pledged by a banking institution to mitigate the risk of loss for balances exceeding FDIC insurance thresholds. The Organization 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 Organization 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.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires the Organization’s 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 Organization 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 Organization 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.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

C. Pension Plan Obligations: (Continued)

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, 2023 provided the following information (ABO refers to the accumulated benefit obligation):

<u>Pension</u> <u>Fund</u>	<u>Total Plan Assets</u> <u>2023</u>	<u>ABO</u> <u>2023</u>	<u>Percent</u> <u>Funded</u>
TRS	\$ 213,472,526,000	\$ 255,860,886,500	73.15%

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 8.0% for fiscal year 2023, and a state contribution rate of 8.0% for fiscal year 2023.

The Organization’s employee contributions to the system for the year ended August 31, 2023 were \$538,011 equal to the required contributions for the year.

Other contributions made from federal and private grants and from the Organization for salaries above the statutory minimum were contributed at a rate of 8.0% totaling \$94,498 for the year ended August 31, 2023. The Organization’s contributions into this plan do not represent more than 5% of the total contributions to the plan. The Organization was assessed a surcharge of \$10,991.

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, 2023, employees of the Organization were covered by a Health Insurance Plan (the Plan). The Organization 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, 2023

F. Notes Payable:

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

Note Payable to Wells Fargo secured by school buses. The note is dated February 3, 2022, with an interest rate of 4.39% and a face amount of \$195,117. \$ 100,788

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. 308,654

Emergency Injury Disaster Loan with monthly installments of \$641 bearing interest of 2.75%, starting 12-months from February 5, 2021. Balance and principal to be payable Thirty years from February 5, 2021. 150,000

Total Notes Payable	559,442
Less: Current portion of Notes Payable	<u>(130,600)</u>
Notes Payable net of current portion	<u>\$ 428,842</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>
2024	\$ 130,600	\$ 26,741	\$ 157,341
2025	102,952	19,614	122,566
2026	73,408	14,384	87,792
2027	78,539	9,252	87,791
2028	43,537	4,339	47,876
Thereafter	<u>130,406</u>	<u>41,698</u>	<u>172,104</u>
Total	<u>\$ 559,442</u>	<u>\$ 116,028</u>	<u>\$ 675,470</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

G. 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 August 31, 2023, the Organization was in compliance with this debt covenant with a debt service ratio of 1.42. 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 August 31, 2023, the Organization was in compliance with this debt covenant with a leverage ratio of 0.34.

The Organization shall maintain a Current Ratio of Current Assets to Current Liabilities of not less than 1.00:1.00. As of August 31, 2023, the Organization was in compliance with this debt covenant with a current ratio of 1.83.

In addition, the Organization shall maintain a minimum days cash on hand ratio 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 August 31, 2023, the Organization was in compliance with this debt covenant.

H. Liquidity and Availability of Financial Assets:

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

Financial assets at year-end		
Cash	\$	1,713,690
Grants Receivable		1,726,791
Other Receivables		23,142
Total Financial assets at year-end	\$	<u>3,463,623</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>3,463,623</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.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

I. Commitments and Contingencies:

The Organization 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 Organization 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 Organization is economically dependent on these charter school funds.

J. Operating Lease Commitment:

The Organization's minimum annual lease commitment is as follows:

<u>Twelve months ending August 31,</u>	<u>Amount</u>
2024	\$ 265,027
2025	265,027
2026	265,027
2027	33,499
2028	<u>27,916</u>
Total operating lease payments	\$ 856,496
Less: Imputed Interest	<u>(48,234)</u>
Total operating lease liabilities	<u>\$ 808,262</u>

Operating lease expense amounted to \$272,455 for the year ended August 31, 2023.

Right of use assets under operating leases were as follows:

Operating Lease Right of Use Assets – Beg Balance	\$ 1,018,774
Less: Current year amortization	<u>(210,512)</u>
Total Lease Right of Use Assets – Ending Balance	<u>\$ 808,262</u>

As of August 31, 2023, the weighted average remaining lease term for the Organization's operating lease was 1 year. The weighted average discount rate associated with its operating lease was .64%. Operating lease costs were \$856,497 for the year ended August 31, 2023.

K. 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 Organization.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

L. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2023, are restricted for time and purpose as follows:

Periods after August 31, 2023

Texas Education Agency-State	\$ 6,955,627
Total restricted fund	<u>\$ 6,955,627</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	\$ 4,609,597
Texas Education Agency-State	<u>5,282,456</u>
Total restrictions released	<u>\$ 9,892,053</u>

M. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 24, 2024, the date which the financial statements were available to be issued.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2023

L. Net Assets with Donor Restrictions:

Net assets with Donor Restrictions at August 31, 2023, are restricted for time and purpose as follows:

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Texas Education Agency-State	\$ 6,955,627
Total restricted fund	<u>\$ 6,955,627</u>

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Texas Education Agency-Federal	\$ 4,609,597
Texas Education Agency-State	<u>5,282,456</u>
Total restrictions released	<u>\$ 9,892,053</u>

M. Evaluation of Subsequent Events:

The Organization has evaluated subsequent events through January 24, 2024, the date which the financial statements were available to be issued.

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, 2023, and our report thereon dated January 24, 2024, 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, 2023 and appearing on pages 17 to 20 and on pages 30 to 32 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.



A Professional Accounting Corporation

Houston, TX
January 24, 2024

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Local Support:			
5740 Other Revenues from Local Sources	\$ 2,469,350	\$ -	\$ 2,469,350
Total Local Support	2,469,350	-	2,469,350
State Program Revenues:			
5810 Foundation School Program Act Revenues	-	6,055,942	6,055,942
5820 State Program Revenues Distributed by Texas Education Agency	-	319,328	319,328
Total State Program Revenues	-	6,375,270	6,375,270
Federal Program Revenues:			
5920 Federal Revenues Distributed by Texas Education Agency	-	2,840,917	2,840,917
5930 Federal Revenues Distributed by Other State Agencies	-	28,225	28,225
5940 Federal Revenues Distributed Directly from Federal Government Agencies	-	2,171,389	2,171,389
Total Federal Program Revenues	-	5,040,531	5,040,531
Net Assets Released from Restrictions:			
Restrictions Satisfied by Payments	9,892,053	(9,892,053)	-
Total Revenues	12,361,403	1,523,748	13,885,151
Expenses			
11 Instruction	4,898,607	-	4,898,607
12 Instructional Resources and Media Services	38,482	-	38,482
13 Curriculum Development and Instructional Staff Development	1,354,814	-	1,354,814
21 Instructional Leadership	383,543	-	383,543
23 School Leadership	580,600	-	580,600
31 Guidance, Counseling and Evaluating Services	201,406	-	201,406
33 Health Services	100,533	-	100,533
34 Student (Pupil) Transportation	602,248	-	602,248
35 Food Services	531,977	-	531,977
36 Cocurricular/Extracurricular Activities	42,375	-	42,375
41 General Administration	985,293	-	985,293
51 Plant Maintenance and Operations	1,942,919	-	1,942,919
52 Security and Monitoring Services	28,947	-	28,947
53 Data Processing Services	320,936	-	320,936
61 Community Services	236,415	-	236,415
71 Debt Service	34,397	-	34,397
81 Fundraising	77,911	-	77,911
Total Expenses	12,361,403	-	12,361,403
CHANGE IN NET ASSETS	-	1,523,748	1,523,748
NET ASSETS, beginning of year	99,436	5,431,879	5,531,315
NET ASSETS, end of year	\$ 99,436	\$ 6,955,627	\$ 7,055,063

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
SCHEDULE OF EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2023

EXPENSES	
6100 Payroll Costs	\$ 7,329,216
6200 Professional and Contracted Services	2,633,281
6300 Supplies and Materials	1,327,742
6400 Other Operating Costs	1,036,767
6500 Debt	34,397
Total Expenses	<u>\$ 12,361,403</u>

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED AUGUST 31, 2023

	Ownership Interest		
	Local	State	Federal
1110 Cash	\$ -	\$ 1,713,690	\$ -
1510 Land and Improvements	-	23,050	-
1520 Building and Improvements	-	6,393,801	-
1531 Vehicles	-	620,485	-
1549 Furniture and Equipment	-	955,246	73,159
1559 Right of Use Assets	-	856,497	-
Total Capital Assets	\$ -	\$ 10,562,769	\$ 73,159

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
THE RHODES SCHOOL

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2023

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
REVENUES				
Local Support:				
5740 Other Revenues from Local Sources	\$ 373,824	\$ 652,702	\$ 2,469,350	\$ 1,816,648
Total Local Support	<u>373,824</u>	<u>652,702</u>	<u>2,469,350</u>	<u>1,816,648</u>
State Program Revenues:				
5810 Foundation School Program Act Revenues	6,031,216	6,031,216	6,055,942	24,726
5820 State Program Revenues Distributed by Texas Education Agency	-	310,922	319,328	8,406
5830 State Program Revenues Distributed by Texas Education Agency	799,735	-	-	-
Total State Program Revenues	<u>6,830,951</u>	<u>6,342,138</u>	<u>6,375,270</u>	<u>33,132</u>
Federal Program Revenues:				
5920 Federal Revenues Distributed by Texas Education Agency	2,574,527	2,741,935	2,840,917	98,982
5930 Federal Revenues Distributed by Other State Agencies	17,014	28,225	28,225	-
5940 Federal Revenues Distributed Directly from Federal Government Agencies	541,122	4,046,291	2,171,389	(1,874,902)
Total Federal Program Revenues	<u>3,132,663</u>	<u>6,816,451</u>	<u>5,040,531</u>	<u>(1,775,920)</u>
Total Revenues	<u>10,337,438</u>	<u>13,811,291</u>	<u>13,885,151</u>	<u>73,860</u>
EXPENSES				
11 Instruction	4,606,589	4,722,886	4,898,607	(175,721)
12 Instructional Resources and Media Services	37,073	37,073	38,482	(1,409)
13 Curriculum Development and Instructional Staff Development	797,000	1,443,250	1,354,814	88,436
21 Instructional Leadership	354,020	395,462	383,543	11,919
23 School Leadership	537,970	565,889	580,600	(14,711)
31 Guidance, Counseling and Evaluating Services	200,725	189,647	201,406	(11,759)
33 Health Services	63,170	98,859	100,533	(1,674)
34 Student (Pupil) Transportation	483,101	571,122	602,248	(31,126)
35 Food Services	455,978	497,864	531,977	(34,113)
36 Cocurricular/Extracurricular Activities	10,000	41,685	42,375	(690)
41 General Administration	945,101	1,083,573	985,293	98,280
51 Plant Maintenance and Operations	1,966,462	1,989,659	1,942,919	46,740
52 Security and Monitoring Services	10,000	19,900	28,947	(9,047)
53 Data Processing Services	306,943	336,606	320,936	15,670
61 Community Services	275,691	251,005	236,415	14,590
71 Debt Service	41,928	36,666	34,397	2,269
81 Fundraising	106,648	80,847	77,911	2,936
Total Expenses	<u>11,198,399</u>	<u>12,361,993</u>	<u>12,361,403</u>	<u>590</u>
CHANGE IN NET ASSETS	<u>(860,961)</u>	<u>1,449,298</u>	<u>1,523,748</u>	<u>73,270</u>
NET ASSETS, beginning of year	<u>5,531,315</u>	<u>5,531,315</u>	<u>5,531,315</u>	<u>-</u>
NET ASSETS, end of year	<u>\$ 4,670,354</u>	<u>\$ 6,980,613</u>	<u>\$ 7,055,063</u>	<u>\$ 73,270</u>

See accompanying notes to financial statements.

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. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 24, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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. 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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Houston, TX
January 24, 2024

**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

Opinion on Each Major Federal Program

We have audited Kaleidoscope Youth Development Services, Inc.’s (the Organization) (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended August 31, 2023. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the Organization's compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit Compliance section above 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.

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

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

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

Houston, TX
January 24, 2024

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2023

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		
Magnet School Assistance Program	ALN	84.165A
Passed – Through Texas Education Agency		
Emergency Relief Fund	ALN	84.425
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.

Current Year Findings

No audit findings were noted as per *Governmental Auditing Standards* and 2 CFR section 200.516(a).

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED AUGUST 31, 2023

No audit findings were noted as per *Governmental Auditing Standards* and 2 CFR section 200.516(a). for the period ended August 31, 2022.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass - Through Grantor/ Program Title	Assistance Listing Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Magnet School Assistance Program	84.165A	S165A220041	\$ 1,824,251
Passed - Through Texas Education Agency:			
Title I, Part A, School Improvement	84.010A	23610101101861	188,479
Idea - B Formula	84.027A	236600011018616000	106,994
Idea - B Preschool	84.173A	226610011018616000	1,317
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	23694501101861	35,458
Title IV, Part A, Subpart 1	84.424A	23680101101861	23,573
Total U.S. Department of Education, non-COVID-19 Assistance			<u>2,180,072</u>
<i>COVID-19 - Coronavirus Response and Relief Supplemental Appropriations</i>			
(CRRSA) - Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	21521001101861	572,208
<i>COVID-19 - American Rescue Plan Elementary and Secondary School</i>			
Emergency Relief (ARP ESSER) Fund	84.425U	21528042101861	268,921
<i>COVID-19 - American Rescue Plan Elementary and Secondary School</i>			
Emergency Relief (ARP ESSER) Fund	84.425U	21528001101861	<u>1,056,634</u>
Total U.S. Department of Education, COVID-19 Assistance			<u>1,897,763</u>
Total U.S. Department of Education			<u><u>4,077,836</u></u>
<u>U.S. Department of Agriculture</u>			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71402201	21,445
School Breakfast	10.553	71402301	146,093
National School Lunch	10.555	71302201	41,150
National School Lunch	10.555	71302301	<u>235,577</u>
			444,266
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555		38,846
Supply Chain Assistance	10.555		27,597
NSLP Equipment Assistance Grants	10.579		<u>20,424</u>
Total U.S. Department of Agriculture, non-COVID-19 Assistance			<u>531,133</u>
Passed - Through Texas Department of Agriculture			
<i>COVID-19 - Pandemic Electronic Benefit Transfer (P-EBT)</i>	10.649		<u>628</u>
Total U.S. Department of Agriculture, COVID-19 Assistance			628
Total U.S. Department of Agriculture			<u><u>531,761</u></u>
Total Expenditures of Federal Awards			<u>\$ 4,609,597</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2023

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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the 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.

Subrecipients

The organization did not provide federal awards to subrecipients.

Reconciliation of Federal Revenues and (SEFA):

Total expenditure of federal awards per the SEFA	\$ 4,609,597
Federal Funds Not Expended	430,934
Total Federal Revenue per the Statement of Activities	<u>\$ 5,040,531</u>

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 THE RHODES SCHOOL
 SCHEDULE OF REAL PROPERTY OWNERSHIP INTEREST
 FOR THE YEAR ENDED AUGUST 31, 2023

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	\$ 3,645,066		\$ 3,645,066	
Lot 31 and Lot 34 of Old Riber Acres, Section 1	1215 Pecan Street Channelview, TX 77530	1,560,263		1,560,263	

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 THE RHODES SCHOOL
 SCHEDULE OF RELATED PARTY TRANSACTIONS
 FOR THE YEAR ENDED AUGUST 31, 2023

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	\$ 140,351	\$ -
Linda Sherrard	Derrick Sherrard	Mother and former board member	Consulting Services		Local/State	as needed	2,650	-

See accompanying notes to financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.

SPECIAL PROGRAM COMPLIANCE SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2023

<u>Data Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Program</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 800,629
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 452,602
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 14,923
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 14,990