

**KALEIDOSCOPE YOUTH DEVELOPMENT
SERVICES, INC. DBA RHODES SCHOOL
FOR THE PERFORMING ARTS**

Audit of Financial Statements

August 31, 2024



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**KALEIDOSCOPE YOUTH DEVELOPMENT
SERVICES, INC. DBA RHODES SCHOOL
FOR THE PERFORMING ARTS**
(Federal Employer Identification Number: 76-0626934)
101 -861

CERTIFICATE OF BOARD
August 31, 2024

We, the undersigned, certify that the attached Annual Financial and Compliance Report of Kaleidoscope Youth Development Services, Inc. dba Rhodes School For The Performing Arts was reviewed and approved disapproved for the year ended August 31, 2024, at a meeting of the governing body of said charter school on the 16 day of January, 2025



Signature of Board Secretary



Signature of Board President

Independent Auditor's Report

To The Board of Directors of
Kaleidoscope Youth Development Services, Inc.
dba Rhodes School For The Performing Arts
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kaleidoscope Youth Development Services, Inc. dba Rhodes School For The Performing Arts (the Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2024, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of August 31, 2024, 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 (U.S. GAAP).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 U.S. GAAP; 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 issued.

Auditor's Responsibilities for the Audit of 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 GAAS. 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 10, 2025, 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 handwritten signature in cursive script that reads "LaPorte".

A Professional Accounting Corporation

Houston, TX
January 10, 2025

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Financial Position
August 31, 2024

Assets

Current Assets

Cash and Cash Equivalents	\$ 1,774,331
Grants Receivable	613,955
Other Receivables	2,402
Prepaid Expenses	216,456

Total Current Assets 2,607,144

Property, Plant, and Equipment

Land and Improvements	40,750
Buildings and Improvements	6,492,639
Furniture and Equipment	1,170,912
Vehicles	959,245

Less: Accumulated Depreciation (3,499,472)

Total Property and Equipment 5,164,074

Other Assets

Right-of-Use Assets, Operating Lease	448,360
Right-of-Use Assets, Finance Lease, Net	118,855

Total Other Assets 567,215

Total Assets \$ 8,338,433

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Financial Position (Continued)
August 31, 2024

Liabilities and Net Assets	
Current Liabilities	
Accounts Payable	\$ 789,780
Accrued Expenses	172,175
Accrued Payroll Liabilities	407,195
Accrued Interest Payable	7,479
Current Portion of Operating Lease Liability	220,386
Current Portion of Finance Lease Liability	29,193
Current Portion Notes Payable	126,891
Deferred Revenue	<u>629,231</u>
Total Current Liabilities	<u>2,382,330</u>
Noncurrent Liabilities	
Operating Lease Liability, Net of Current Portion	227,974
Finance Lease Liability, Net of Current Portion	89,662
Notes Payable, Net of Current Portion	<u>443,791</u>
Total Noncurrent Liabilities	<u>761,427</u>
Total Liabilities	<u>3,143,757</u>
Net Assets	
Without Donor Restrictions	99,436
With Donor Restrictions	<u>5,095,240</u>
Total Net Assets	<u>5,194,676</u>
Total Liabilities and Net Assets	<u><u>\$ 8,338,433</u></u>

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Activities
For the Year Ended August 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local Support	\$ 255,942	\$ -	\$ 255,942
State Program Revenues	-	6,175,101	6,175,101
Federal Program Revenues	-	5,865,142	5,865,142
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	13,900,630	(13,900,630)	-
Total Revenues	14,156,572	(1,860,387)	12,296,185
Expenses			
Program Services			
Instruction and Instructional-Related Services	6,966,200	-	6,966,200
Instructional and School Leadership	1,258,252	-	1,258,252
Ancillary Services	204,156	-	204,156
Support Services - Student (Pupil)	1,793,954	-	1,793,954
Total Program Services	10,222,562	-	10,222,562
Supporting Services			
Administrative Support Services	1,065,429	-	1,065,429
Support Services - Non-Student Based	2,575,237	-	2,575,237
Debt Service	38,368	-	38,368
Fundraising Services	254,976	-	254,976
Total Supporting Services	3,934,010	-	3,934,010
Total Expenses	14,156,572	-	14,156,572
Change in Net Assets	-	(1,860,387)	(1,860,387)
Net Assets, Beginning of Year	99,436	6,955,627	7,055,063
Net Assets, End of Year	\$ 99,436	\$ 5,095,240	\$ 5,194,676

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Functional Expenses
For the Year Ended August 31, 2024

	Program Services		Supporting Services		Total
	Charter School	Management and General	Fundraising Services	Total Supporting Services	
Expenses					
Salaries	\$ 6,532,908	\$ 745,115	\$ -	\$ 745,115	\$ 7,278,023
Payroll Taxes	91,241	9,799	-	9,799	101,040
Employee Benefits	1,038,985	89,912	-	89,912	1,128,897
Equipment Lease	-	271,330	-	271,330	271,330
Utilities	25,500	348,788	-	348,788	374,288
Supplies	1,166,195	254,681	10,784	265,465	1,431,660
Repairs and Maintenance	69,095	379,708	-	379,708	448,803
Travel	165,449	44,668	-	44,668	210,117
Professional Fees	938,084	857,866	244,192	1,102,058	2,040,142
Insurance	43,880	126,359	-	126,359	170,239
Miscellaneous Expenses	145,619	124,702	-	124,702	270,321
Depreciation and Amortization	5,606	387,738	-	387,738	393,344
Interest Expense	-	38,368	-	38,368	38,368
Total Expenses	\$ 10,222,562	\$ 3,679,034	\$ 254,976	\$ 3,934,010	\$ 14,156,572

The accompanying notes are an integral part of these financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Cash Flows
For the Year Ended August 31, 2024

Cash Flows from Operating Activities	
Change in Net Assets	\$ (1,860,387)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation Expense	393,344
Amortization Expense on Right-of-Use Assets, Finance Lease	27,997
(Increase) Decrease in Operating Assets	
Grants Receivable	1,112,836
Other Receivables	20,740
Prepaid Expenses	(67,684)
Right-of-Use Assets, Operating Lease	213,050
Increase (Decrease) in Operating Liabilities	
Accounts Payable	317,056
Accrued Expenses	23,897
Accrued Payroll Liabilities	99,717
Accrued Interest Payable	1,881
Deferred Revenue	628,006
Operating Lease Liability	(213,050)
Other Liabilities	(22,199)
	<u>675,204</u>
Net Cash Provided by Operating Activities	<u>675,204</u>
Cash Flows from Investing Activities	
Cash Paid for Purchases of Property and Equipment	<u>(460,047)</u>
Net Cash Used in Investing Activities	<u>(460,047)</u>
Cash Flows from Financing Activities	
Payments on Finance Lease Liability	(27,997)
Repayment of Notes Payable	<u>(126,519)</u>
Net Cash Used in Financing Activities	<u>(154,516)</u>
Net Increase in Cash	<u>60,641</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,713,690</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,774,331</u>
Supplemental Disclosures:	
Cash Paid During the Year for:	
Interest	<u>\$ 36,487</u>
Non-Cash Investing and Financing Transactions:	
Financed Property and Equipment Purchase	<u>\$ 137,760</u>

The accompanying notes are an integral part of these financial statements.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 1. Organization

Kaleidoscope Youth Development Services, Inc. dba Rhodes School for the Performing Arts (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. (the Charter School), only operates a single charter school and does not conduct any other charter or non-charter activities.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Financial statement presentation is in accordance with the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Accordingly, the Organization is required to report information regarding its financial position and activities according to the existence or absence of donor-imposed restrictions.

Net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions.

Net Assets With Donor Restrictions - Net assets whose use is limited by donor- or grantor- imposed time and/or purpose restrictions. Contributions with donor restrictions are reported as revenues with donor restrictions. Once funds are expended for their restricted purpose, these net assets with donor restrictions are released to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 2. 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 (FDIC) up to \$250,000. The bank accounts, at times, exceeded federally insured limits. The Organization has not experienced any losses on such accounts.

Accounts Receivable

After the adoption of FASB ASC 326-20 *Financial Instruments - Credit Losses* on September 1, 2023, management determines an allowance using an estimate of expected credit losses, applied to customer groupings with similar risk characteristics, based on historical experience, current economic conditions, and certain forward-looking information. Account balances are written-off against the established allowance when management determines it is probable the receivable will not be collected. As of August 31, 2024, there was no allowance recorded for credit losses.

Property, Plant and Equipment

Property, plant 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.

Revenue Recognition

Contributions, Donations, and Grants

Contributions, donations, and grants are recorded as revenue when an unconditional promise to give has been made. Contributions, donations, and grants are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as increases in net assets with donor restrictions.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Federal and State Funding

A significant portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Advertising Expenses

The Organization expenses the costs of advertising as incurred. There were no advertising expenses for the year ended August 31, 2024.

Functional Allocation of Expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the various functions based on the recording of expenses to individual cost centers assigned to each functional expense category.

Leases

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the assets are used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct cost incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle, and equipment asset classes. The nonlease components typically represent additional services transferred to the Organization, such as common areas maintenance for real estate which are variable in nature and recorded in variable lease expense in the period incurred.

Income Taxes

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

Accounting principles generally accepted in the United States of America provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain.

The Organization believes that it has appropriate support for any tax positions taken, and management has determined that there are no uncertain tax positions that are material to the financial statements.

Penalties and interest assessed by income taxing authorities, if any, would be included in income tax expense.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of 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.

Recent Accounting Pronouncements

On September 1, 2023, the Organization adopted Accounting Standards Update (ASU) 2016-13 and all subsequent ASUs that modified ASU 2016-13, which have been codified under ASC 326, *Financial Instruments - Credit Losses*. The Organization adopted this guidance using the modified retrospective approach, as required, and has not adjusted prior period comparative information and will continue to disclose prior period financial information in accordance with previous accounting guidance. The adoption of ASC 326 had no significant impact to the financial statements.

Note 3. 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.

TRS 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.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 3. 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, 2024 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2024	Total Pension Liability 2024	Percent Funded
TRS	\$ 243,089,146,000	\$ 271,627,434,000	77.51%

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 8.25% for fiscal year 2024, and a state contribution rate of 8.25% for fiscal year 2024.

The Organization’s employee contributions to the system for the year ended August 31, 2024 were \$619,850 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 8.25% totaling \$106,983 for the year ended August 31, 2024. 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 \$15,144 for the year ended August 31, 2024. Per the Texas Education Agency’s request, the Organization has recorded the amounts contributed by TRS on-behalf of each District’s employees. The on-behalf contributions during fiscal year 2024 totaled \$209,042.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 4. 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.

Note 5. Health Care Coverage

During the year ended August 31, 2024, 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.

Note 6. Notes Payable

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

Note Payable to Wells Fargo secured by school buses. The note has an interest rate of 4.39% and matures on February 24, 2025.	\$ 34,334
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, March 31, 2028, 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.	248,588
Emergency Injury Disaster Loan with monthly installments of \$641 bearing interest of 2.75%. Balance and principal due on July 31, 2050.	150,000
Note Payable to Arvest Equipment Finance secured by school buses. The note has an interest rate of 8.01%, is payable in five annual payments of \$34,622 and matures on November 30, 2028.	<u>137,760</u>
Total Notes Payable	570,682
Less: Current Portion Notes Payable	<u>(126,891)</u>
Notes Payable, Net of Current Portion	<u>\$ 443,791</u>

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 6. Notes Payable (Continued)

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

Year Ending August 31,	Principal	Interest	Total
2025	\$ 126,891	\$ 31,276	\$ 158,167
2026	98,702	24,115	122,817
2027	105,925	16,892	122,817
2028	73,187	9,715	82,902
2029	37,352	6,335	43,687
Thereafter	128,625	40,645	169,270
Total	\$ 570,682	\$ 128,978	\$ 699,660

Note 7. 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 earnings before interest, taxes, depreciation and amortization (EBITDA) 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, 2024, the Organization was not in compliance with this debt covenant. The Organization received a waiver from the bank for this covenant.

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, 2024, the Organization was in compliance with this debt covenant with a leverage ratio of 0.61.

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, 2024, the Organization was in compliance with this debt covenant with a current ratio of 1.09.

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, 2024, the Organization was in compliance with this debt covenant.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of August 31, 2024, 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:

Cash and Cash Equivalents	\$ 1,774,331
Grants Receivable	613,955
Other Receivables	<u>2,402</u>
Financial Assets Available to Meet Cash Needs For General Expenditure Within One Year	<u>\$ 2,390,688</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. The Organization manages its expenditures according to an annual approved budget.

Note 9. 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.

The Organization, in the ordinary course of business, may be involved in various legal proceedings. It is the opinion of the Organization's management that the disposition or ultimate resolution of such proceedings would not have a material effect on the Organization's financial position or the changes in net assets.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 10. Leases

Operating Lease

The Organization leases property under a noncancelable operating lease. Monthly rent payments total \$19,294 and the lease expires August 2026.

Finance Lease

The Organization also leases equipment under an agreement that is classified as a finance lease. Monthly lease payments total \$2,792 and expires June 2028.

Operating lease cost is recognized on a straight-line basis over the lease term. Finance lease cost is recognized as a combination of the amortization expense for the ROU assets and interest expense for the outstanding lease liabilities, and results in a front-loaded expense pattern over the lease term. The components of lease expense are as follows for the year ended August 31, 2024:

Operating Lease Cost	\$ 213,050
Finance Lease Cost - Amortization of Right-of-Use Assets	27,997
Finance Lease Cost - Interest on Lease Liabilities	<u>5,503</u>
Total Lease Cost	<u>\$ 246,550</u>

Supplemental statement of financial position information related to leases is as follows as of August 31, 2024:

Weighted-Average Remaining Lease Term:	
Operating Lease	2.0 Years
Finance Lease	3.8 Years
Weighted-Average Discount Rate:	
Operating Lease	3.39%
Finance Lease	4.19%

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 10. Leases (Continued)

Future undiscounted cash flows and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of August 31, 2024:

Year Ending August 31,	Operating Lease	Finance Lease
2025	\$ 231,528	\$ 33,499
2026	231,528	33,499
2027	-	33,499
2028	-	27,917
Total Lease Payments	463,056	128,414
Less: Imputed Interest	<u>(14,696)</u>	<u>(9,559)</u>
Less: Current Portion	<u>(220,386)</u>	<u>(29,193)</u>
Lease Liabilities, Less Current Portion	<u><u>\$ 227,974</u></u>	<u><u>\$ 89,662</u></u>

Note 11. Restrictions on Net Assets

At August 31, 2024, net assets with donor restrictions comprised of donor-imposed stipulations that expire when the purpose restriction is accomplished were as follows:

Texas Education Agency-State	<u>\$ 5,095,240</u>
Total Restricted Funds	<u><u>\$ 5,095,240</u></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	\$ 5,865,142
Texas Education Agency-State	<u>8,035,488</u>
Total Restrictions Released	<u><u>\$ 13,900,630</u></u>

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS**

Notes to Financial Statements

Note 12. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 10, 2025, and determined that no events occurred that require disclosure. No events occurring after this date have been evaluated for inclusion in these financial statements.

Independent Auditor's Report on Supplementary Information

To The Board of Directors of
Kaleidoscope Youth Development Services, Inc.
dba Rhodes School For The Performing Arts
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, 2024, and our report thereon dated January 10, 2025, 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, 2024 and appearing on pages 22 to 25 and on pages 35 to 37 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 10, 2025

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Activities for Individual Charter School
For the Year Ended August 31, 2024**

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local Support			
5740 Other Revenues from Local Sources	\$ 255,134	\$ -	\$ 255,134
5750 Revenues from Cocurricular, Enterprising Services, or Activities	808	-	808
Total Local Support	255,942	-	255,942
State Program Revenues			
5810 Foundation School Program Act Revenues	-	5,613,730	5,613,730
5820 State Program Revenues Distributed by Texas Education Agency (TEA)	-	348,336	348,336
5830 State Rev. from State of TX Gov. Agencies (other than TEA)	-	213,035	213,035
Total State Program Revenues	-	6,175,101	6,175,101
Federal Program Revenues			
5910 Federal Revenues Distributed through Government Entities Other than State or Federal Agencies	-	50,000	50,000
5920 Federal Revenues Distributed by Texas Education Agency	-	2,833,335	2,833,335
5930 Federal Revenues Distributed by Other Government Agencies	-	27,309	27,309
5940 Federal Revenues Distributed Directly from Federal Government Agencies	-	2,954,498	2,954,498
Total Federal Program Revenues	-	5,865,142	5,865,142
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	13,900,630	(13,900,630)	-
Total Revenues	14,156,572	(1,860,387)	12,296,185
Expenses			
11 Instruction	5,793,152	-	5,793,152
12 Instructional Resources and Media Services	39,097	-	39,097
13 Curriculum Development and Instructional Staff Development	1,133,951	-	1,133,951
21 Instructional Leadership	613,014	-	613,014
23 School Leadership	645,238	-	645,238
31 Guidance, Counseling, and Evaluating Services	230,024	-	230,024
33 Health Services	80,022	-	80,022
34 Student (Pupil) Transportation	707,041	-	707,041
35 Food Services	636,468	-	636,468
36 Cocurricular/Extracurricular Activities	140,399	-	140,399
41 General Administration	1,065,429	-	1,065,429
51 Plant Maintenance and Operations	1,987,699	-	1,987,699
52 Security and Monitoring Services	105,085	-	105,085
53 Data Processing Services	482,453	-	482,453
61 Community Services	204,156	-	204,156
71 Debt Service	38,368	-	38,368
81 Fundraising	254,976	-	254,976
Total Expenses	14,156,572	-	14,156,572
Change in Net Assets	-	(1,860,387)	(1,860,387)
Net Assets, Beginning of Year	99,436	6,955,627	7,055,063
Net Assets, End of Year	\$ 99,436	\$ 5,095,240	\$ 5,194,676

See accompanying notes to financial statements.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Expenses for Individual Charter School
For the Year Ended August 31, 2024**

Expenses	
6100 Payroll Costs	\$ 8,507,960
6200 Professional and Contracted Services	3,134,563
6300 Supplies and Materials	1,431,660
6400 Other Operating Costs	1,044,021
6500 Debt	<u>38,368</u>
Total Expenses	<u>\$ 14,156,572</u>

See accompanying notes to financial statements.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 DBA RHODES SCHOOL FOR THE PERFORMING ARTS
 Statement of Capital Assets for Individual Charter School
 For the Year Ended August 31, 2024**

	Ownership Interest		
	Local	State	Federal
Capital Assets			
1110 Cash and Cash Equivalents	\$ -	\$ 1,774,331	\$ -
1510 Land and Improvements	-	40,750	-
1520 Building and Improvements	264,878	4,935,368	1,292,393
1531 Vehicles	-	769,245	190,000
1539 Furniture and Equipment	-	660,019	510,893
1553 Right-of-Use Assets: Financing Lease for Furniture and Equipment	-	118,855	-
1554 Right-of-Use Assets: Operating Lease for Buildings	-	448,360	-
Total Capital Assets	\$ 264,878	\$ 8,746,928	\$ 1,993,286

See accompanying notes to financial statements.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Budgetary Comparison Schedule for Individual Charter School
For the Year Ended August 31, 2024**

		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance from</u>
		<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues, Gains, and Other Support					
Local Support					
5740	Other Revenues from Local Sources	\$ 166,792	\$ 183,739	\$ 255,134	\$ 71,395
5750	Revenues from Cocurricular, Enterprising Services, or Activities	-	808	808	-
Total Local Support		166,792	184,547	255,942	71,395
State Program Revenues					
5810	Foundation School Program Act Revenues	5,793,486	5,799,831	5,613,730	(186,101)
5820	State Program Revenues Distributed by Texas Education Agency	215,188	319,016	348,336	29,320
5830	State Rev. from State of TX Gov. Agencies (other than TEA)	39,582	102,207	213,035	110,828
Total State Program Revenues		6,048,256	6,221,054	6,175,101	(45,953)
Federal Program Revenues					
5910	Federal Revenues Distributed through Government Entities Other than State or Federal Agencies	-	50,000	50,000	-
5920	Federal Revenues Distributed by Texas Education Agency	2,812,467	2,835,105	2,833,335	(1,770)
5930	Federal Revenues Distributed by Other Government Agencies	6,000	27,309	27,309	-
5940	Federal Revenues Distributed Directly from Federal Government Agencies	2,674,473	2,954,498	2,954,498	-
Total Federal Program Revenues		5,492,940	5,866,912	5,865,142	(1,770)
Total Revenues		11,707,988	12,272,513	12,296,185	23,672
Expenses					
11	Instruction	6,084,698	5,797,906	5,793,152	(4,754)
12	Instructional Resources and Media Services	44,644	43,860	39,097	(4,763)
13	Curriculum Development and Instructional Staff Development	1,633,544	1,259,969	1,133,951	(126,018)
21	Instructional Leadership	713,913	615,891	613,014	(2,877)
23	School Leadership	692,149	723,455	645,238	(78,217)
31	Guidance, Counseling, and Evaluating Services	235,005	245,472	230,024	(15,448)
33	Health Services	83,881	82,798	80,022	(2,776)
34	Student (Pupil) Transportation	675,149	723,223	707,041	(16,182)
35	Food Services	481,107	631,370	636,468	5,098
36	Cocurricular/Extracurricular Activities	61,178	142,544	140,399	(2,145)
41	General Administration	1,061,646	1,183,420	1,065,429	(117,991)
51	Plant Maintenance and Operations	2,157,925	1,856,026	1,987,699	131,673
52	Security and Monitoring Services	116,668	69,082	105,085	36,003
53	Data Processing Services	388,928	441,520	482,453	40,933
61	Community Services	243,862	222,470	204,156	(18,314)
71	Debt Service	41,927	32,702	38,368	5,666
81	Fundraising	177,471	269,806	254,976	(14,830)
Total Expenses		14,893,695	14,341,514	14,156,572	(184,942)
Change in Net Assets		(3,185,707)	(2,069,001)	(1,860,387)	208,614
Net Assets, Beginning of Year		4,670,354	6,980,613	7,055,063	73,270
Net Assets, End of Year		\$ 1,484,647	\$ 4,911,612	\$ 5,194,676	\$ 281,884

See accompanying notes to financial statements.

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

Independent Auditor's Report

To The Board of Directors of
Kaleidoscope Youth Development Services, Inc.
dba Rhodes School For The Performing Arts
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. dba Rhodes School For The Performing Arts (the Organization) (a nonprofit organization), which comprise the statement of financial position as of August 31, 2024, 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 10, 2025.

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 10, 2025

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

Independent Auditor's Report

To The Board of Directors of
Kaleidoscope Youth Development Services, Inc.
dba Rhodes School For The Performing Arts
Houston, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Kaleidoscope Youth Development Services, Inc. dba Rhodes School For The Performing Arts (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, 2024. 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 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, 2024.

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 (GAAS); 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 Organization'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 GAAS, *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 GAAS, *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 of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

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

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



A Professional Accounting Corporation

Houston, TX
January 10, 2025

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2024**

Federal Grantor/ Pass - Through Grantor/ Program Title	Assistance Listing Number	Pass - Through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Direct Award			
Magnet School Assistance Program	84.165A	S165A220041	\$ 2,954,498
Special Education Cluster			
Passed - Through Texas Education Agency:			
Idea - B Formula	84.027A	246600011018616600	109,123
Idea - B Preschool	84.173A	236610011018616610	1,325
Idea - B Preschool - ARP Carryover	84.173X	225360021018615360	1,960
Passed - Through Education Service Center:			
2023-2024 SPED Capacity Contracted Services Grant	84.027A	236600497110001	50,000
Total Special Education Cluster			162,408
Passed - Through Texas Education Agency:			
Title I, Part A - Improving Basic Programs	84.010A	24610101101861	362,206
Title II, Part A, Teacher/Principal Training & Recruiting	84.367A	24694501101861	30,256
Title IV, Part A, Subpart 1	84.424A	24680101101861	30,518
2024-2025 Stronger Connections	84.424F	236811017110052	67,347
2023-2024 Nita M. Lowey 21st Century	84.287C	246950337110047	460,752
Total U.S. Department of Education, non-COVID-19 Assistance			4,067,985
COVID-19 - Education Stabilization Fund (TCLAS-ESSER III)	84.425U	21528042101861	818,853
COVID-19 - Education Stabilization Fund (ARP ESSER III)	84.425U	21528001101861	356,363
COVID-19 - Education Stabilization Fund (ARP Homeless II)	84.425W	21533002101861	12,355
Total U.S. Department of Education, COVID-19 Assistance			1,187,571
Total U.S. Department of Education			5,255,556
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71402301	20,500
School Breakfast	10.553	71402401	140,575
National School Lunch	10.555	71302301	41,904
National School Lunch	10.555	71302401	312,396
Passed - Through Texas Department of Agriculture			
Supply Chain Assistance	10.555	236TX400N8903	27,309
USDA Commodity Food Distribution	10.555	236TX400N8903	18,320
Total Child Nutrition Cluster			561,004
Local Foods for Schools	10.185	AM23CPLFS000C003	30,000
Storage and Delivery	10.560	246TX312N2533	5,539
Fresh Fruits and Vegetables Program (FFVP)	10.582	246TX375L1603	13,043
Total U.S. Department of Agriculture			609,586
Total Expenditures of Federal Awards			\$ 5,865,142

See independent auditor's report on supplementary information.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2024**

Note 1. 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, 2024. 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.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

Note 3. 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 4. Subrecipients

The Organization did not provide federal awards to subrecipients.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 DBA RHODES SCHOOL FOR THE PERFORMING ARTS
 Schedule of Findings and Questioned Costs
 For the Year Ended August 31, 2024**

Section I. Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Non-compliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified? None Reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No

Identification of major programs:

<u>AL Numbers</u>	<u>Name of Federal Program</u>
84.010A	Title I, Part A – Improving Basic Programs
84.425	Education Stabilization Fund

Dollar threshold used to determine Type A Programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Section II. Findings - Financial Statement Audit

None.

Section III. Findings and Questioned Costs - Major Federal Award Programs Audit

None.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Schedule of Prior Audit Findings
For the Year Ended August 31, 2024**

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 DBA RHODES SCHOOL FOR THE PERFORMING ARTS
 Schedule of Real Property Ownership Interest
 For the Year Ended August 31, 2024**

Description	Property Address	Total Assessed	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
B Block 1	13334 Wallisville RD Houston, TX 77049	\$ 3,749,330	\$ -	\$ 3,749,330	\$ -
Lot 31 and Lot 34 of Old River Acres, Section 1	1215 Pecan Street Channelview, TX 77530	1,910,641	-	1,910,641	-

See accompanying notes to financial statements.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 DBA RHODES SCHOOL FOR THE PERFORMING ARTS
 Schedule of Related-Party Transactions
 For the Year Ended August 31, 2024**

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	\$ 100,142	\$ -

See accompanying notes to financial statements.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
 DBA RHODES SCHOOL FOR THE PERFORMING ARTS
 Special Program Compliance Schedule
 For the Year Ended August 31, 2024**

<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.	\$782,397
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)	\$438,858
<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.	\$10,168
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$5,610

See accompanying notes to financial statements.