

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

Audit of Financial Statements

August 31, 2025

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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, 2025

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, 2025, at a meeting of the governing body of said charter school on the 13 day of January, 2026.



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, 2025, 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, 2025, 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 (*Government Auditing Standards*). 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.

Emphasis of Matter

As discussed in Note 13 to the financial statements, the Organization has accumulated losses in the last two years and current liabilities are greater than current assets. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 13. Our opinion is not modified with respect to this matter.

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 or available to be 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.

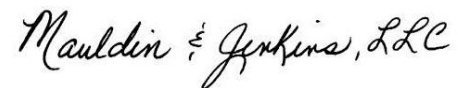
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 December 16, 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.



Covington, LA
December 16, 2025

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Financial Position
August 31, 2025

Assets

Current Assets

Cash and Cash Equivalents	\$ 331,223
Grants Receivable	466,990
Other Receivables	16,141
Current Portion of Lease Receivable	22,219
Prepaid Expenses	72,620

Total Current Assets	909,193
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Property, Plant, and Equipment

Land and Improvements	67,113
Buildings and Improvements	5,615,355
Furniture and Equipment	1,103,430
Vehicles	949,895
	7,735,793

Less: Accumulated Depreciation	(3,359,429)
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Total Property and Equipment	4,376,364
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Other Assets

Lease Receivable, Net of Current Portion	582,249
Right-of-Use Assets, Operating Lease	682,552
Right-of-Use Assets, Finance Lease, Net	89,662

Total Other Assets	1,354,463
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Total Assets	\$ 6,640,020
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The accompanying notes are an integral part of the financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Financial Position (Continued)
August 31, 2025

Liabilities and Net Assets

Current Liabilities

Accounts Payable	\$ 359,023
Accrued Expenses	144,069
Accrued Payroll Liabilities	449,888
Accrued Interest Payable	6,191
Current Portion of Operating Lease Liability	37,175
Current Portion of Finance Lease Liability	30,441
Current Portion Notes Payable	434,585
Deferred Revenue	985,846

Total Current Liabilities	<u>2,447,218</u>
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Noncurrent Liabilities

Operating Lease Liability, Net of Current Portion	655,582
Finance Lease Liability, Net of Current Portion	59,221
Notes Payable, Net of Current Portion	373,421
Deferred Revenue	80,000

Total Noncurrent Liabilities	<u>1,168,224</u>
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Total Liabilities	<u>3,615,442</u>
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Net Assets

Without Donor Restrictions	99,436
With Donor Restrictions	2,925,142

Total Net Assets	<u>3,024,578</u>
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Total Liabilities and Net Assets	<u><u>\$ 6,640,020</u></u>
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The accompanying notes are an integral part of the financial statements.

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Activities
For the Year Ended August 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local Support	\$ 294,835	\$ -	\$ 294,835
State Program Revenues	-	4,758,865	4,758,865
Federal Program Revenues	-	4,127,355	4,127,355
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	11,008,862	(11,008,862)	-
Total Revenues	11,303,697	(2,122,642)	9,181,055
Expenses			
Program Services			
Instruction and Instructional-Related Services	4,906,740	-	4,906,740
Instructional and School Leadership	1,116,045	-	1,116,045
Ancillary Services	187,539	-	187,539
Support Services - Student (Pupil)	1,451,616	-	1,451,616
Total Program Services	7,661,940	-	7,661,940
Supporting Services			
Administrative Support Services	1,066,728	-	1,066,728
Support Services - Non-Student Based	2,249,381	-	2,249,381
Debt Service	51,766	-	51,766
Fundraising Services	273,882	-	273,882
Total Supporting Services	3,641,757	-	3,641,757
Total Expenses	11,303,697	-	11,303,697
Change in Net Assets from Operations	-	(2,122,642)	(2,122,642)
Non-Operating Revenues (Expenses)			
Loss on Sale of Asset	-	(47,456)	(47,456)
Total Non-Operating Revenues (Expenses)	-	(47,456)	(47,456)
Total Change in Net Assets	-	(2,170,098)	(2,170,098)
Net Assets, Beginning of Year	99,436	5,095,240	5,194,676
Net Assets, End of Year	\$ 99,436	\$ 2,925,142	\$ 3,024,578

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

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Functional Expenses
For the Year Ended August 31, 2025

	Program Services	Supporting Services			
	Charter School	Management and General	Fundraising Services	Total Supporting Services	Total
Expenses					
Salaries	\$ 4,922,407	\$ 757,476	\$ 800	\$ 758,276	\$ 5,680,683
Payroll Taxes	67,818	11,275	11	11,286	79,104
Employee Benefits	936,402	58,919	75	58,994	995,396
Equipment Lease	-	288,596	-	288,596	288,596
Utilities	-	242,444	-	242,444	242,444
Supplies	657,560	207,603	30,926	238,529	896,089
Repairs and Maintenance	77,926	298,879	-	298,879	376,805
Travel	110,459	42,885	-	42,885	153,344
Professional Fees	772,049	729,405	235,157	964,562	1,736,611
Insurance	35,385	143,837	-	143,837	179,222
Miscellaneous Expenses	76,424	190,242	6,913	197,155	273,579
Depreciation and Amortization	5,510	344,548	-	344,548	350,058
Interest Expense	-	51,766	-	51,766	51,766
Total Expenses	\$ 7,661,940	\$ 3,367,875	\$ 273,882	\$ 3,641,757	\$ 11,303,697

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

KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Statement of Cash Flows
For the Year Ended August 31, 2025

Cash Flows from Operating Activities	
Change in Net Assets	\$ (2,170,098)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities	
Depreciation Expense	350,058
Amortization of Right-of-Use Assets	287,316
Loss on Sale of Asset	47,456
(Increase) Decrease in Operating Assets	
Grants Receivable	146,965
Other Receivables	(13,739)
Prepaid Expenses	143,836
Lease Receivable	15,532
Increase (Decrease) in Operating Liabilities	
Accounts Payable	(430,757)
Accrued Expenses	(28,106)
Accrued Payroll Liabilities	42,693
Accrued Interest Payable	(1,288)
Deferred Revenue	436,615
Operating Lease Liability	(247,918)
Net Cash Used in Operating Activities	<u>(1,421,435)</u>
Cash Flows from Investing Activities	
Cash Paid for Purchases of Property, Plant and Equipment	<u>(229,804)</u>
Net Cash Used in Investing Activities	<u>(229,804)</u>
Cash Flows from Financing Activities	
Proceeds from Notes Payable	375,000
Repayment of Finance Lease Liability	(29,193)
Repayment of Notes Payable	<u>(137,676)</u>
Net Cash Provided by Financing Activities	<u>208,131</u>
Net Decrease in Cash and Cash Equivalents	<u>(1,443,108)</u>
Cash and Cash Equivalents, Beginning of Year	<u>1,774,331</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 331,223</u></u>
Supplemental Disclosures	
Cash Paid During the Year for:	
Interest	<u><u>\$ 53,054</u></u>
Non-Cash Investing and Financing Transactions	
Right-of-Use Asset in Exchange of Operating Lease Liability	<u>\$ 720,289</u>
Cancellation of Right-of-Use Lease and Operating Lease Liability	<u>\$ 227,974</u>
Receivable in Exchange of Sales-Type Lease and Disposal of Property	<u><u>\$ 620,000</u></u>

The accompanying notes are an integral part of the 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 436 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

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, 2025, 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.

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.

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

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Advertising Expenses

The Organization expenses the costs of advertising as incurred. There were no advertising expenses for the year ended August 31, 2025.

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.

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.

**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 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.

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.

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.

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

Notes to Financial Statements

Note 3. Pension Plan Obligations (Continued)

Plan Description (Continued)

That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701 or by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications Heading.

Charter schools are legally separate entities from the state and each other. Assets contributed by one charter or independent school district (ISD) may be used for the benefit of an employee of another ISD or charter. The risk of participating in multi-employer pension plans is different from single-employer plans. Assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. There is no withdrawal penalty for leaving the TRS system. There is no collective-bargaining agreement. The latest TRS Comprehensive Annual Financial Report available dated August 31, 2025 provided the following information (ABO refers to the accumulated benefit obligation):

Pension Fund	Total Plan Assets 2025	Total Pension Liability 2025	Percent Funded
TRS	\$ 256,723,783,000	\$ 289,276,032,000	78.24%

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 2025, and a state contribution rate of 8.25% for fiscal year 2025.

The Organization's employee contributions to the system for the year ended August 31, 2025 were \$487,195 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 \$74,465 for the year ended August 31, 2025. 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 \$12,511 for the year ended August 31, 2025. 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 2025 totaled \$258,619.

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

Notes to Financial Statements

Note 4. Health Care Coverage

During the year ended August 31, 2025, 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 5. Lease Receivable

On September 9, 2024, the Organization entered into a sales-type lease with an interest rate of 10%. The Organization received \$80,000 as a security deposit at the start of the lease which is recorded in deferred revenue on the statement of financial position. Monthly payments of \$6,663 will be received through the maturity date of August 31, 2029. At that date, the tenant will have the option to purchase the building at the price of \$700,000, deducted by the security deposit and total principal payments made during the lease. The interest earned during the fiscal year ended August 31, 2025 totaled \$51,093. The Organization recorded a lease receivable for the future lease payments at net present value. The lease receivable balance as of August 31, 2025 is \$604,468.

Maturity analysis of the lease receivable balance is as follows:

Year Ending August 31,	
2026	\$ 86,613
2027	79,951
2028	79,951
2029	<u>590,776</u>
Total Undiscounted Lease Payments	837,291
Less: Unearned Finance Income	<u>(232,823)</u>
Net Investment in the Lease	<u>\$ 604,468</u>

Note 6. 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.

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

Notes to Financial Statements

Note 7. Notes Payable

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

Note payable to Cedar Advance LLC. The note is dated July 29, 2025, for the amount of \$350,000 less 3% fees and bearing interest of 16%. The note was paid off subsequent to year end as of October 6, 2025.	\$ 335,665
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.	184,061
Emergency Injury Disaster Loan with monthly installments of \$641 bearing interest of 2.75%. Balance and principal due on July 31, 2050.	148,923
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.	114,357
U.S. Small Business Administration unsecured loan with monthly payments of \$185 bearing interest of 3.25%. Balance and principal due on March 31, 2040.	<u>25,000</u>
Total Notes Payable	808,006
Less: Current Portion Notes Payable	<u>(434,585)</u>
Notes Payable, Net of Current Portion	<u><u>\$ 373,421</u></u>

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

Notes to Financial Statements

Note 7. Notes Payable (Continued)

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

Year Ending August 31,	Principal	Interest	Total
2026	\$ 434,585	\$ 65,704	\$ 500,289
2027	106,872	17,761	124,633
2028	74,900	10,549	85,449
2029	38,139	7,135	45,274
2030	5,669	4,243	9,912
Thereafter	147,841	47,621	195,462
Total	\$ 808,006	\$ 153,013	\$ 961,019

Note 8. 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, 2025, 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, 2025, the Organization was in compliance with this debt covenant with a leverage ratio of 1.20.

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, 2025, the Organization was not in compliance with this debt covenant with a current ratio of 0.37. The Organization received a waiver from the bank for this covenant.

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, 2025, the Organization was not in compliance with this debt covenant. The Organization received a waiver from the bank for this covenant.

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

Notes to Financial Statements

Note 9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of August 31, 2025, 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	\$ 331,223
Grants Receivable	466,990
Other Receivables	16,141
Current Portion of Lease Receivable	<u>22,219</u>
Financial Assets Available to Meet Cash Needs For General Expenditure Within One Year	<u>\$ 836,573</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 10. 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.

Note 11. Leases

Operating Lease

The Organization leases property under a noncancelable operating lease. Monthly rent payments total \$5,500 and the lease expires July 2039.

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.

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

Notes to Financial Statements

Note 11. Leases (Continued)

Finance Lease (Continued)

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, 2025:

Operating Lease Cost	\$ 258,123
Finance Lease Cost - Amortization of Right-of-Use Assets	29,193
Finance Lease Cost - Interest on Lease Liabilities	<u>4,307</u>
Total Lease Cost	<u>\$ 291,623</u>

Supplemental statement of financial position information related to leases is as follows as of August 31, 2025:

Weighted-Average Remaining Lease Term

Operating Lease	13.9 Years
Finance Lease	2.8 Years

Weighted-Average Discount Rate

Operating Lease	4.30%
Finance Lease	4.19%

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, 2025:

Year Ending August 31,	Operating Lease	Finance Lease
2026	\$ 66,000	\$ 33,499
2027	66,000	33,499
2028	66,000	27,916
2029	66,000	-
2030	66,000	-
Thereafter	<u>588,500</u>	<u>-</u>
Total Lease Payments	918,500	94,914
Less: Imputed Interest	<u>(225,743)</u>	<u>(5,252)</u>
Less: Current Portion	<u>(37,175)</u>	<u>(30,441)</u>
Lease Liabilities, Less Current Portion	<u>\$ 655,582</u>	<u>\$ 59,221</u>

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

Notes to Financial Statements

Note 12. Restrictions on Net Assets

At August 31, 2025, 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>\$ 2,925,142</u>
Total Restricted Funds	<u><u>\$ 2,925,142</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	\$ 4,127,355
Texas Education Agency-State	<u>6,881,507</u>
Total Restrictions Released	<u><u>\$ 11,008,862</u></u>

Note 13. Going Concern

The accompanying financial statements have been prepared on a going concern basis which assumes the Organization will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. At August 31, 2025, current liabilities exceeded current assets by approximately \$1,529,000 and the Organization had consecutive losses of \$2,161,190 and \$1,860,387 for the years ended August 31, 2025 and 2024 respectively.

To address these concerns, the Organization's management will develop a financial recovery plan that includes a combination of increasing enrollment, reducing expenditures, and securing additional funding sources. The Organization has begun implementing targeted student recruitment efforts to improve average daily membership, which directly increases state funding. In addition, management has initiated cost-containment measures, including reductions in non-essential spending and renegotiation of certain vendor and facility contracts. The Organization is also pursuing additional federal and state grants and expanding its fundraising initiatives. While management believes these actions will improve the Organization's financial condition, there is no assurance that these plans will be successfully implemented or will generate sufficient resources to eliminate the going concern uncertainty.

Note 14. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 16, 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, 2025, and our report thereon dated December 16, 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, 2025 and appearing on pages 22 to 25 and on pages 35 to 38 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.

Mauldin & Jenkins, LLC

Covington, LA
December 16, 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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Local Support			
5740 Other Revenues from Local Sources	\$ 289,625	\$ -	\$ 289,625
5750 Revenues from Cocurricular, Enterprising Services, or Activities	5,210	-	5,210
Total Local Support	294,835	-	294,835
State Program Revenues			
5810 Foundation School Program Act Revenues	-	4,338,431	4,338,431
5820 State Program Revenues Distributed by Texas Education Agency (TEA)	-	161,815	161,815
5830 State Rev. from State of TX Gov. Agencies (other than TEA)	-	258,619	258,619
Total State Program Revenues	-	4,758,865	4,758,865
Federal Program Revenues			
5920 Federal Revenues Distributed by Texas Education Agency	-	1,685,644	1,685,644
5940 Federal Revenues Distributed Directly from Federal Government Agencies	-	2,441,711	2,441,711
Total Federal Program Revenues	-	4,127,355	4,127,355
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	11,008,862	(11,008,862)	-
Total Revenues	11,303,697	(2,122,642)	9,181,055
Expenses			
11 Instruction	4,143,207	-	4,143,207
12 Instructional Resources and Media Services	13,010	-	13,010
13 Curriculum Development and Instructional Staff Development	750,523	-	750,523
21 Instructional Leadership	593,103	-	593,103
23 School Leadership	522,942	-	522,942
31 Guidance, Counseling, and Evaluating Services	178,441	-	178,441
33 Health Services	35,600	-	35,600
34 Student (Pupil) Transportation	675,346	-	675,346
35 Food Services	467,623	-	467,623
36 Cocurricular/Extracurricular Activities	94,606	-	94,606
41 General Administration	1,066,728	-	1,066,728
51 Plant Maintenance and Operations	1,729,328	-	1,729,328
52 Security and Monitoring Services	76,485	-	76,485
53 Data Processing Services	443,568	-	443,568
61 Community Services	187,539	-	187,539
71 Debt Service	51,766	-	51,766
81 Fundraising	273,882	-	273,882
Total Expenses	11,303,697	-	11,303,697
Other Resources / Non-Operating			
8950 Gain (Loss) on Sale of Real and Personal Property	-	(47,456)	(47,456)
Total Other Resource / Non-Operating Revenues	-	(47,456)	(47,456)
Change in Net Assets	-	(2,170,098)	(2,170,098)
Net Assets, Beginning of Year	99,436	5,095,240	5,194,676
Net Assets, End of Year	\$ 99,436	\$ 2,925,142	\$ 3,024,578

See independent auditor's report on supplementary information.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Schedule of Expenses for Individual Charter School
For the Year Ended August 31, 2025**

Expenses	
6100 Payroll Costs	\$ 6,755,183
6200 Professional and Contracted Services	2,644,456
6300 Supplies and Materials	896,089
6400 Other Operating Costs	956,203
6500 Debt	<u>51,766</u>
Total Expenses	<u><u>\$ 11,303,697</u></u>

See independent auditor's report on supplementary information.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Schedule of Assets for Individual Charter School
For the Year Ended August 31, 2025**

	Ownership Interest		
	Local	State	Federal
Capital Assets			
1110 Cash and Cash Equivalents	\$ -	\$ 331,223	\$ -
1510 Land and Improvements	-	67,113	-
1520 Building and Improvements	-	4,340,442	1,274,913
1531 Vehicles	-	759,895	190,000
1539 Furniture and Equipment	-	642,582	460,848
1553 Right-of-Use Assets: Financing Lease for Furniture and Equipment	-	89,662	-
1554 Right-of-Use Assets: Operating Lease for Buildings	-	682,552	-
Total Capital Assets	\$ -	\$ 6,913,469	\$ 1,925,761

See independent auditor's report on supplementary information.

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, 2025

		Budgeted Amounts		Actual Amounts	Variance from Final Budget
		Original	Final		
Revenues, Gains, and Other Support					
Local Support					
5740	Other Revenues from Local Sources	\$ 441,829	\$ 231,076	\$ 289,625	\$ 58,549
5750	Revenues from Cocurricular, Enterprising Services, or Activities	1,400	6,610	5,210	(1,400)
Total Local Support		443,229	237,686	294,835	57,149
State Program Revenues					
5810	Foundation School Program Act Revenues	5,673,326	4,374,762	4,338,431	(36,331)
5820	State Program Revenues Distributed by Texas Education Agency	215,188	245,188	161,815	(83,373)
5830	State Rev. from State of TX Gov. Agencies (other than TEA)	-	-	258,619	258,619
Total State Program Revenues		5,888,514	4,619,950	4,758,865	138,915
Federal Program Revenues					
5920	Federal Revenues Distributed by Texas Education Agency	1,572,691	1,796,041	1,685,644	(110,397)
5930	Federal Revenues Distributed by Other Government Agencies	120,851	25,000	-	(25,000)
5940	Federal Revenues Distributed Directly from Federal Government Agencies	2,676,744	2,676,744	2,441,711	(235,033)
Total Federal Program Revenues		4,370,286	4,497,785	4,127,355	(370,430)
Total Revenues		11,002,029	9,674,685	9,181,055	(174,366)
Expenses					
11	Instruction	4,209,383	4,395,160	4,143,207	(251,953)
12	Instructional Resources and Media Services	39,599	13,503	13,010	(493)
13	Curriculum Development and Instructional Staff Development	714,095	805,498	750,523	(54,975)
21	Instructional Leadership	810,258	734,116	593,103	(141,013)
23	School Leadership	385,107	501,444	522,942	21,498
31	Guidance, Counseling, and Evaluating Services	119,392	178,253	178,441	188
33	Health Services	36,709	34,501	35,600	1,099
34	Student (Pupil) Transportation	621,805	681,781	675,346	(6,435)
35	Food Services	597,660	517,242	467,623	(49,619)
36	Cocurricular/Extracurricular Activities	114,316	96,145	94,606	(1,539)
41	General Administration	1,013,060	1,035,476	1,066,728	31,252
51	Plant Maintenance and Operations	1,258,796	1,620,562	1,729,328	108,766
52	Security and Monitoring Services	210,248	73,505	76,485	2,980
53	Data Processing Services	302,597	402,899	443,568	40,669
61	Community Services	205,510	199,215	187,539	(11,676)
71	Debt Service	117,508	35,742	51,766	16,024
81	Fundraising	191,505	384,737	273,882	(110,855)
Total Expenses		10,947,548	11,709,779	11,303,697	(406,082)
Other Resources / Non-Operating					
8950	Gain (Loss) on Sale of Real and Personal Property	300,000	319,264	(47,456)	(366,720)
Total Other Resource / Non-Operating Revenues		300,000	319,264	(47,456)	(366,720)
Change in Net Assets		54,481	(2,035,094)	(2,170,098)	231,716
Net Assets, Beginning of Year		1,484,647	4,911,612	5,194,676	73,270
Net Assets, End of Year		\$ 1,539,128	\$ 2,876,518	\$ 3,024,578	\$ 304,986

See independent auditor's report on supplementary information.



**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, 2025, 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 December 16, 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.

Mauldin & Jenkins, LLC

Covington, LA
December 16, 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, 2025. 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, 2025.

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.

Mauldin & Jenkins, LLC

Covington, LA
December 16, 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, 2025

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 Schools Assistance Program	84.165A	S165A220041	\$ 2,441,711
Special Education Cluster			
Passed - Through Texas Education Agency:			
Idea - B Formula	84.027A	256600011018616000	104,694
Idea - B Preschool	84.173A	256610011018616000	2,293
Idea - B Preschool - ARP Carryover	84.173X	246610011018616000	4,573
Total Special Education Cluster			111,560
Passed - Through Texas Education Agency:			
Title I, Part A - Improving Basic Programs	84.010A	24610101101861	20,735
Title I, Part A - Improving Basic Programs	84.010A	25610101101861	329,209
Title II, Part A - Teacher/Principal Training & Recruiting	84.367A	25694501101861	32,420
Title IV, Part A - Subpart 1	84.424A	25680101101861	22,874
2024-2025 Stronger Connections	84.424F	236811017110052	214,799
Nita M. Lowey 21st Century Community Learning Centers	84.287C	256950337110047	464,000
Nita M. Lowey 21st Century Community Learning Centers	84.287C	266950337110047	5,837
Total U.S. Department of Education, non-COVID-19 Assistance			3,643,145
COVID-19 - Education Stabilization Fund (ARP Homeless II)	84.425W	21533002101861	16,983
Total U.S. Department of Education, COVID-19 Assistance			16,983
Total U.S. Department of Education			3,660,128
<u>U.S. Department of Agriculture</u>			
Child Nutrition Cluster			
Passed - Through Texas Education Agency			
Federal Food Service Reimbursement			
School Breakfast	10.553	71402401	15,586
School Breakfast	10.553	71402501	111,033
National School Lunch	10.555	71302401	32,591
National School Lunch	10.555	71302501	251,454
Passed - Through Texas Department of Agriculture			
USDA Commodity Food Distribution	10.555	256TX877N8005	26,191
Total Child Nutrition Cluster			436,855
Local Foods for Schools	10.185	AM23CPLFS000C003	15,000
Fresh Fruits and Vegetables Program (FFVP)	10.585	256TX375L1603	10,867
State Administrative Expenses (SAE)	10.560	256TX312N2533	2,321
NSLP Equipment Assistance Grant	10.579		2,184
Total U.S. Department of Agriculture			467,227
Total Expenditures of Federal Awards			\$ 4,127,355

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, 2025**

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, 2025. 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, 2025**

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>
84.165A	Magnet Schools Assistance Program
84.287C	Nita M. Lowey 21 st Century Community Learning Centers

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, 2025**

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, 2025**

Description	Property Address	Total Assessed	Ownership Interest - Local	Ownership Interest - State	Ownership Interest - Federal
B Block 1	13334 Wallisville RD Houston, TX 77049	\$ 3,758,793	\$ -	\$ 3,758,793	\$ -
Lot 31 and Lot 34 of Old River Acres, Section 1	1215 Pecan Street Channelview, TX 77530	2,242,094	-	2,242,094	-

See independent auditor's report on supplementary information.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Schedule of Related Party Transactions
For the Year Ended August 31, 2025**

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	\$ 73,467	\$ -

See independent auditor's report on supplementary information.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Schedule of Related Party Compensation and Benefits
For the Year Ended August 31, 2025**

Related Party Name	Name of Relation to the Related Party	Relationship	Compensation or Benefit	Payment Frequency	Description	Source of Funds Used	Total Paid During FY
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None.

See independent auditor's report on supplementary information.

**KALEIDOSCOPE YOUTH DEVELOPMENT SERVICES, INC.
DBA RHODES SCHOOL FOR THE PERFORMING ARTS
Use of Funds Report - Select State Allotment Programs
For the Year Ended August 31, 2025**

<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.	\$532,378
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)	\$326,932
<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.	\$6,901
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$4,072

See independent auditor's report on supplementary information.