

KIDWORKS COMMUNITY
DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015 & 2014

KIDWORKS COMMUNITY
DEVELOPMENT CORPORATION

TABLE OF CONTENTS

Independent Auditor's Report.....	1-2
Statements of Financial Position.....	3
Statements of Activities and Net Assets.....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	6-13

Supplementary Information:

Statements of Functional Expenses.....	15-16
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.....	17-18
Management Letter.....	19



To the Board of Trustees
KidWorks Community Development Corporation
Santa Ana, California

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of KidWorks Community Development Corporation (a nonprofit organization) as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the year ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

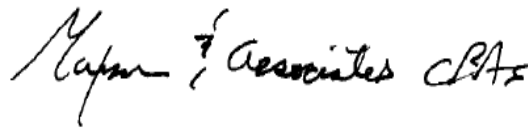
Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KidWorks Community Development Corporation (a nonprofit organization) as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 12, 2015, on our consideration of KidWorks Community Development Corporation's (a nonprofit organization) 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 the report is 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 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 KidWorks Community Development Corporation (a nonprofit organization) internal control over financial reporting and compliance.

Orange, California
October 12, 2015

Handwritten signature in black ink that reads "Kaplan & Associates CPAs". The signature is written in a cursive, flowing style.

**KidWorks Community
Development Corporation**
Statements of Financial Position
June 30, 2015 & 2014

ASSETS

	<u>6/30/2015</u>	<u>6/30/2014</u>
Current Assets		
Cash & Cash Equivalents - Note A, B	\$ 828,136	\$ 990,024
Marketable Securities, Scholarship Fund - Note C	102,497	100,347
Grants Receivable - Note D	18,141	68,482
Contributions Receivable	131,945	-
Miscellaneous Receivables	-	215
Prepaid Expenses	37,046	29,150
Deposits	<u>5,325</u>	<u>6,094</u>
Total Current Assets	1,123,090	1,194,312
Property, Plant & Equipment - Note A		
Building	1,507,226	1,507,226
Land	630,482	630,482
Transportation Equipment	97,917	97,917
Furniture & Fixtures	211,612	211,612
Computer Equipment	<u>124,054</u>	<u>124,054</u>
Total	2,571,291	2,571,291
Less: Accumulated Depreciation	<u>(732,136)</u>	<u>(656,008)</u>
Property & Equipment - Net	1,839,155	1,915,283
Other Assets		
Construction Costs	<u>37,564</u>	<u>37,564</u>
TOTAL ASSETS	<u>\$ 2,999,809</u>	<u>\$ 3,147,159</u>

LIABILITIES & NET ASSETS

Current Liabilities		
Accounts Payable	\$ 30,536	\$ 40,916
Accrued Vacation - Note A	45,086	39,695
Accrued Payroll Expenses	57,431	50,343
Accrued Expenses	6,980	2,682
Deferred Revenue	-	50,300
Total Current Liabilities	<u>140,033</u>	<u>183,936</u>
Long Term Liabilities		
	<u>-</u>	<u>-</u>
Total Liabilities	140,033	183,936
Commitments and Contingencies - Notes F, J		
	-	-
Net Assets		
Unrestricted	2,199,379	2,290,219
Temporarily Restricted		
Capital Campaign - Note M	134,749	100,638
Grants/Promises to Give	<u>523,917</u>	<u>566,215</u>
Total Temporarily Restricted	658,666	666,853
Permanently Restricted	-	-
Subtotal	<u>2,858,045</u>	<u>2,957,072</u>
Net Unrealized Loss on Marketable Securities	<u>1,731</u>	<u>6,151</u>
Total Net Assets	<u>2,859,776</u>	<u>2,963,223</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 2,999,809</u>	<u>\$ 3,147,159</u>

See Accompanying Notes.

**KidWorks Community
Development Corporation**
Statements of Activities & Net Assets
For the Year Ended June 30, 2015 & 2014

	<u>6/30/2015</u>	<u>6/30/2014</u>
Unrestricted Net Assets		
Unrestricted Revenues & Gains		
Contributions & Grants		
Individual/Business/Board	\$ 247,577	\$ 255,887
Church	23,309	35,932
Donated Program Volunteer Hours	250,480	388,598
Donated Use of Facilities	49,200	43,050
Gifts In Kind - Goods	122,303	94,945
Corporate/Business Grants	204,512	175,709
Foundation/Trust/Nonprofit Grants	681,986	331,065
Government Grants	306,993	394,341
Total Contributions & Grants	<u>1,886,360</u>	<u>1,719,527</u>
Program Service Fees	10,774	14,332
Interest & Dividend Income	10,505	9,428
Other Income	8,619	6,480
Realized Gain/(Loss) on Investments	-	(7,030)
Special Fundraising Events	599,241	698,527
Total Unrestricted Revenue & Gains	<u>2,515,499</u>	<u>2,441,264</u>
Net assets released from restrictions	<u>566,215</u>	<u>578,253</u>
Total Unrestricted Revenues, Gains, and Other Support	3,081,714	3,019,517
Expenses		
Program Services		
Unrestricted	-	82,403
Preschool	383,441	-
After School Program	1,172,898	-
Youth & Family Engagement	971,318	-
Academics & Arts - Note M	-	1,527,865
Health & Fitness	-	367,675
College & Career Readiness	-	152,984
Leadership & Spiritual Development	-	817,800
Supporting Services		
Management	256,747	292,214
Fund Development	388,150	413,646
Total Expenses	<u>3,172,554</u>	<u>3,654,587</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(90,840)	(635,070)
Temporarily Restricted Net Assets		
Contributions		
Grants/Promises to Give	523,917	566,215
Capital Campaign Contributions - Note M	99,400	100,000
Capital Campaign Expenses - Note M	(65,289)	(24,760)
Net Assets released from restrictions	<u>(566,215)</u>	<u>(578,253)</u>
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(8,187)	63,202
Permanently Restricted Net Assets	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	(99,027)	(571,868)
NET ASSETS - BEGINNING OF YEAR	2,957,072	3,528,940
PRIOR PERIOD ADJUSTMENT - NOTE M	<u>-</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 2,858,045</u>	<u>\$ 2,957,072</u>

See Accompanying Notes.

**KidWorks Community
Development Corporation**
Statements of Cash Flows
For the Year Ended June 30, 2015 & 2014

	<u>6/30/2015</u>	<u>6/30/2014</u>
Cash Flows From Operating Activities:		
Reconciliation of Net Increase to Net Cash Provided (Used) By Operating Activities:		
Increase (Decrease) in Net Assets	\$ (99,026)	\$ (571,868)
Adjustments to Reconcile Net Increase to Net Cash Provided (Used) By Operating Activities		
Depreciation - Note A	76,127	82,635
Loss on Assets Disposed	-	(7,926)
(Increase) Decrease in Assets:		
Contributions Receivable	(81,604)	(2,940)
Miscellaneous Receivable	215	23,325
Prepaid Expenses	(7,896)	1,278
Deposits	769	2,831
Increase (Decrease) in Liabilities:		
Accounts Payable	(10,380)	(21,529)
Accrued Vacation	5,391	19,163
Accrued Payroll Expenses	10,473	30,282
Accrued Expenses	913	1,863
Deferred Revenue	<u>(50,300)</u>	<u>300</u>
Net Cash Provided (Used) By Operating Activities	<u>(155,318)</u>	<u>(442,586)</u>
Cash Flows From Investing Activities:		
Investments - Scholarship Fund	(6,570)	4,258
Disposal of Fixed Assets	-	4,536
Fixed Assets Acquired	-	(27,450)
Construction Costs	<u>-</u>	<u>(700)</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,570)</u>	<u>(19,356)</u>
Cash Flows From Financing Activities:		
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Cash	(161,888)	(461,942)
Cash - Beginning of Year	<u>990,024</u>	<u>1,451,966</u>
Cash - End of Year	<u>\$ 828,136</u>	<u>\$ 990,024</u>
Supplemental Disclosures:		
Interest Paid	\$ <u>-</u>	\$ <u>-</u>
Income Tax Paid	\$ <u>-</u>	\$ <u>-</u>

See Accompanying Notes.

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Operations

KidWorks' outreach programs began in 1993 from a rented apartment unit in central Santa Ana. Since then KidWorks has expanded to operate three community centers that combined serve over 800 children, youth and parents in weekly programs and over 3,000 community members annually. KidWorks operates three centers, the Dan Donahue Center, the KidWorks Center on Townsend, and the KidWorks Center at Bishop Manor, which are all safe havens where children and families receive education and support to help them succeed. The centers are strategically located in neighborhoods that are characterized by gangs, low levels of education and dense housing. Most of the residents served are low-income and Latino. A significant number of families are also served by KidWorks.

The mission of KidWorks is to restore at-risk neighborhoods one life at a time. The Organization builds on the strengths and potential in the community through education, character formation, and personal development. The goals of KidWorks are to 1) be a model of community transformation by building on existing community assets; 2) be a safe haven for youth and families; and 3) be a place for learning, nurturing, and leadership development. KidWorks regularly collaborates with other organizations to make the programs as robust as possible.

KidWorks believes all aspects of life are interconnected-spiritual, emotional, physical, mental, economic, and social. To this end, KidWorks provides the following programs which address academics and arts, health and fitness, college and career readiness, and leadership and spiritual development.

Preschool: Kidworks operates a state-licensed preschool that serves 48 children annually. The goal of the Preschool is to make every student Kindergarten ready.

After School Programs offer multi-faceted services to engage children, youth and families.

University Starts Now offers academic support to at-risk children and youth, ages 5-18, alongside their parents. Goal of the academic program is for all children enrolled in the program to ultimately graduate from a college or university.

FitWorks offers family-friendly activities and nutritional, health-focused programs and workshops.

Summer Programs offer a 6 week summer program for children and teens that includes an outdoor camp, career exploration, sports, arts, college preparation and more.

Spiritual/Character and Leadership Development facilitates character building lessons for children through weekly faith-based discussions and community services groups for teenagers.

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Youth and Family Engagement

Community Engagement encourages at-risk youth and parents to participate in activities that promote personal empowerment, service opportunities and community transformation.

AdultWorks provide classes, workshops and support groups to parents of enrolled children and youth to develop confidence, parenting, and leadership skills.

KidWorks was originally developed as a program through the Hispanic Ministry Center (HMC). On July 1, 2003, KidWorks divested from HMC and was subsequently managed through El Puente CDC. El Puente CDC was incorporated in the State of California on November 21, 2002. El Puente CDC is a non-profit charitable organization established under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the Revenue and Taxation Code of the State of California. For the year ended June 30, 2010, the organization changed its name from El Puente CDC to KidWorks CDC.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when incurred. This basis of accounting conforms to generally accepted accounting principles.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization has no permanently restricted net assets.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. At June 30, 2015 and 2014, there were no cash equivalents.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight line method for financial reporting purposes based on the following estimated useful lives:

Transportation Equipment	5	years
Computer Equipment	5-7	years
Furniture & Office Equipment	5-7	years
Building	40	years

KidWorks Community
Development Corporation
Notes to Financial Statements
June 30, 2015 & 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense is \$76,128 and \$82,635 for the years ended June 30, 2015 and 2014.

Compensated Absences

Employees of the Organization are entitled to paid vacations, and other time off depending on job classifications, length of service and other factors. For the years ended June 30, 2015 and 2014, compensated absences payable were \$45,086 and \$39,695.

Estimates

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

Revenue Recognition

Contributions received are recorded as increases in unrestricted and temporarily restricted net assets depending on the existence and/or nature of any donor restrictions.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donations In Kind and Contributed Services

Donations in-kind used in programs administered by the Organization are recorded at fair value at the date of donation as unrestricted support and revenue unless the use of such contributed assets is limited by donor-imposed restrictions.

Contributed services are reported as contributions at their fair value if such services create or enhance nonfinancial assets, or would have been purchased if not provided by donation, require specialized skills, and are provided by individuals possessing such specialized skills. The fair market value of contributed services is \$250,480 and \$388,598 at June 30, 2015 and 2014, respectively.

Income Taxes

The Organization is exempt from federal and state income taxes under Internal Revenue Code Section 501 (c) (3) and Section 23701(d) of the Revenue and Taxation Code of the State of California. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Organization's forms 990, Return of Organization Exempt from Income Tax, for the years ending June 30, 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they are filed.

NOTE B - FINANCIAL INSTRUMENTS

The Organization maintains its cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2015 & 2014, the Organization had \$157,874 and \$341,779 in uninsured cash balances.

NOTE C - FAIR VALUE MEASUREMENTS

The Organization's investments at June 30, 2015 and 2014 consisted of mutual funds held in trust at Merrill Lynch Wealth Management Company was recorded at fair market value as summarized below. Fair market value has been determined with Level 1 inputs which is quoted prices in active markets for identical assets.

At June 30, 2015

<u>Description</u>	<u>Number of Shares</u>	<u>Price</u>	<u>Fair Market Value</u>	<u>Level</u>
Blackrock Equity	1,743	24.53	\$ 42,768	1
Blackrock Global	977	20.34	19,819	1
Oppenheimer Rising	520	19.94	10,386	1
Pioneer Strategic Income	2,779	10.62	29,524	1
			<u>102,497</u>	

At June 30, 2014

<u>Description</u>	<u>Number of Shares</u>	<u>Price</u>	<u>Fair Market Value</u>	<u>Level</u>
Blackrock Equity	1,640	25.28	\$ 41,481	1
Blackrock Global	889	22.09	19,647	1
Oppenheimer Rising	475	20.63	9,809	1
Pioneer Strategic Income	2,642	11.13	29,411	1
			<u>100,347</u>	

NOTE D - GOVERNMENT GRANTS & CONTRACTS RECEIVABLE

Government Grants and Contracts Receivable at June 30, 2015 and June 30, 2014 were as follows:

	<u>6/30/15</u>	<u>6/30/14</u>
TELACU Futuro Now	\$ 12,412	\$ 14,239
AmeriCorps	-	6,480
City of Santa Ana SAPAAL Program	-	40,661
California Department of Education	5,729	7,102
	<u>18,141</u>	<u>68,482</u>

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE E - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE F - COMMITMENTS

KidWorks CDC rents facilities for its afterschool programs at KidWorks Center at Townsend and KidWorks Center at Bishop Manor. The Townsend agreement is with the Orange County Housing Authority and provides the space rent free. The fair market value of the lease is \$2,050 per month. KidWorks maintains a Memorandum of Understanding with the Bishop Manor Homeowners Association to operate its community center at the location and is in effect until August 31, 2016. The space is free and has a market value of \$2,050 per month.

The Organization entered into a lease agreement with Davidson Properties for the 1910 Chestnut Avenue property on February 3, 2013 for seven years. The rent is \$5,000 a month.

Minimum annual rent subsequent to June 30, 2015 are:

<u>FYE</u>	<u>Amount</u>
6/30/2016	\$ 60,000
6/30/2017	60,000
6/30/2018	60,000
6/30/2019	60,000
Thereafter	95,000
	<u>\$ 335,000</u>

NOTE G - COST ALLOCATION PLAN

KidWorks Community Development Corporation updates its cost allocation plan annually and obtains approval from its Board of Directors. Its indirect cost allocation plan is on file in the Organization's accounting office. KidWorks CDC allocates its costs based on the relative benefits received by the programs or activities. Accordingly, the Organization applies several methods for allocating costs:

Direct Costs

Costs identified 100% to a specified program are charged directly to that program.

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE G - COST ALLOCATION PLAN (CONTINUED)

Shared Direct Costs

Costs identified to specific multiple programs or activities are shared between the programs benefitting:

- Payroll Costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.
- Facility costs are allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements and time calculation for exact times used by specific programs in specific rooms throughout the fiscal year.
- Training costs for staff members are allocated to programs in proportion to the actual time employees spent working in those programs.
- Legal fees and audit costs are allocated in proportion to the direct hours charged to each program based upon invoices and engagement letters.

Indirect Costs

Costs that benefit the operations of the entire organization, which cannot be identified to specific programs or activities are allocated according to an indirect cost allocation plan.

NOTE H- CALIFORNIA DEPARTMENT OF EDUCATION (CDE) CONTRACTS

During the fiscal years ended June 30, 2015 and 2014, KidWorks Community Development Corporation entered into three contract agreements to provide child development services (a preschool) as follows:

2015

<u>Contract Number</u>	<u>Program Type</u>	<u>Grant Amount</u>
CSPP-5313	CA State Preschool Program	157,120
CPKS-4057	Prekindergarten and Family Literacy Program	5,000
CACFP-05677	Child & Adult Care Food Program	<u>16,392</u>
		\$ <u><u>178,512</u></u>

2014

<u>Contract Number</u>	<u>Program Type</u>	<u>Grant Amount</u>
CSPP-3323	CA State Preschool Program	143,410
CPKS-3058	Prekindergarten and Family Literacy Program	5,000
CNIPS-05677	Child & Adult Care Food Program	<u>16,104</u>
		\$ <u><u>164,514</u></u>

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE I - CONCENTRATIONS

The Organization's activities consist primarily of assistance to economically disadvantaged areas of Santa Ana, California. The majority of the Organization's contributors are from Southern California.

NOTE J - CONTINGENCIES

KidWorks Community Development Corporation has received federal and state government funds for specific purposes that are subject to review and audit by the funding agencies. Such audits could generate expenditure disallowances or refunds payable under terms of the agency contracts. No material amounts are currently payable. Loss of government support would have a significant impact on KidWorks CDC ability to provide specific program services.

NOTE K - PENSION PLAN

The Organization maintains a defined contribution profit sharing plan covering substantially all employees meeting minimum eligibility requirements. The Plan allows for elective deferrals to be made by the employee subject to limitations. The Organization is allowed to make matching contributions as well as discretionary contributions to the plan for qualified participants. The Organization may terminate the plan at any time. Employer contributions made for the year ended June 30, 2015 and 2014 was \$13,015 and \$14,189, respectively.

NOTE L - SUBSEQUENT EVENTS

KidWorks, CDC has entered into an agreement to purchase the commercial property of 1910 W Chestnut Avenue, Santa Ana for \$1,250,000. Escrow is anticipated to close in late 2015. There have been no other events subsequent to the date of the Statement of Position that would materially impair or impact the Organization's assets or operations, or that would result in the recognition of a material liability. Events have been evaluated through October 12, 2015, the date which the financial statements were available to be issued.

NOTE M - PRIOR PERIOD ADJUSTMENT

NonCash contributions from Second Harvest Food Bank of \$100,229 and the expense of \$100,229 were inadvertently omitted from the financials statements for the period ending June 30, 2014. The Statement of Activities has been restated to include the noncash income and expense.

Capital campaign contributions and expenses reported in prior years financial statements were inadvertently reported as unrestricted. Donor imposed restrictions require these transactions to be temporarily restricted until the expiration of donor imposed time or purpose restrictions. Accordingly, these statements have been adjusted to include capital campaign contributions and expenses as temporarily restricted for the period ending June 30, 2014 as follows:

Capital Campaign Contributions	\$ 100,000
Capital Campaign Expenses	<u>24,760</u>
Temporarily Restricted Capital Campaign	<u>\$ 75,240</u>

**KidWorks Community
Development Corporation**
Notes to Financial Statements
June 30, 2015 & 2014

NOTE M - PRIOR PERIOD ADJUSTMENT (CONTINUED)

NET ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanent Restricted</u>	<u>Total</u>
Prior Balance	2,390,857	566,215	-	2,957,072
Reclassification	<u>(100,638)</u>	<u>100,638</u>	<u>-</u>	<u>-</u>
Adjusted Balance	<u>2,290,219</u>	<u>666,853</u>	<u>-</u>	<u>2,957,072</u>

There is no overall impact to net assets due to these reclassifications. The Statement of Financial Position and the Statement of Activities has been restated to include these items for the year ended June 30, 2014.

SUPPLEMENTARY INFORMATION

KidWorks Community Development Corporation

Statement of Functional Expenses

For the Year Ended June 30, 2015

	Preschool	After School Program	Youth & Family Engagement	Management	Fundraising	Total	Capital Campaign	Total
Grant & Contract Expenses								
Grant & Contract Expenses	\$ -	\$ 59,751	\$ -	\$ -	\$ -	\$ 59,751	-	\$ 59,751
Grant & Contract Expenses	-	59,751	-	-	-	59,751	-	59,751
Compensation & Related Expenses								
Salaries	205,735	422,682	377,058	100,741	113,195	1,219,411	27,113	1,246,524
Employee Benefits	17,464	35,879	32,005	8,551	9,608	103,507	5,018	108,525
Payroll Taxes	19,150	32,754	32,290	9,616	13,620	107,430	1,881	109,311
Workers Compensation Insur	14,754	19,862	17,525	4,463	2,219	58,823	560	59,383
Total Compensation & Related Exp.	257,103	511,177	458,878	123,371	138,642	1,489,171	34,572	1,523,743
Contract Services								
Professional Fees	32,404	78,628	81,275	42,871	61,959	297,137	192	297,329
Program Stipends	-	-	40,883	-	-	40,883	-	40,883
Bank Fees	5	-	175	1,626	6,056	7,862	-	7,862
Temporary Help	2,933	-	220	723	-	3,876	-	3,876
Contract Services	35,342	78,628	122,553	45,220	68,015	349,758	192	349,950
Non-personnel Expenses								
Supplies/Miscellaneous	6,814	12,578	10,939	8,710	1,306	40,347	-	40,347
Food & Beverage	19,760	2,531	7,604	1,863	11,371	43,129	-	43,129
Gifts, Recognition, Incentives	541	10,935	3,970	853	4,535	20,834	-	20,834
Marketing	-	-	528	-	22,275	22,803	-	22,803
Telephone & Telecommunications	1,201	3,301	4,261	1,545	1,201	11,509	-	11,509
Postage, Shipping & Mailing	169	16	33	1,766	7,379	9,363	-	9,363
Printing & Copying	120	118	190	382	2,531	3,341	-	3,341
Books, Subscriptions & InHouse Pub	-	495	740	40	538	1,813	-	1,813
Non-personnel Expenses	28,605	29,974	28,265	15,159	51,136	153,139	-	153,139
Facility & Equipment Expenses								
Rent, Other Vacancy	-	20,171	40,331	289	-	60,791	-	60,791
Facility Maintenance	2,546	15,586	9,938	6,254	914	35,238	-	35,238
Donated Facilities	-	49,200	-	-	-	49,200	-	49,200
Utilities	6,288	-	12,531	6,993	2,968	28,780	-	28,780
Taxes	431	431	862	11,332	431	13,487	-	13,487
Equipment Leases & Repairs	522	6,168	17,762	2,100	222	26,774	-	26,774
Depreciation Expense	9,600	40,367	5,761	9,600	10,800	76,128	-	76,128
Facility & Equipment Expense	19,387	131,923	87,185	36,568	15,335	290,398	-	290,398
Traveling & Meeting Expenses								
Travel & Meeting Expenses	350	1,751	3,374	3,535	1,775	10,785	-	10,785
Travel & Meeting Expenses	350	1,751	3,374	3,535	1,775	10,785	-	10,785
Other Expenses								
Insurance - Non Employee	883	883	22,927	959	742	26,394	-	26,394
Board, Staff, Donor Development	2,004	5,064	409	2,811	2,769	13,057	-	13,057
Advertising Expenses	-	-	-	-	79,494	79,494	-	79,494
Field Trips & Camps	-	8,972	2,732	-	-	11,704	-	11,704
Event Expenses	-	56	1,088	30	-	1,174	-	1,174
Miscellaneous Expenses	1,223	3,150	1,657	8,137	624	14,791	28,862	43,653
Miscellaneous Business Expenses	-	270	60	-	25	355	-	355
Other Expenses	4,110	18,395	28,873	11,937	83,654	146,969	28,862	175,831
Other Income/Expenses								
In-Kind Contributions/Expenses	38,544	341,299	40,956	20,957	29,593	471,349	1,663	473,012
Urban Lift Project Expenses	-	-	201,234	-	-	201,234	-	201,234
Other Income/Expenses	38,544	341,299	242,190	20,957	29,593	672,583	1,663	674,246
TOTAL EXPENSES	<u>\$ 383,441</u>	<u>\$ 1,172,898</u>	<u>\$ 971,318</u>	<u>\$ 256,747</u>	<u>\$ 388,150</u>	<u>3,172,554</u>	<u>65,289</u>	<u>\$ 3,237,843</u>

See Accompanying Notes.

KidWorks Community Development Corporation

Statement of Functional Expenses

For the Year Ended June 30, 2014

	Unrestricted	Academics & Arts	Health & Fitness	College & Career Readiness	Leadership & Spiritual Dev	Management	Fund Development	Total	Capital Campaign	Total
Grant & Contract Expenses										
Grant & Contract Expenses	\$ -	\$ 1,359	\$ -	\$ 47,558	\$ 109	\$ -	\$ 270	\$ 49,296	\$ -	\$ 49,296
Grant & Contract Expenses	-	1,359	-	47,558	109	-	270	49,296	-	49,296
Compensation & Related Expenses										
Salaries	36,238	553,870	193,361	72,420	401,166	42,802	127,272	1,427,129	-	1,427,129
Employee Benefits	3,222	42,354	16,946	5,550	37,259	5,981	15,575	126,887	-	126,887
Payroll Taxes	9,193	48,126	16,546	5,617	36,216	4,628	8,089	128,415	-	128,415
Workers Compensation Insur	791	9,633	4,086	1,362	8,966	1,245	5,054	31,137	-	31,137
Total Compensation & Related Exp.	49,444	653,983	230,939	84,949	483,607	54,656	155,990	1,713,568	-	1,713,568
Contract Services										
Professional Fees	23,435	129,652	34,279	-	19,749	128,857	69,577	405,549	-	405,549
Bank Fees	-	96	244	-	-	2,693	3,992	7,025	-	7,025
Temporary Help	-	5,048	-	-	2,080	490	-	7,618	-	7,618
Contract Services	-	(478)	146	-	3,196	87	89	3,040	-	3,040
Program Stipends	-	-	34	-	70,952	-	-	70,986	-	70,986
Donated Program Volunteer Hours	-	300,455	3,740	11,388	35,018	28,748	9,219	388,568	-	388,568
Contract Services	23,435	434,773	38,443	11,388	130,995	160,875	82,877	882,786	-	882,786
Non-personnel Expenses										
Supplies/Miscellaneous	355	30,808	6,218	847	25,360	7,191	6,085	76,864	-	76,864
Food & Beverage	353	22,497	215	842	18,399	2,610	4,130	49,046	-	49,046
Donated Materials & Supplies	-	17,219	8,890	1,150	34,485	2,443	10,239	74,426	-	74,426
Marketing	35	23,476	16,041	-	-	2,469	27,219	69,240	-	69,240
Telephone & Telecommunications	175	5,814	1,684	-	3,826	2,612	1,031	15,142	-	15,142
Postage, Shipping & Mailing	26	1,460	239	-	389	603	5,502	8,219	-	8,219
Printing & Copying	45	2,216	337	108	1,320	1,384	7,537	12,947	-	12,947
Gifts/Recognition & Incentives	706	2,001	358	4,075	8,419	4,443	2,371	22,373	-	22,373
Non-personnel Expenses	1,695	105,491	33,982	7,022	92,198	23,755	64,114	328,257	-	328,257
Facility & Equipment Expenses										
Rent, Other Vacancy	-	33,317	13,573	-	14,413	3,718	1,871	66,892	-	66,892
Facility Maintenance	-	17,871	5,094	-	5,432	3,050	3,120	34,567	-	34,567
Utilities	-	18,458	5,290	-	5,738	3,174	3,238	35,898	-	35,898
Taxes	-	8,622	2,453	-	2,616	1,454	1,502	16,647	-	16,647
Equipment Leases & Repairs	-	10,686	3,067	-	3,540	2,022	1,762	21,077	-	21,077
Donated Facilities	-	29,941	6,345	-	6,764	-	-	43,050	-	43,050
Depreciation Expense	-	41,318	11,569	-	12,395	7,437	9,916	82,635	-	82,635
Facility & Equipment Expense	-	160,213	47,391	-	50,898	20,855	21,409	300,766	-	300,766
Traveling & Meeting Expenses										
Travel & Meeting Expenses	623	6,062	887	937	10,648	4,318	1,825	25,300	-	25,300
Travel & Meeting Expenses	623	6,062	887	937	10,648	4,318	1,825	25,300	-	25,300
Other Expenses										
Outside Computer Services	-	32,172	9,284	-	10,324	5,542	5,683	63,005	-	63,005
Insurance - Non Employee	5,877	13,462	3,839	-	4,094	2,965	2,366	32,603	-	32,603
Board, Staff, Donor Development	164	296	30	348	3,460	2,251	258	6,807	-	6,807
Program Curriculum	-	900	-	782	20	-	-	1,702	-	1,702
Advertising Expenses	365	365	-	-	460	25	-	1,215	-	1,215
Event Expenses	90	283	1,540	-	15,558	2,555	76,860	96,886	-	96,886
Volunteer/Field Trips & Camps Ex	710	2,564	167	-	11,216	-	-	14,657	-	14,657
Miscellaneous Business Expenses	-	15,713	1,173	-	4,213	9,881	1,994	32,974	-	32,974
Other Expenses	7,206	65,755	16,033	1,130	49,345	23,219	87,161	249,849	-	249,849
Other Income/Expenses										
In-Kind Contributions/Expenses (Note M)	-	100,229	-	-	-	-	-	100,229	-	100,229
Capital Campaign Expenses	-	-	-	-	-	-	-	-	24,760	24,760
Gain/Loss on Assets	-	-	-	-	-	4,536	-	4,536	-	4,536
Other Income/Expenses	-	100,229	-	-	-	4,536	-	104,765	24,760	129,525
TOTAL EXPENSES	\$ 82,403	\$ 1,527,865	\$ 367,675	\$ 152,984	\$ 817,800	\$ 292,214	\$ 413,646	3,654,587	24,760	\$ 3,679,347

See Accompanying Notes.

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

To the Board of Directors of
KidWorks Community Development Corporation
Santa Ana, CA

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 KidWorks Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered of KidWorks Community Development Corporation'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 KidWorks Community Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of KidWorks Community Development Corporation'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.

Compliance and Other Matters

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

Purpose of this Report

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

Maxson & Associates
Orange, California
October 12, 2015

October 12, 2015

KidWorks Community Development Corporation
1902 W. Chestnut
Santa Ana, CA 92703

In planning and performing our audit of the financial statements of the KidWorks Community Development Corporation for the year ended June 30, 2015 & 2014, we considered the organizations internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated October 12, 2015, on the financial statements of KidWorks Community Development Corporation.

1. **Uninsured Cash Balances** - At June 30, 2015, the Organization had uninsured cash balances of \$157,874. Since individual accounts are insured to a maximum of \$250,000, we recommend the Organization not keep a balance greater than this amount at any one financial institution.

We will review the status of this comment during our next audit engagement. We would be pleased to discuss this recommendation in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing this recommendation.

Maxson & Associates, A.C.
Orange, CA