

KID smART and subsidiary
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
KID smART and subsidiary
New Orleans, Louisiana

We have audited the accompanying consolidated financial statements of KID smART and subsidiary (non-profit organization), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of KID smART and subsidiary as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating statements of financial position, the consolidating statements of activities and the consolidating statements of functional expenses on pages 19 – 24 and the Schedule of Compensation, Benefits, and Other Payments to Executive Director on page 18 are presented for purposes of additional analysis and are not a required part of the basic consolidated 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 consolidated financial statements. The information has been subjected to the audit procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statement 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 consolidated 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 2, 2020, on our consideration of KID smART and subsidiary's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result solely of that testing, and not to provide an opinion on the effectiveness of KID smART and subsidiary's internal control over financial reporting or on compliance. That report is an integral part of an audit performed on accordance with *Governmental Auditing Standards* in considering KID smART and subsidiary's internal control over financial reporting and compliance.

December 2, 2020

Wegmann Dazet

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 662,158	\$ 134,909
Cash and cash equivalents, restricted cash	-	87,890
Grants and contracts receivable	156,722	22,268
Prepaid expenses	673	370
Investments	360,834	231,282
Other current assets	<u>2,500</u>	<u>2,500</u>
Total assets	<u><u>\$ 1,182,887</u></u>	<u><u>\$ 479,219</u></u>
LIABILITIES		
Lines of credit		
Accounts payable and accrued expenses	\$ 19,161	\$ 1,696
Accrued payroll liabilities	18,061	8,022
Current portion of long-term debt	<u>57,000</u>	<u>-</u>
Total current liabilities	94,222	9,718
Long-term debt, less current portion	<u>232,609</u>	<u>-</u>
Total liabilities	<u><u>326,831</u></u>	<u><u>9,718</u></u>
NET ASSETS		
Net assets		
Without donor restrictions:		
Undesignated	363,825	125,329
Board designated reserve fund	380,231	319,172
With donor restrictions	<u>112,000</u>	<u>25,000</u>
	856,056	469,501
Total net assets	<u><u>856,056</u></u>	<u><u>469,501</u></u>
Total liabilities and net assets	<u><u>\$ 1,182,887</u></u>	<u><u>\$ 479,219</u></u>

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support			
Public support - government grants	\$ 103,775	\$ -	\$ 103,775
Other support:			
Private donors	93,936	-	93,936
Corporate donors	39,570	-	39,570
Foundations	750,145	112,000	862,145
Other grants	20,500	-	20,500
Contracts	399,230	-	399,230
Other income	7,480	-	7,480
Net assets released from restrictions	25,000	(25,000)	-
Total revenue and other support	1,439,636	87,000	1,526,636
Expenses			
Program services	971,966	-	971,966
Supporting services:			
Management and general	53,805	-	53,805
Fundraising	116,580	-	116,580
Total expenses	1,142,351	-	1,142,351
Other income (expenses):			
Interest income	3,881	-	3,881
Investment loss, net	(1,611)	-	(1,611)
Total other income	2,270	-	2,270
Change in net assets	299,555	87,000	386,555
Net assets			
Beginning of year	444,501	25,000	469,501
End of year	\$ 744,056	\$ 112,000	\$ 856,056

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Public support - government grants	\$ 83,205	\$ -	\$ 83,205
Other support:			
Private donors	108,302	-	108,302
Corporate donors	52,729	-	52,729
Foundations	609,391	25,000	634,391
Other grants	22,152	-	22,152
Contracts	303,273	-	303,273
Other income	9,193	-	9,193
	<u>1,188,245</u>	<u>25,000</u>	<u>1,213,245</u>
Total revenue and other support			
Expenses			
Program services	852,170	-	852,170
Supporting services:			
Management and general	78,899	-	78,899
Fundraising	105,196	-	105,196
	<u>1,036,265</u>	<u>-</u>	<u>1,036,265</u>
Total expenses			
Other income			
Interest income	2,329	-	2,329
Investment income, net	4,759	-	4,759
	<u>7,088</u>	<u>-</u>	<u>7,088</u>
Total other income			
Change in net assets	159,068	25,000	184,068
Net assets			
Beginning of year	285,433	-	285,433
End of year	<u>\$ 444,501</u>	<u>\$ 25,000</u>	<u>\$ 469,501</u>

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$ 426,654	\$ 31,604	\$ 68,475	526,733
Teaching artist wages	205,037	-	-	205,037
Payroll taxes and employee benefits	99,622	7,379	15,989	122,990
Total salaries and related expenses	<u>731,313</u>	<u>38,983</u>	<u>84,464</u>	<u>854,760</u>
Contractual labor	31,944	2,366	5,127	39,437
Professional services	21,643	1,603	3,473	26,719
Teacher stipends	40,543	-	-	40,543
Education	8,480	628	1,361	10,469
Public relations	5,097	378	818	6,293
Special projects and workshops	4,710	349	756	5,815
Supplies	22,893	1,696	3,674	28,263
School resources	1,814	134	291	2,239
Subscriptions	35,101	2,600	5,634	43,335
Telephone	12,241	907	1,965	15,113
Meetings	1,520	113	244	1,877
Postage	1,312	97	210	1,619
Printing and copying	13,196	977	2,118	16,291
Office expense	18,180	1,347	2,918	22,445
Bank charges	512	38	82	632
Payroll fees	2,099	155	337	2,591
Miscellaneous	4,160	308	668	5,136
Travel	10,252	759	1,645	12,656
Insurance	4,956	367	795	6,118
Total functional expenses	<u>\$ 971,966</u>	<u>\$ 53,805</u>	<u>\$ 116,580</u>	<u>\$1,142,351</u>

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$406,807	\$ 46,345	\$ 61,794	514,946
Teaching artist wages	110,261	-	-	110,261
Payroll taxes and employee benefits	83,068	9,464	12,618	105,150
Total salaries and related expenses	<u>600,136</u>	<u>55,809</u>	<u>74,412</u>	<u>730,357</u>
Contractual labor	50,835	5,793	7,722	64,350
Professional services	26,383	3,006	4,008	33,397
Teacher stipends	49,379	-	-	49,379
Education	7,827	892	1,188	9,907
Public relations	3,489	397	530	4,416
Special projects and workshops	6,679	761	1,014	8,454
Supplies	19,624	2,236	2,981	24,841
School resources	4,256	485	646	5,387
Subscriptions	3,598	410	547	4,555
Telephone	7,582	864	1,152	9,598
Meetings	961	110	146	1,217
Postage	2,005	228	305	2,538
Printing and copying	13,782	1,570	2,094	17,446
Office expense	19,663	2,240	2,987	24,890
Bank charges	1,043	119	158	1,320
Payroll fees	1,820	207	277	2,304
Miscellaneous	6,882	784	1,045	8,711
Travel	17,141	1,953	2,604	21,698
Insurance	9,085	1,035	1,380	11,500
Total functional expenses	<u>\$852,170</u>	<u>\$ 78,899</u>	<u>\$ 105,196</u>	<u>\$1,036,265</u>

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 386,555	\$ 184,068
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Unrealized loss (gain)	3,454	(1,370)
(Increase) decrease in operating assets:		
Grants and contracts receivable	(134,454)	(8,276)
Prepaid expenses	(303)	(232)
Other assets	-	(700)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	17,465	(173)
Accrued payroll liabilities	10,039	(620)
Accrued compensated absences	-	(5,051)
Net cash provided by operating activities	<u>282,756</u>	<u>167,646</u>
Cash flows from investing activities:		
Investment activity, net	<u>(133,006)</u>	<u>(40,795)</u>
Net cash used by investing activities	<u>(133,006)</u>	<u>(40,795)</u>
Cash flows from financing activities:		
Borrowings under long-term debt	<u>289,609</u>	<u>-</u>
Net cash provided by financing activities	<u>289,609</u>	<u>-</u>
Net increase in cash, cash equivalents and restricted cash	439,359	126,851
Cash, cash equivalents and restricted cash at beginning of year	<u>222,799</u>	<u>95,948</u>
Cash, cash equivalents and restricted cash at end of year	<u>\$ 662,158</u>	<u>\$ 222,799</u>

See accompanying Notes to Consolidated Financial Statements.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

1) Nature of activities

KID smART and subsidiary (collectively, KID smART) is a nonprofit organization committed to helping transform public education in the New Orleans region through innovative arts integrated learning. KID smART works to support students, teachers and schools through extended artist residencies and professional development for teachers. KID smART programs teach to the whole child, engaging students in learning through the arts and helps teachers change their pedagogy to include the arts.

New Orleans Arts Education Alliance (NOAEA), founded July 1, 2017, is a wholly owned subsidiary of KID smART. NOAEA is a collective impact project gathering parents, the educational community, government, cultural institutions, business, and philanthropy – to ensure meaningful arts education for all New Orleans public school students. As such, NOAEA is incorporated in the state of Louisiana, and works under the 501(c)(3) of KID smART who has representation on the Governance Council. As NOAEA matures, services to the organization will change. To date, KID smART has provided predominately administrative, policy, fund development and financial support services.

2) Summary of significant accounting policies

a) Basis of accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

b) Consolidation

The consolidated financial statements include the accounts of KID smART and its wholly owned subsidiary – NOAEA. All significant intercompany balances and transactions have been eliminated in consolidation.

c) Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d) Cash and cash equivalents

For purposes of the statements of cash flows, KID smART considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is restricted for amounts designated by the Board.

e) Investments

Investments are generally carried at fair market value.

f) Compensated absences

KID smART and subsidiary's employees earn paid-time-off (PTO). PTO accrues per pay period based upon years of service. Each employee may rollover up to twenty days of accrued, but unused hours of PTO per year.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

2) Summary of significant accounting policies (continued)

g) Contributions

Contributions received are recorded as without donor restrictions and with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

h) Designation of unrestricted assets

It is the policy of the Board of Directors of KID smART to review its plans for future capital needs and to designate appropriate sums of unrestricted net assets to assure adequate financing of such needs. Designated unrestricted net assets have been designated by the Board for operating or programmatic use and are not restricted by time or purpose.

i) Tax matters

KID smART and Subsidiary has received a tax-exempt ruling under Section 501(c)(3) of the Internal Revenue Code, and accordingly, and with few exceptions, KID smART and Subsidiary is not subject to federal taxes unless the Company has unrelated trade or business income.

KID smART and subsidiary adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 740, *Accounting for Uncertainty in Income Taxes*. Management of KID smART and subsidiary believe there is no material uncertain tax position and, accordingly it will not recognize any liability for unrecognized tax benefits. With few exceptions, the KID smART and subsidiary are not subject to U.S. federal and state income tax examinations by tax authorities beyond three years from the filing of those returns.

j) Fundraising

All expenses associated with the fundraising are expensed as incurred.

k) Functional expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

l) Donated services

Donated services are recognized at fair market value as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by individuals with those skills, and would otherwise be purchased.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

3) Restrictions on assets

Net assets with donor restriction are available for the following purposes or periods:

	2020	2019
Ochsner	\$ 12,000	\$ -
Lambent	100,000	-
Oscar J. Tolmas Charitable Trust	-	25,000
	\$ 112,000	\$ 25,000

Net assets with donor restrictions released from restriction during the periods consist of the following:

	2020	2019
Oscar J. Tolmas Charitable Trust	\$ 25,000	\$ -

4) Liquidity and availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020
Cash and equivalents	\$ 662,158
Grants and contracts receivable	156,722
Investments	360,834
Less: funds unavailable for general expenditures within one year, due to donor restrictions for future purpose or period	(112,000)
	\$ 1,067,714

5) Statements of cash flows supplementary disclosures

The following tables provide a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	2020	2019
Cash and equivalents	\$ 662,158	\$ 134,909
Cash and equivalents, restricted	-	87,890
Total cash and equivalents	\$ 662,158	\$ 222,799

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

6) Concentrations of credit risk

Financial instruments that potentially subject KID smART and subsidiary to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. KID smART and subsidiary may, at times, have deposits in excess of the FDIC insured limits. KID smART and subsidiary have not experienced any losses in such accounts. KID smART and subsidiary have no policy requiring collateral or other security to support its deposits. KID smART and subsidiary have investment accounts that contain cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash, by the Securities Investor Protection Corporation (SIPC). At June 30, 2020 and 2019, cash balances did not exceed federally insured limits.

Revenue from two donors represents 24% of total revenues to KID smART for each of the years ended June 30, 2020 and 2019.

7) Investments

Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value. That hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurements.

The asset's or liability's fair value measurements level within the fair value hierarchy is based on the lowest level of any inputs that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

7) Investments (continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Equities, certain Fixed Income Funds and certain Money Market Funds: Valued at the closing price reported on the active market on which the individual securities are traded. If quoted market prices are not available for the specific security, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics.

Corporate Bonds, and Fixed Income Bond Funds: Valued at the present value of the expected future cash flows utilizing the minimum risk free rate of return. The valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Other Investments: Included in other investments are Private Equity Funds, Limited Liability Entities, Hedge Funds, and Pooled Investment Funds. These investments are valued based upon the units held at year-end multiplied by the respective unit value. The unit value is based upon significant observable inputs, although it is not based upon quoted marked prices in an active market. The underlying investments consist primarily of equity securities, debt obligations, short-term investments and other marketable securities. In accordance with ASC 820-10, these investments are not classified in the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies are assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Investments as of June 30, 2020 are composed of the following:

	Assets at Fair Value as of June 30, 2020			
	Level 1	Level 2	Level 3	Total
Equity Funds	\$ 51,872	\$ -	\$ -	\$ 51,872
Fixed Income Bond Funds	8,293	26,655	-	34,948
Certificates of Deposit	90,464	-	-	90,464
Total assets at fair value	\$ 150,629	\$ 26,655	\$ -	177,284
Investments recorded at NAV as practical expedient				183,550
				\$ 360,834

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

7) Investments (continued)

Investments as of June 30, 2019 are composed of the following:

	Assets at Fair Value as of June 30, 2019			
	Level 1	Level 2	Level 3	Total
Equity Funds	\$ 28,569	\$ -	\$ -	\$ 28,569
Fixed Income Bond Funds	-	34,219	-	34,219
Money Market Funds	5,132	-	-	5,132
Certificates of Deposit	90,651	-	-	90,651
Total assets at fair value	\$ 124,352	\$ 34,219	\$ -	158,571
Investments recorded at NAV as practical expedient				72,711
				\$ 231,282

In accordance with ASC 820-10, other investments are measured at fair value using the NAV per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented on the Statements of Financial Position.

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30:

	2020	2019
Dividends and interest	\$ 3,820	\$ 2,330
Net realized gain in value of investments	3,794	4,480
Management fees	(1,951)	(1,092)
Net unrealized (loss) gain in value of investments	(3,454)	1,370
	\$ 2,209	\$ 7,088

8) Long-term debt

	2020
Note payable to a bank under the SBA's Paycheck Protection Program. Monthly payments begin after the first seven months and total approximately \$7,800 with an interest rate of 1.00%. This note matures May 15, 2022. This loan may be forgiven if certain criteria is met.	\$ 149,900
Economic Injury Disaster Loan from the SBA. Monthly payments begin one year after the note and total approximately \$640, with an interest rate of 2.75%. The note matures May, 13, 2050.	139,709
Total long-term debt	\$ 289,609
Less: current portion	(57,000)
Long-term debt, less current portion	\$ 232,609

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

9) Endowments

On February 27, 2018 the Board of Directors approved the establishment of a Reserve Fund to serve as contingency to cover a shortage of cash flow caused by exceptional unbudgeted expenses, loss of predicted funding, or an unforeseen opportunity. The Reserve Fund should not be used to cover regular budgeted expenses, except in the extreme cases in which anticipated funding did not come through, or that actual expenditure exceeded the amount expected.

In order to draw funds under the above circumstances, the Finance Committee must approve the use of the money. The Reserve Fund may be used to cover an unforeseen opportunity. In this instance, the Executive Committee of the Board should review the opportunity and make the recommendation to use a portion of the funds. This account shall provide ready access to the funds for liquidity, as KID smART may require. If the Finance Committee authorizes the Executive Director to access funds for liquidity, a liability will be recorded on KID smART's books to reflect the withdrawal, and these funds shall be repaid to the Reserve Fund as soon as practicable.

KID smART has as a goal the creation of a reserve fund totaling a third of the KID smART's annual expenses. The Reserve Fund will be increased by a minimum of \$5,000 per year, until that goal is met, and maintained at that level each year thereafter. A portion of the Reserve Fund shall be invested in an account with no capital risk where the preservation of the principal is of paramount concern. Accordingly, a third of the Reserve Fund is invested in certificates of deposit and the remaining amount is invested in the Greater New Orleans Foundation's Quasi-Endowment Fund.

Changes in net assets without donor restrictions that are board designated as an endowment for the years ended June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Board designated endowment, beginning of year	\$ 231,282	\$ 189,117
Contributions, net	144,789	33,984
Dividends and interest	3,820	2,330
Realized gain, net	3,794	4,480
Net unrealized (loss) gain	<u>(3,454)</u>	<u>1,371</u>
Board designated endowment, end of year	<u>\$ 380,231</u>	<u>\$ 231,282</u>

10) Operating leases

KID smART leases its administrative facility at 2533 Columbus Street under a five-year operating lease beginning July 1, 2018 through June 30, 2023. The first three years of the lease requires monthly payments of \$1,675 and the remaining two years of the lease requires monthly payments of \$1,750. NOAEA leases its administrative facility at the same location under a five-year operating lease beginning July 1, 2018 through June 30, 2023. The first three years of the lease requires monthly payments of \$295 and the remaining two years of the lease requires monthly payments of \$350.

Rental expense for the years ended June 30, 2020 and 2019 totaled \$22,445 and \$23,600, respectively, which is included in office expense on the statements of functional expenses.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

10) Operating leases (continued)

Future minimum rental payments are as follows for the years ended June 30:

<u>Year Ending</u>	<u>Amount</u>
2021	23,600
2022	25,200
2023	25,200

11) Donated materials, facilities and services

KID smART receives donated goods, facilities, and services from unpaid volunteers who assist in fundraising and special projects. The amounts have been recognized in the accompanying statements of activities as they meet the criteria for recognition under FASB ASC 958-605-50-1, *Accounting for Contributions Received and Contributions Made*.

Donated materials, facilities, and services are as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Donated facilities	\$ 4,800	\$ 2,250
Donated food and services	8,900	6,775
Donated goods	<u>5,370</u>	<u>7,595</u>
	<u>\$ 19,070</u>	<u>\$ 16,620</u>

12) Related party transactions

NOAEA pays a monthly management fee to KID smART in the amount of \$1,250 per month. This fee represents compensation for the administrative, policy, fund development, and financial support services of the organization. Management fees for the years ended June 30, 2020 and 2019 were \$15,000.

NOAEA also pays KID smART for health insurance expenses for NOAEA staff in addition to the monthly fee. Health insurance expenses for the years ended June 30, 2020 and 2019 were \$5,862, and \$5,304 respectively. All intercompany transactions have been eliminated in the consolidated financial statements.

13) New accounting pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. The updated guidance is effective for annual periods beginning after July 1, 2022.

KID smART and subsidiary is currently assessing the impact of this pronouncement on its consolidated financial statements.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years Ended June 30, 2020 and 2019

14) Subsequent events

The Organization has evaluated subsequent events through the date of the auditors' report, the date which the consolidated financial statements were available to be issued. As a result of COVID-19 coronavirus, economic uncertainties have arisen which are likely to negatively impact the Organization, though such potential impact is unknown at this time.

Other than the event noted above, there were no material subsequent events that required recognition or additional disclosures in these consolidated financial statements.

KIDSMART AND SUBSIDIARY
 SCHEDULE OF COMPENSATION, BENEFITS,
 AND OTHER PAYMENTS TO AGENCY HEADS

For the Year Ended June 30, 2020

	KID smART	NOAEA
	Elise Goldman	J. Celeste Kee
	Executive Director	Executive Director
Total compensation, benefits, and other payments	\$ -	\$ -

There were no payments for the benefits of the Executive Directors that were derived from the public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency).

KID SMART AND SUBSIDIARY
 SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

June 30, 2020

	<u>KID smART</u>	<u>NOAEA</u>	<u>Totals Before Consolidating Entries</u>	<u>Consolidating Entries</u>	<u>Consolidated Totals</u>
ASSETS					
Cash and cash equivalents	\$ 472,279	\$ 189,879	\$ 662,158	\$ -	\$ 662,158
Grants and contracts receivable	162,227	-	162,227	(5,505)	156,722
Prepaid expenses	26	647	673	-	673
Investments	360,834	-	360,834	-	360,834
Other current assets	2,000	500	2,500	-	2,500
Total current assets	<u>997,366</u>	<u>191,026</u>	<u>1,188,392</u>	<u>(5,505)</u>	<u>1,182,887</u>
Due from related party	<u>149,900</u>	<u>-</u>	<u>149,900</u>	<u>(149,900)</u>	<u>-</u>
Total assets	<u>\$ 1,147,266</u>	<u>\$ 191,026</u>	<u>\$ 1,338,292</u>	<u>\$ (155,405)</u>	<u>\$ 1,182,887</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 19,161	\$ 5,505	\$ 24,666	\$ (5,505)	\$ 19,161
Accrued compensated absences	16,645	1,416	18,061	-	18,061
Current portion of long-term debt	57,000	-	57,000	-	57,000
Total current liabilities	<u>92,806</u>	<u>6,921</u>	<u>99,727</u>	<u>(5,505)</u>	<u>94,222</u>
Long-term debt, less current portion	232,609	-	232,609	-	232,609
Due to related party	<u>-</u>	<u>149,900</u>	<u>149,900</u>	<u>(149,900)</u>	<u>-</u>
Total liabilities	<u>325,415</u>	<u>156,821</u>	<u>482,236</u>	<u>(155,405)</u>	<u>326,831</u>
NET ASSETS					
Without donor restrictions:					
Undesignated	329,620	34,205	363,825	-	363,825
Board designated reserve fund	380,231	-	380,231	-	380,231
With donor restrictions	<u>112,000</u>	<u>-</u>	<u>112,000</u>	<u>-</u>	<u>112,000</u>
Total net assets	<u>821,851</u>	<u>34,205</u>	<u>856,056</u>	<u>-</u>	<u>856,056</u>
Total liabilities and net assets	<u>\$ 1,147,266</u>	<u>\$ 191,026</u>	<u>\$ 1,338,292</u>	<u>\$ (155,405)</u>	<u>\$ 1,182,887</u>

KID SMART AND SUBSIDIARY
 SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

June 30, 2019

	KID smART	NOAAEA	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Cash and cash equivalents	\$ 88,935	\$ 45,974	\$ 134,909	\$ -	\$ 134,909
Cash and cash equivalents, restricted cash	87,890	-	87,890	-	87,890
Grants and contracts receivable	27,592	-	27,592	(5,324)	22,268
Prepaid expenses	97	273	370	-	370
Investments	231,282	-	231,282	-	231,282
Other current assets	2,000	500	2,500	-	2,500
Total current assets	<u>437,796</u>	<u>46,747</u>	<u>484,543</u>	<u>(5,324)</u>	<u>479,219</u>
Due from related party	<u>35,750</u>	<u>-</u>	<u>35,750</u>	<u>(35,750)</u>	<u>-</u>
Total assets	<u>\$ 473,546</u>	<u>\$ 46,747</u>	<u>\$ 520,293</u>	<u>\$ (41,074)</u>	<u>\$ 479,219</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,696	\$ 5,324	\$ 7,020	\$ (5,324)	\$ 1,696
Accrued compensated absences	8,022	-	8,022	-	8,022
Total current liabilities	<u>9,718</u>	<u>5,324</u>	<u>15,042</u>	<u>(5,324)</u>	<u>9,718</u>
Due to related party	<u>-</u>	<u>35,750</u>	<u>35,750</u>	<u>(35,750)</u>	<u>-</u>
Total liabilities	<u>9,718</u>	<u>41,074</u>	<u>50,792</u>	<u>(41,074)</u>	<u>9,718</u>
NET ASSETS					
Without donor restrictions:					
Undesignated	119,656	5,673	125,329	-	125,329
Board designated reserve fund	319,172	-	319,172	-	319,172
With donor restrictions	<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
Total net assets	<u>463,828</u>	<u>5,673</u>	<u>469,501</u>	<u>-</u>	<u>469,501</u>
Total liabilities and net assets	<u>\$ 473,546</u>	<u>\$ 46,747</u>	<u>\$ 520,293</u>	<u>\$ (41,074)</u>	<u>\$ 479,219</u>

KID SMART AND SUBSIDIARY
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2020

	KID smART Without Donor Restrictions	NOAEA Without Donor Restrictions	KID smART With Donor Restrictions	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues and other support						
Public support - government grants	\$ 103,775	\$ -	\$ -	\$ 103,775	\$ -	\$ 103,775
Other support:						
Private donors	93,436	500	-	93,936	-	93,936
Corporate donors	39,570	-	-	39,570	-	39,570
Foundations	631,375	118,770	112,000	862,145	-	862,145
Other grants	20,500	-	-	20,500	-	20,500
Contracts	414,230	-	-	414,230	(15,000)	399,230
Other income	5,005	2,475	-	7,480	-	7,480
Net assets released from restrictions	25,000	-	(25,000)	-	-	-
Total revenue and other support	1,332,891	121,745	87,000	1,541,636	(15,000)	1,526,636
Expenses						
Program services	879,606	104,511	-	984,117	(12,151)	971,966
Supporting services:						
Management and general	46,963	7,742	-	54,705	(900)	53,805
Fundraising	101,758	16,771	-	118,529	(1,949)	116,580
Total expenses	1,028,327	129,024	-	1,157,351	(15,000)	1,142,351
Other income (expenses):						
Interest income	3,820	61	-	3,881	-	3,881
Investment income, net	(1,611)	-	-	(1,611)	-	(1,611)
Total other income	2,209	61	-	2,270	-	2,270
Change in net assets	306,773	(7,218)	87,000	386,555	-	386,555
Net assets						
Beginning of year	438,828	5,673	25,000	469,501	-	469,501
End of year	<u>\$ 745,601</u>	<u>\$ (1,545)</u>	<u>\$ 112,000</u>	<u>\$ 856,056</u>	<u>\$ -</u>	<u>\$ 856,056</u>

KID SMART AND SUBSIDIARY
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2019

	KID smART Without Donor Restrictions	NOAEA Without Donor Restrictions	KID smART With Donor Restrictions	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
Revenues and other support						
Public support - government grants	\$ 83,205	\$ -	\$ -	\$ 83,205	\$ -	\$ 83,205
Other support:						
Private donors	106,302	2,000	-	108,302	-	108,302
Corporate donors	52,729	-	-	52,729	-	52,729
Foundations	499,433	109,958	25,000	634,391	-	634,391
Other grants	22,152	-	-	22,152	-	22,152
Contracts	318,181	92	-	318,273	(15,000)	303,273
Other income	8,589	604	-	9,193	-	9,193
Total revenue and other support	1,090,591	112,654	25,000	1,228,245	(15,000)	1,213,245
Expenses						
Program services	783,264	80,756	-	864,020	(11,850)	852,170
Supporting services:						
Management and general	71,048	9,201	-	80,249	(1,350)	78,899
Fundraising	94,730	12,266	-	106,996	(1,800)	105,196
Total expenses	949,042	102,223	-	1,051,265	(15,000)	1,036,265
Other income (expenses):						
Interest income	2,329	-	-	2,329	-	2,329
Investment income, net	4,759	-	-	4,759	-	4,759
Total other income	7,088	-	-	7,088	-	7,088
Change in net assets	148,637	10,431	25,000	184,068	-	184,068
Net assets						
Beginning of year	290,191	(4,758)	-	285,433	-	285,433
End of year	<u>\$ 438,828</u>	<u>\$ 5,673</u>	<u>\$ 25,000</u>	<u>\$ 469,501</u>	<u>\$ -</u>	<u>\$ 469,501</u>

KID SMART AND SUBSIDIARY
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FUNTIONAL EXPENSES
For the Year Ended June 30, 2020

	KID smART Supporting Services			Program Services	NOAEA Supporting Services		Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services	Management and General	Fundraising		Management and General	Fundraising			
Salaries	\$ 378,761	\$ 28,056	\$ 60,789	\$ 47,892	\$ 3,548	\$ 7,687	\$ 526,733	\$ -	\$ 526,733
Teaching artist wages	205,037	-	-	-	-	-	205,037	-	205,037
Payroll taxes and employee benefits	91,209	6,756	14,639	8,414	623	1,349	122,990	-	122,990
Total salaries and related expenses	<u>675,007</u>	<u>34,812</u>	<u>75,428</u>	<u>56,306</u>	<u>4,171</u>	<u>9,036</u>	<u>854,760</u>	<u>-</u>	<u>854,760</u>
Contractual labor	29,340	2,173	4,709	2,604	193	418	39,437	-	39,437
Professional services	21,467	1,590	3,444	177	13	28	26,719	-	26,719
Teacher stipends	40,543	-	-	-	-	-	40,543	-	40,543
Education	8,480	628	1,361	-	-	-	10,469	-	10,469
Public relations	5,089	377	817	8	1	1	6,293	-	6,293
Special projects and workshops	4,252	315	682	458	34	74	5,815	-	5,815
Supplies	22,878	1,695	3,672	15	1	2	28,263	-	28,263
School resources	1,814	134	291	-	-	-	2,239	-	2,239
Subscriptions	10,773	798	1,729	24,328	1,802	3,905	43,335	-	43,335
Telephone	11,364	812	1,821	877	65	141	15,113	-	15,113
Meectings	785	58	127	735	54	118	1,877	-	1,877
Postage	1,311	98	210	-	-	-	1,619	-	1,619
Printing and copying	13,172	976	2,114	23	2	4	16,291	-	16,291
Office expense	16,281	1,206	2,613	1,899	141	305	22,445	-	22,445
Bank charges	492	36	79	20	2	3	632	-	632
Payroll fees	1,445	106	233	654	48	105	2,591	-	2,591
Miscellaneous	3,647	270	585	12,665	938	2,031	20,136	(15,000)	5,136
Travel	9,274	687	1,488	978	72	157	12,656	-	12,656
Insurance	2,193	162	352	2,763	205	443	6,118	-	6,118
Total functional expenses	<u>\$ 879,607</u>	<u>\$ 46,963</u>	<u>\$ 101,758</u>	<u>\$ 104,510</u>	<u>\$ 7,742</u>	<u>\$ 16,771</u>	<u>\$ 1,157,351</u>	<u>\$ (15,000)</u>	<u>\$ 1,142,351</u>

KID SMART AND SUBSIDIARY
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FUNTIONAL EXPENSES
For the Year Ended June 30, 2019

	KID smART			Program Services	NOAEA		Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Supporting Services		Management and General		Supporting Services				
	Program Services	Management and General	Fundraising		Management and General	Fundraising			
Salaries	\$ 360,676	\$ 41,090	\$ 54,786	\$ 46,131	\$ 5,255	\$ 7,008	\$ 514,946	\$ -	\$ 514,946
Teaching artist wages	110,261	-	-	-	-	-	110,261	-	110,261
Payroll taxes and employee benefits	73,414	8,364	11,151	9,655	1,100	1,466	105,150	-	105,150
Total salaries and related expenses	<u>544,351</u>	<u>49,454</u>	<u>65,937</u>	<u>55,786</u>	<u>6,355</u>	<u>8,474</u>	<u>730,357</u>	<u>-</u>	<u>730,357</u>
Contractual labor	48,256	5,498	7,330	2,580	294	392	64,350	-	64,350
Professional services	24,830	2,829	3,771	1,554	177	236	33,397	-	33,397
Teacher stipends	49,379	-	-	-	-	-	49,379	-	49,379
Education	7,409	844	1,125	418	48	63	9,907	-	9,907
Public relations	3,489	397	530	-	-	-	4,416	-	4,416
Special projects and workshops	6,415	731	974	264	30	40	8,454	-	8,454
Supplies	19,372	2,207	2,943	252	29	38	24,841	-	24,841
School resources	4,256	485	646	-	-	-	5,387	-	5,387
Subscriptions	3,506	399	533	92	11	14	4,555	-	4,555
Telephone	7,266	828	1,104	316	36	48	9,598	-	9,598
Meetings	818	93	125	143	16	22	1,217	-	1,217
Postage	2,005	228	305	-	-	-	2,538	-	2,538
Printing and copying	13,772	1,569	2,092	10	1	2	17,446	-	17,446
Office expense	17,202	1,960	2,613	2,461	280	374	24,890	-	24,890
Bank charges	998	114	151	45	5	7	1,320	-	1,320
Payroll fees	1,187	135	181	633	72	96	2,304	-	2,304
Miscellaneous	6,832	778	1,038	11,900	1,356	1,807	23,711	(15,000)	8,711
Travel	15,495	1,765	2,354	1,646	188	250	21,698	-	21,698
Insurance	6,429	732	977	2,656	303	403	11,500	-	11,500
Total functional expenses	<u>\$ 783,267</u>	<u>\$ 71,046</u>	<u>\$ 94,729</u>	<u>\$ 80,756</u>	<u>\$ 9,201</u>	<u>\$ 12,266</u>	<u>\$ 1,051,265</u>	<u>\$ (15,000)</u>	<u>\$ 1,036,265</u>



WEGMANN DAZET & COMPANY

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 Trustees of
KID smART and subsidiary

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 KID smART and subsidiary (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, 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 December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered KID smART and subsidiary'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 KID smART and subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of KID smART and subsidiary'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 KID smART and subsidiary'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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

December 2, 2020

Wegmann Dazet

KID SMART AND SUBSIDIARY
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020

SECTION I SUMMARY OF INDEPENDENT AUDITORS' REPORTS

1. The independent auditors' report expresses an unmodified opinion on the consolidated financial statements of KID smART and Subsidiary.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of KID smART and Subsidiary and Subsidiary were reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
4. No management letter was issued for the year ended June 30, 2020.

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE

KID SMART AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I SUMMARY OF INDEPENDENT AUDITORS' REPORTS

1. The independent auditors' report expresses an unmodified opinion on the consolidated financial statements of KID smART and Subsidiary.
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4. No management letter was issued for the year ended June 30, 2019.

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE