

KID smART AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018



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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 statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year 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, 2019, 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.

Prior Period Financial Statements

The financial statements of KID smART and Subsidiary as of June 30, 2018, were audited by other auditors whose report dated November 2, 2018, expressed an un modified opinion on those statements

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2019 consolidating statements of financial position, the consolidating statements of activities and the consolidating statements of functional expenses on pages 19, 21 and 23 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. The 2018 consolidating statements of financial position, the consolidating statements of activities and the consolidating statements of functional expenses on pages 20, 22 and 24 were subjected to the auditing procedures applied in the 2018 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2018 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 October 9, 2019, 2019, 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.

October 9, 2019

Wegmann Dazet + Company

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	\$ 134,909	\$ 95,948
Cash and cash equivalents, restricted cash	87,890	-
Grants and contracts receivable	22,268	13,992
Prepaid expenses	370	138
Investments	231,282	189,117
Other current assets	<u>2,500</u>	<u>1,800</u>
Total assets	<u>\$ 479,219</u>	<u>\$ 300,995</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 1,696	\$ 1,869
Accrued payroll liabilities	-	620
Accrued compensated absences	<u>8,022</u>	<u>13,073</u>
Total liabilities	<u>9,718</u>	<u>15,562</u>
NET ASSETS		
Net assets		
Without donor restrictions:		
Undesignated	125,329	96,316
Board designated reserve fund	319,172	189,117
With donor restrictions	<u>25,000</u>	<u>-</u>
Total net assets	<u>469,501</u>	<u>285,433</u>
Total liabilities and net assets	<u>\$ 479,219</u>	<u>\$ 300,995</u>

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
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and other support	<u>1,188,245</u>	<u>25,000</u>	<u>1,213,245</u>
Expenses			
Program services	852,174	-	852,174
Supporting services:			
Management and general	78,896	-	78,896
Fundraising	<u>105,195</u>	<u>-</u>	<u>105,195</u>
Total expenses	<u>1,036,265</u>	<u>-</u>	<u>1,036,265</u>
Other income (expenses):			
Interest income	2,329	-	2,329
Investment income, net	<u>4,759</u>	<u>-</u>	<u>4,759</u>
Total other income	<u>7,088</u>	<u>-</u>	<u>7,088</u>
Change in net assets	159,068	25,000	184,068
Net assets			
Beginning of year	<u>285,433</u>	<u>-</u>	<u>285,433</u>
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 ACTIVITIES

For the Year Ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Public support - government grants	\$ 82,675	\$ -	\$ 82,675
Other support:			
Private donors	118,193	-	118,193
Corporate donors	40,158	-	40,158
Foundations	470,750	-	470,750
Other grants	16,075	-	16,075
Contracts	235,630	-	235,630
Other income	10,988	-	10,988
Net assets released from restrictions	<u>67,830</u>	<u>(67,830)</u>	<u>-</u>
Total revenue and other support	<u>1,042,299</u>	<u>(67,830)</u>	<u>974,469</u>
Expenses			
Program services	846,927	-	846,927
Supporting services:			
Management and general	49,624	-	49,624
Fundraising	<u>99,242</u>	<u>-</u>	<u>99,242</u>
Total expenses	<u>995,793</u>	<u>-</u>	<u>995,793</u>
Change in net assets	46,506	(67,830)	(21,324)
Net assets			
Beginning of year	<u>238,927</u>	<u>67,830</u>	<u>306,757</u>
End of year	<u>\$ 285,433</u>	<u>\$ -</u>	<u>\$ 285,433</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	83,069	9,464	12,618	105,150
Total salaries and related expenses	<u>600,137</u>	<u>55,809</u>	<u>74,412</u>	<u>730,357</u>
Contractual labor	50,837	5,792	7,722	64,350
Professional services	26,384	3,006	4,008	33,397
Teacher stipends	49,379	-	-	49,379
Education	7,827	892	1,189	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	276	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>\$852,174</u>	<u>\$ 78,896</u>	<u>\$ 105,195</u>	<u>\$1,036,265</u>

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	Program Services	Supporting Services		Total
		Management and General	Fundraising	
Salaries	\$401,329	\$ 29,366	\$ 58,730	\$ 489,425
Teaching artist wages	139,256	-	-	139,256
Payroll taxes and employee benefits	83,508	6,110	12,221	101,839
Total salaries and related expenses	<u>624,093</u>	<u>35,476</u>	<u>70,951</u>	<u>730,520</u>
Contractual labor	40,474	2,962	5,923	49,359
Professional services	16,367	1,198	2,395	19,960
Teacher stipends	29,500	-	-	29,500
Education	5,550	406	812	6,768
Public relations	1,459	107	213	1,779
Special projects and workshops	3,809	279	557	4,645
Supplies	16,661	1,219	2,438	20,318
School resources	5,315	389	778	6,482
Subscriptions	2,705	198	396	3,299
Telephone	6,963	510	1,019	8,492
Meetings	2,371	173	347	2,891
Postage	2,058	151	301	2,510
Printing and copying	10,603	776	1,552	12,931
Office expense	44,109	3,227	6,455	53,791
Payroll fees	1,782	130	261	2,173
Miscellaneous	10,771	788	1,576	13,135
Travel	12,106	886	1,771	14,763
Insurance	10,231	749	1,497	12,477
Total functional expenses	<u>\$846,927</u>	<u>\$ 49,624</u>	<u>\$ 99,242</u>	<u>\$ 995,793</u>

See accompanying Notes to Consolidated Financial Statements.

KID SMART AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Change in net assets	S 184,068	S (21,324)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
(Increase) decrease in operating assets:		
Grants and contracts receivable	(8,276)	28,595
Prepaid expenses	(232)	-
Other assets	(700)	(455)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(173)	746
Accrued payroll liabilities	(620)	(15,917)
Accrued compensated absences	(5,051)	1,938
Net cash provided (used) by operating activities	<u>169,016</u>	<u>(6,417)</u>
Cash flows from investing activities:		
Net, purchases from investments	<u>(42,165)</u>	<u>(8,019)</u>
Net cash used by investing activities	<u>(42,165)</u>	<u>(8,019)</u>
Net increase (decrease) in cash, cash equivalents and restricted cash	126,851	(14,436)
Cash, cash equivalents and restricted cash at beginning of year	<u>95,948</u>	<u>110,384</u>
Cash, cash equivalents and restricted cash at end of year	<u>S 222,799</u>	<u>S 95,948</u>

See accompanying Notes to Consolidated Financial Statements.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years ending June 30, 2019 and 2018

1) Summary of significant accounting policies

a) 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.

b) Basis of accounting

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

c) 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.

d) 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.

e) 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.

f) 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.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years ending June 30, 2019 and 2018

1) Summary of significant accounting policies (continued)

g) Investments

Investments are generally carried at fair market value.

h) 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.

i) 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.

j) 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.

k) Fundraising

All expenses associated with the fundraising are expensed as incurred.

l) 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.

m) 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 ending June 30, 2019 and 2018

2) Restrictions on assets

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

	2019	2018
Oscar J. Tolmas Charitable Trust	\$ 25,000	\$ -

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

	2019	2018
Model Schools Initiative	\$ -	\$ 14,150
Laboratory projects	-	6,200
Artist in the Classroom (AIC)	-	2,500
New Orleans Arts Education Alliance (NOAEA)	-	44,980
	\$ -	\$ 67,830

3) Liquidity and availability

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

	2019
Cash and equivalents	\$ 134,909
Grants and contracts receivable	22,268
Investments	231,282
	\$ 388,459

4) 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.

	2019	2018
Cash and equivalents	\$ 134,909	\$ 95,948
Cash and equivalents, restricted	87,890	-
Total cash and equivalents	\$ 222,799	\$ 95,948

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years ending June 30, 2019 and 2018

5) 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, 2019 and 2018, cash balances did not exceed federally insured limits.

Revenue from two donors represents 24% and 30% of total revenues to KID smART for the years ended June 30, 2019 and 2018, respectively.

6) 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 ending June 30, 2019 and 2018

6) 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, 2019 and 2018.

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.

Money Market Funds: Valued at the net asset value of the shares held at year end.

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 market 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 Plan 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, 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
Certifications of Deposit	90,651	-	-	90,651
Total assets at fair value	<u>\$ 124,352</u>	<u>\$ 34,219</u>	<u>\$ -</u>	<u>158,571</u>
Investments recorded at NAV as practical expedient				<u>72,711</u>
				<u>\$ 231,282</u>

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the Years ending June 30, 2019 and 2018

6) Investments (continued)

Investments as of June 30, 2018 are composed of the following:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
Equity Funds	\$ 42,871	\$ -	\$ -	\$ 42,871
Fixed Income Bond Funds	-	12,954	-	12,954
Money Market Funds	4,351	-	-	4,351
Certifications of Deposit	59,117	-	-	59,117
Total assets at fair value	\$ 106,339	\$ 12,954	\$ -	119,293
Investments recorded at NAV as practical expedient				69,824
				\$ 189,117

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:

	2019	2018
Dividends and interest	\$ 2,330	\$ 2,039
Net realized gain in value of investments	4,480	-
Management fees	(1,092)	(25)
Net unrealized gain in value of investments	1,370	-
	\$ 7,088	\$ 2,014

7) 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.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years ending June 30, 2019 and 2018

7) Endowments (continued)

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, 2019 and 2018 consists of the following:

	2019	2018
Board designated endowment, beginning of year	\$ 189,117	\$ -
Contributions, net	33,984	187,078
Dividends and interest	2,330	2,039
Realized gain, net	4,480	-
Net unrealized gain (loss)	1,371	-
Board designated endowment, end of year	\$ 231,282	\$ 189,117

8) 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, 2019 and 2018 totaled \$23,600 and \$19,380, respectively, which is included in office expense on the statements of functional expenses.

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

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 23,600
2021	23,600
2022	25,200
2023	25,200

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years ending June 30, 2019 and 2018

9) 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:

	2019	2018
Donated facilities	\$ 2,250	\$ 2,250
Donated food and services	6,775	7,125
Donated goods	7,595	1,900
	\$ 16,620	\$ 11,275

10) 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 year ended June 30, 2019 were \$15,000 and \$7,500 for the period January 1, 2018 through June 30, 2018.

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, 2019 and 2018 were \$5,304, and \$2,807 respectively. These intercompany transactions have been eliminated in the consolidated financial statements.

11) New accounting pronouncements

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made" to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU will be effective for annual periods beginning after December 15, 2018.

FASB has issued ASU No. 2014-09, "Revenue from Contracts with Customers," to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. This standard will be effective for periods beginning after December 15, 2018.

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 December 15, 2019.

KIDSMART AND SUBSIDIARY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Years ending June 30, 2019 and 2018

11) New accounting pronouncements (continued)

KID smART and Subsidiary is currently assessing the impact of these pronouncements on its consolidated financial statements.

12) 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. 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, 2019

	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) that KID smART receives.

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

June 30, 2019

	<u>KID smART</u>	<u>NOAEA</u>	<u>Totals Before Consolidating Entries</u>	<u>Consolidatin g Entries</u>	<u>Consolidated Totals</u>
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 FINANCIAL POSITION

June 30, 2018

	KID smART	NOAEA	Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
ASSETS					
Cash and cash equivalents	\$ 60,675	\$ 31,205	\$ 91,880	\$ 4,068	\$ 95,948
Grants and contracts receivable	18,678	-	18,678	(4,686)	13,992
Prepaid expenses	138	-	138	-	138
Investments	189,117	-	189,117	-	189,117
Other current assets	1,300	500	1,800	-	1,800
Total current assets	<u>269,908</u>	<u>31,705</u>	<u>301,613</u>	<u>(618)</u>	<u>300,995</u>
Due from related party	<u>35,750</u>	<u>-</u>	<u>35,750</u>	<u>(35,750)</u>	<u>-</u>
Total assets	<u>\$ 305,658</u>	<u>\$ 31,705</u>	<u>\$ 337,363</u>	<u>\$ (36,368)</u>	<u>\$ 300,995</u>
LIABILITIES					
Accounts payable and accrued expenses	\$ 1,869	\$ 618	\$ 2,487	\$ (618)	\$ 1,869
Accrued payroll liabilities	568	52	620	-	620
Accrued compensated absences	13,030	43	13,073	-	13,073
Total current liabilities	<u>15,467</u>	<u>713</u>	<u>16,180</u>	<u>(618)</u>	<u>15,562</u>
Due to related party	<u>-</u>	<u>35,750</u>	<u>35,750</u>	<u>(35,750)</u>	<u>-</u>
Total liabilities	<u>15,467</u>	<u>36,463</u>	<u>51,930</u>	<u>(36,368)</u>	<u>15,562</u>
NET ASSETS					
Without donor restrictions:					
Undesignated	101,074	(4,758)	96,316	-	96,316
Board designated reserve fund	<u>189,117</u>	<u>-</u>	<u>189,117</u>	<u>-</u>	<u>189,117</u>
Total net assets	<u>290,191</u>	<u>(4,758)</u>	<u>285,433</u>	<u>-</u>	<u>285,433</u>
Total liabilities and net assets	<u>\$ 305,658</u>	<u>\$ 31,705</u>	<u>\$ 337,363</u>	<u>\$ (36,368)</u>	<u>\$ 300,995</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	<u>1,090,591</u>	<u>112,654</u>	<u>25,000</u>	<u>1,228,245</u>	<u>(15,000)</u>	<u>1,213,245</u>
Expenses						
Program services	783,267	80,756	-	864,023	(11,850)	852,173
Supporting services:						
Management and general	71,046	9,201	-	80,247	(1,350)	78,897
Fundraising	94,729	12,266	-	106,995	(1,800)	105,195
Total expenses	<u>949,042</u>	<u>102,223</u>	<u>-</u>	<u>1,051,265</u>	<u>(15,000)</u>	<u>1,036,265</u>
Other income (expenses):						
Interest income	2,329	-	-	2,329	-	2,329
Investment income, net	4,759	-	-	4,759	-	4,759
Total other income	<u>7,088</u>	<u>-</u>	<u>-</u>	<u>7,088</u>	<u>-</u>	<u>7,088</u>
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 ACTIVITIES

For the Year Ended June 30, 2018

	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	\$ 62,675	\$ 20,000	\$ -	\$ 82,675	\$ -	\$ 82,675
Other support:						
Private donors	118,193	-	-	118,193	-	118,193
Corporate donors	40,158	-	-	40,158	-	40,158
Foundations	390,750	83,988	-	474,738	(3,988)	470,750
Other grants	16,075	-	-	16,075	-	16,075
Contracts	242,853	277	-	243,130	(7,500)	235,630
Other income	10,962	26	-	10,988	-	10,988
Net assets released from restrictions	67,830	-	(67,830)	-	-	-
Total revenue and other support	949,496	104,291	(67,830)	985,957	(11,488)	974,469
Expenses						
Program services	766,927	89,420	-	856,347	(9,420)	846,927
Supporting services:						
Management and general	43,769	6,545	-	50,314	(690)	49,624
Fundraising	87,536	13,084	-	100,620	(1,378)	99,242
Total expenses	898,232	109,049	-	1,007,281	(11,488)	995,793
Change in net assets	51,264	(4,758)	(67,830)	(21,324)	-	(21,324)
Net assets						
Beginning of year	238,927	-	67,830	306,757	-	306,757
End of year	<u>\$ 290,191</u>	<u>\$ (4,758)</u>	<u>\$ -</u>	<u>\$ 285,433</u>	<u>\$ -</u>	<u>\$ 285,433</u>

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

	Program Services	KID smART Supporting Services		Program Services	NOAEA Supporting Services		Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
		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	544,351	49,454	65,937	55,786	6,355	8,474	730,357	-	730,357
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	\$ 783,267	\$ 71,046	\$ 94,729	\$ 80,756	\$ 9,201	\$ 12,266	\$ 1,051,265	\$ (15,000)	\$ 1,036,265

KID SMART AND SUBSIDIARY
SUPPLEMENTARY INFORMATION - CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

	KID smART			NOAEA			Totals Before Consolidating Entries	Consolidating Entries	Consolidated Totals
	Program Services	Supporting Services		Program Services	Supporting Services				
		Management and General	Fundraising		Management and General	Fundraising			
Salaries	\$ 351,683	\$ 25,733	\$ 51,466	\$ 49,645	\$ 3,633	\$ 7,265	\$ 489,425	\$ -	\$ 489,425
Teaching artist wages	139,256	-	-	-	-	-	139,256	-	139,256
Payroll taxes and employee benefits	76,090	5,568	11,134	7,418	543	1,086	101,839	-	101,839
Total salaries and related expenses	567,029	31,301	62,600	57,063	4,176	8,351	730,520	-	730,520
Contractual labor	35,663	2,610	5,219	4,811	352	704	49,359	-	49,359
Professional services	13,901	1,017	2,034	2,467	180	361	19,960	-	19,960
Teacher stipends	29,500	-	-	-	-	-	29,500	-	29,500
Education	4,832	354	707	718	53	105	6,769	-	6,768
Public relations	1,437	105	210	22	2	3	1,779	-	1,779
Special projects and workshops	3,478	254	509	331	24	48	4,644	-	4,645
Supplies	16,265	1,190	2,381	396	29	58	20,319	-	20,318
School resources	5,315	389	778	-	-	-	6,482	-	6,482
Subscriptions	2,557	187	373	148	11	22	3,298	-	3,299
Telephone	6,587	482	964	376	28	55	8,492	-	8,492
Meetings	1,846	135	272	525	39	77	2,894	-	2,891
Postage	2,039	149	298	20	1	3	2,510	-	2,510
Printing and copying	10,070	737	1,474	533	39	79	12,932	-	12,931
Office expense	42,063	3,078	6,155	2,046	150	299	53,791	-	53,791
Payroll fees	1,493	109	219	289	21	40	2,171	-	2,173
Miscellaneous	3,768	276	551	16,423	1,202	2,403	24,623	(11,488)	13,135
Travel	10,280	752	1,503	1,825	134	267	14,761	-	14,763
Insurance	8,804	644	1,289	1,427	104	209	12,477	-	12,477
Total functional expenses	\$ 766,927	\$ 43,769	\$ 87,536	\$ 89,420	\$ 6,545	\$ 13,084	\$ 1,007,281	\$ (11,488)	\$ 995,793



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 Directors 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 consolidated financial statements of KID smART and Subsidiary (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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.

October 9, 2019

Wegmann Dazet + Company

KID SMART AND SUBSIDIARY
SCHEDULE OF FINDINGS AND RESPONSES
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.
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, 2019.

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE

KID SMART AND SUBSIDIARY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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*.
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4. No management letter was issued for the year ended June 30, 2018.

SECTION II FINANCIAL STATEMENT FINDINGS

NOT APPLICABLE