

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2016

**KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Kidworks Community Development Corporation

We have audited the accompanying financial statements of Kidworks Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kidworks Community Development Corporation as of June 30, 2016, 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.

Report on Summarized Comparative Information

Kidworks Community Development Corporation's financial statements for the year ended June 30, 2015 were audited by predecessor auditors and they expressed an unmodified audit opinion on those audited financial statements dated October 12, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Orusko & Schelz, LLP

Long Beach, California
October 27, 2016

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2016
(with comparative amounts for June 30, 2015)

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 1,899,324	\$ 828,136
Contributions receivable	246,614	131,945
Grants receivable	52,906	18,141
Investments	226,892	102,497
Prepaid expenses	44,362	37,046
Total Current Assets	2,470,098	1,117,765
Property and equipment, net	3,070,074	1,876,719
Deposits	1,325	5,325
TOTAL ASSETS	\$ 5,541,497	\$ 2,999,809
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 43,498	\$ 30,536
Accrued expenses	108,409	109,497
Total Current Liabilities	151,907	140,033
Total Liabilities	151,907	140,033
Net Assets		
Unrestricted net assets	3,411,686	2,201,110
Temporarily restricted net assets	1,977,904	658,666
Total Net Assets	5,389,590	2,859,776
TOTAL LIABILITIES AND NET ASSETS	\$ 5,541,497	\$ 2,999,809

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	2016 Total	2015 Total
SUPPORT				
Contributions	\$ 318,846	\$ 363,750	\$ 682,596	\$ 794,803
Capital campaign contributions	-	2,797,785	2,797,785	99,400
Donated goods, facilities, services	393,456	37,420	430,876	271,733
Grants	425,452	-	425,452	786,268
Government grants and contracts	265,702	-	265,702	306,993
Total support	<u>1,403,456</u>	<u>3,198,955</u>	<u>4,602,411</u>	<u>2,259,197</u>
REVENUE				
Special events	743,665	-	743,665	599,241
Less: cost of direct benefits to donors	<u>(83,906)</u>	-	<u>(83,906)</u>	-
Net special events	659,759	-	659,759	599,241
Program service fees	18,500	-	18,500	10,774
Interest and dividend income	15,676	-	15,676	10,505
Other revenue	11,468	-	11,468	8,619
Net unrealized gain (loss) on investments	<u>(7,999)</u>	-	<u>(7,999)</u>	1,731
Total revenue	<u>697,404</u>	<u>-</u>	<u>697,404</u>	<u>630,870</u>
Net assets released from restrictions	<u>1,879,717</u>	<u>(1,879,717)</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>3,980,577</u>	<u>1,319,238</u>	<u>5,299,815</u>	<u>2,890,067</u>
EXPENSES				
Program services	2,223,021	-	2,223,021	2,277,177
Fund-raising	342,475	-	342,475	453,439
Management and general	<u>204,505</u>	-	<u>204,505</u>	<u>256,747</u>
TOTAL EXPENSES	<u>2,770,001</u>	<u>-</u>	<u>2,770,001</u>	<u>2,987,363</u>
CHANGE IN NET ASSETS	<u>1,210,576</u>	<u>1,319,238</u>	<u>2,529,814</u>	<u>(97,296)</u>
NET ASSETS, BEGINNING OF YEAR	<u>2,201,110</u>	<u>658,666</u>	<u>2,859,776</u>	<u>2,957,072</u>
NET ASSETS, END OF YEAR	<u><u>\$ 3,411,686</u></u>	<u><u>\$ 1,977,904</u></u>	<u><u>\$ 5,389,590</u></u>	<u><u>\$ 2,859,776</u></u>

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(with summarized comparative totals for the year ended June 30, 2015)

	Program Services	Fund-raising	Management and General	2016 Total	2015 Total
Payroll expenses					
Salaries and wages	\$ 1,000,602	\$ 127,655	\$ 89,915	\$ 1,218,172	\$ 1,246,524
Employee benefits	71,281	27,331	31,643	130,255	108,525
Payroll taxes	77,736	15,862	15,328	108,926	109,311
Workers comp insurance	69,366	2,810	12,878	85,054	59,383
Total payroll expenses	<u>1,218,985</u>	<u>173,658</u>	<u>149,764</u>	<u>1,542,407</u>	<u>1,523,743</u>
Advertising and marketing	15,081	29,014	-	44,095	102,297
Awards and recognition	1,230	3,313	-	4,543	20,834
Bank charges	-	9,396	262	9,658	7,862
Board, staff, donor development	4,836	1,540	1,585	7,961	13,057
Contract and temp services	16,603	-	1,002	17,605	3,876
Depreciation	56,355	6,516	6,372	69,243	76,128
Donated facilities	49,200	-	-	49,200	49,200
Donated goods and services	340,956	28,327	894	370,177	222,532
Dues and subscriptions	6,070	2,539	1,395	10,004	1,813
Equipment leases and repairs	25,656	63	661	26,380	24,436
Event expenses	7,044	88,130	-	95,174	79,668
Facility repairs and maintenance	37,194	1,228	5,979	44,401	35,238
Field trips and camps	3,268	-	-	3,268	11,704
Food and beverage	-	44,418	-	44,418	13,234
Incentives and stipends	35,290	180	-	35,470	40,883
Insurance	22,175	1,383	5,060	28,618	26,394
Miscellaneous	2,034	2,001	804	4,839	44,008
Postage	3,349	11,974	353	15,676	9,363
Printing	1,176	1,107	288	2,571	3,341
Professional fees	119,389	13,550	19,852	152,791	218,835
Program meals	34,812	176	-	34,988	29,895
Rent	57,087	-	1,294	58,381	60,791
Scholarships	56,804	-	-	56,804	59,751
Supplies, books and materials	39,952	2,034	1,136	43,122	40,347
Taxes and licenses	14,057	-	751	14,808	13,487
Telephone	11,154	2,050	1,824	15,028	11,509
Transportation	8,606	1,733	1,752	12,091	9,566
Travel and meetings	3,389	1,056	2,412	6,857	3,557
Urban lift project expenses	-	-	-	-	201,234
Utilities	31,269	995	1,065	33,329	28,780
Total expenses	<u>2,223,021</u>	<u>426,381</u>	<u>204,505</u>	<u>2,853,907</u>	<u>2,987,363</u>
Less expenses included in revenue section of the statement of activities	<u>-</u>	<u>(83,906)</u>	<u>-</u>	<u>(83,906)</u>	<u>-</u>
Total expenses included in the expense section of the statement of activities	<u>\$2,223,021</u>	<u>\$ 342,475</u>	<u>\$ 204,505</u>	<u>\$2,770,001</u>	<u>\$2,987,363</u>

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016
(with comparative amounts for the year ended June 30, 2015)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,529,814	\$ (97,296)
Adjustments to reconcile changes in net assets to net cash used by operating activities:		
Depreciation	69,243	76,127
Receipt of donated assets	(11,500)	-
Net unrealized (gain) loss on investments	7,999	(1,731)
(Increase) decrease in assets:		
Contributions receivable	(114,669)	(131,945)
Grants receivable	(34,765)	50,341
Miscellaneous receivable	-	215
Prepaid expenses	(7,316)	(7,896)
Deposits	4,000	769
Increase (decrease) in liabilities:		
Accounts payable	12,962	(10,380)
Accrued liabilities	(1,088)	16,778
Deferred revenue	-	(50,300)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	2,454,680	(155,318)
CASH FLOWS FROM INVESTING ACTIVITIES		
Renewal of certificate of deposit	(121,992)	-
Purchase of investments	(10,402)	(6,570)
Purchase of property and equipment	(1,251,098)	-
NET CASH USED BY INVESTING ACTIVITIES	(1,383,492)	(6,570)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,071,188	(161,888)
BEGINNING CASH AND CASH EQUIVALENTS	828,136	990,024
ENDING CASH AND CASH EQUIVALENTS	\$ 1,899,324	\$ 828,136

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

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

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

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

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

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

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

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

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

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES (continued)

Youth and Family Engagement

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) using the accrual basis of accounting. As such, revenues are recognized when earned and expenses are recognized when incurred.

Description of Net Asset Classes

The net assets and revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily restricted - Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Organization, pursuant to those stipulations, or that expire by the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on assets. There were no permanently restricted net assets as of June 30, 2016 and 2015.

Accounting for Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is unconditional. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

For purposes of the statement of financial position and the statement of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased.

Contributions Receivable and Promises to Give

Unconditional promises to give are recorded at net realizable value. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions not expected to be received within one year are recognized as temporarily restricted support. Management believes the contributions receivable as of June 30, 2016 and 2015 are fully collectible and therefore, the Organization has not recorded an allowance for doubtful accounts.

Grants Receivable

Grants receivable consist primarily of reimbursements due from governmental agencies under various grant agreements and private grants awarded. Receivables are stated at the amount that management expects to collect from outstanding balances. Management believes the grants receivable as of June 30, 2016 and 2015 are fully collectible and therefore, the Organization has not recorded an allowance for doubtful accounts.

Property and Equipment

Property and equipment are stated at cost, if purchased or at fair value at the date of the gift, if donated and significant. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Expenditures for major additions and improvements that exceed \$1,000 are capitalized. Minor replacements, maintenance, and repairs are charge to expense as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Transportation Equipment	5 years
Computer Equipment	5-7 years
Furniture and Office Equipment	5-7 years
Leasehold Improvements	15 years
Building	40 years

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long Lived Assets

The Organization reviews long lived assets such as property and equipment to determine if there has been an impairment of value whenever events or changes occur that indicate the carrying value of the assets may have declined and not be recoverable. No circumstances have occurred during the year to cause the Organization to believe there has been any impairment of the carrying value of its long lived assets as of June 30, 2016 and 2015. There can be no assurance, however, that market or other conditions will not change in the future resulting in impairment of long lived assets.

Contributed Goods, Services, and Facilities

The Organization receives in-kind goods, services, and facilities, which are recorded at estimated fair market value at the date of donation, if significant. Contributed services are recognized by the Organization if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2016 and 2015, the Organization received the following non-cash donations:

	June 30,	
	2016	2015
Books, toys, materials and supplies	\$ 248,592	\$ 73,548
Food inventory	101,500	100,230
Free use of facilities	49,200	49,200
Professional services	20,084	-
Equipment and furniture	11,500	48,755
	\$ 430,876	\$ 271,733

A substantial number of volunteers have donated significant amounts of their time to the Organization and its programs. The donated services are not reflected in the financial statements since these services do not meet the criteria for recognition. Management estimated the value of donated time spent by volunteers for the years ended June 30, 2016 and 2015 to be \$349,045 and \$250,480, respectively.

Advertising and Marketing Costs

The Organization uses advertising and marketing to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising and marketing expense for the years ended June 30, 2016 and 2015 was \$44,095 and \$102,297, respectively.

Expense Allocation

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

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 23701(d) of the California Tax Code. Consequently, the accompanying financial statements do not reflect any provision for income taxes. Contributions to the Organization are deductible for tax purposes under Section 170(b)(1) of the IRC.

GAAP provides accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization returns are more likely than not to be sustained upon examination. The Organization’s returns are subject to examination by federal and state taxing authorities, generally for three and four years after they are filed, respectively.

Fair Value of Financial Instruments

Financial assets and liabilities are recorded at their fair market value in accordance with ASC 820, Fair Value Measurements. This standard defines fair value and establishes a hierarchy for reporting the reliability of input measurements used to assess fair value for all assets and liabilities. ASC 820 defines fair value as the selling price that would be received for an asset, or paid to transfer a liability, in the principal or most advantageous market on the measurement date. The hierarchy prioritizes fair value measurements based on the types of inputs used in the valuation technique. The inputs are categorized in the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data (market-corroborated inputs).
- Level 3 inputs are unobservable inputs for the asset or liability, that is, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risks) developed based on the best information available in each circumstance.

Certain financial instruments are carried at cost on the balance sheet and thus are not categorized. These instruments include cash and cash equivalents, grants receivable, prepaid expenses, deposits, accounts payable, and accrued expenses.

The fair value of contributed goods, services, and facilities has been measured on a nonrecurring basis using prices for similar assets in inactive markets (Level 2 input).

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual events and results could differ from those assumptions and estimates.

Summarized Comparative Totals

The financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the financial statements for the year ended June 30, 2015 to conform to the current year’s presentation. Such reclassifications had no material impact on total assets, liabilities, revenues, expenses or changes in net assets as reflected in the financial statements for the year ended June 30, 2015.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30, 2016 and 2015 are due as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
Less than one year	\$ 185,664	\$ 79,945
One to five years	60,950	52,000
	<u>\$ 246,614</u>	<u>\$ 131,945</u>

NOTE 4 – GRANTS RECEIVABLE

Grants and contracts receivable as of June 30, 2016 and 2015 were as follows:

	<u>June 30,</u>	
	<u>2016</u>	<u>2015</u>
California Department of Education	\$ 5,774	\$ 5,729
City of Santa Ana	17,132	-
TELACU Futuro Now	-	12,412
Wells Fargo	30,000	-
	<u>\$ 52,906</u>	<u>\$ 18,141</u>

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 5 – INVESTMENTS

The Organization’s investments consist of mutual funds held in trust at Merrill Lynch Wealth Management Company and a certificate of deposit with Bank of America. The investments in mutual funds are recorded at fair market value based on quoted prices in active markets (all Level 1 measurements). Certificates of deposits are recorded using Level 2 input. Investments consisted of the following as of June 30, 2016 and 2015:

	June 30, 2016		
	Fair Value	Cost	Unrealized Gain (Loss)
Equities			
Blackrock Global	\$ 13,593	\$ 16,414	\$ (2,821)
Blackrock Equity	45,092	43,825	1,267
Oppenheimer Rising	10,295	11,518	(1,223)
	<u>68,980</u>	<u>71,757</u>	<u>(2,777)</u>
Fixed income			
Blackrock Global	5,552	6,704	(1,152)
Pioneer Strategic Income	30,368	32,499	(2,131)
	<u>35,920</u>	<u>39,203</u>	<u>(3,283)</u>
Certificate of Deposit	121,992	121,992	-
	<u>\$ 226,892</u>	<u>\$ 232,952</u>	<u>\$ (6,060)</u>
	June 30, 2015		
	Fair Value	Cost	Unrealized Gain (Loss)
Equities			
Blackrock Global	\$ 11,866	\$ 12,799	\$ (934)
Blackrock Equity	42,768	37,117	5,651
Oppenheimer Rising	10,386	10,798	(412)
	<u>65,020</u>	<u>60,715</u>	<u>4,305</u>
Fixed income			
Blackrock Global	7,953	8,574	(621)
Pioneer Strategic Income	29,524	31,477	(1,953)
	<u>37,477</u>	<u>40,051</u>	<u>(2,574)</u>
	<u>\$ 102,497</u>	<u>\$ 100,766</u>	<u>\$ 1,731</u>

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 5 – INVESTMENTS (continued)

Investment return is summarized as follows:

	June 30,	
	2016	2015
Interest and dividends	\$ 15,676	\$ 10,505
Net unrealized gain (loss)	(7,999)	1,731
	\$ 7,677	\$ 12,236

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Investments are managed by professional investment managers who have responsibility for investing the funds in various investment classes. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2016 and 2015, is summarized as follows:

	June 30,	
	2016	2015
Building	\$ 2,034,790	\$ 1,507,226
Furniture and fixtures	222,710	211,612
Computer equipment	125,554	124,054
Vehicles	97,917	97,917
Land	1,390,482	630,482
Construction in progress	-	37,564
	3,871,453	2,608,855
Less: accumulated depreciation	(801,379)	(732,136)
	\$ 3,070,074	\$ 1,876,719

Depreciation expense for the years ended June 30, 2016 and 2015 was \$69,243 and \$76,128, respectively.

Building and equipment of \$503,598 was added to cost but not depreciated during the year ended June 30, 2016. These assets will be depreciated once placed into service, presumably in the next fiscal year.

KIDWORKS COMMUNITY DEVELOPMENT CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 and 2015

NOTE 7 – CAPITAL CAMPAIGN

In May of 2015 KidWorks launched the Building Dreams Capital Campaign. KidWorks set out with an aggressive goal of raising \$3.5M to address the pressing need to expand its main community center. The KidWorks Dan Donahue Center had reached capacity and many students were deferred to a multi-year waiting list that had grown to nearly 300 names.

The bold vision of the Building Dreams Campaign includes acquiring a 10,000 square foot industrial building adjacent to the existing KidWorks center, fully renovating the newly acquired building, joining the existing and newly acquired building into one new 20,000 square foot space, which includes the following expanded features: four new learning labs, an educational multi-purpose center, a fully equipped fitness center, a volunteer center, expanded administration facilities, the latest in information technology tools, an urban learning garden and an outdoor sports court.

A key part of this major campaign is to accomplish the significant expansion with the use of new capital and without the need for financing. Many new and existing KidWorks friends and donors captured the vision of the Building Dreams Campaign. KidWorks’ track record of successful impact and responsible stewardship gave donors the confidence to make meaningful gifts toward the future expansion. As of June 30, 2016 two significant milestones had been reached.

- The \$3.5M fundraising goal was 90% complete.
- The adjacent industrial building which is the cornerstone for the expansion had been acquired through a cash purchase.

The conclusion of the Building Dreams Campaign, including the building improvements and renovations are slated for the upcoming fiscal year ended June 30, 2017.

NOTE 8 – ACCRUED EXPENSES

Accrued expenses as of June 30, 2016 and 2015 consisted of the following:

	June 30,	
	2016	2015
Accrued payroll	\$ 61,836	\$ 57,431
Accrued vacation	32,730	45,086
Other accrued expenses	13,843	6,980
	\$ 108,409	\$ 109,497

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NOTE 9 – COMPENSATED ABSENCES

It is the Organization’s policy to accrue vacation pay for its employees. Full-time staff may accrue up to a maximum of 240 hours, based on years of service, which may be paid out at the end of their employment period. Employees are also granted sick pay, which is not an earned benefit. No payment of unused sick leave will be made upon termination of employment.

NOTE 10 – RETIREMENT PLAN

The Organization maintains a defined contribution profit sharing plan covering substantially all employees meeting minimum eligibility requirements. The plan allows for elective deferrals to be made by the employee subject to limitations. The Organization is allowed to make matching contributions as well as discretionary contributions to the plan for qualified participants. The Organization may terminate the plan at any time. Employer contributions made for the years ended June 30, 2016 and 2015 were \$15,028 and \$13,015, respectively.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

The Organization rents facilities for its afterschool programs at KidWorks Center at Townsend and KidWorks Center at Bishop Manor. The Townsend agreement is with the Orange County Housing Authority and provides the space rent free. The fair market value of the lease is \$2,050 per month. The Organization maintains a Memorandum of Understanding with the Bishop Manor Homeowners Association to operate its community center at the location and is in effect until August 31, 2020. The space is provided rent free and has a fair market value of \$2,050 per month. The Organization also rents various office equipment under non-cancelable operating leases.

Minimum lease payments required under the non-cancelable operating leases are as follows:

Year Ending June 30,	Total
2017	\$ 18,416
2018	16,715
	\$ 35,131

Rental expenses were \$58,381 and \$60,791 for the years ended June 30, 2016 and 2015, respectively.

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

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NOTE 12 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015 are available for the following purposes:

	June 30,	
	2016	2015
After School Programs	\$ 22,917	\$ 70,834
Capital Campaign	1,614,154	170,749
Foundation for Success	10,000	55,000
Youthworks	320,833	320,833
Time restricted purpose	10,000	41,250
	\$ 1,997,904	\$ 658,666

NOTE 13 – CONCENTRATIONS

Cash

The Organization's cash and cash equivalents are maintained in various banks and financial institutions. The Organization has exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance up to \$250,000. At June 30, 2016 and 2015, the uninsured cash balances was \$1,212,298 and \$157,874, respectively.

The Organization maintains its cash with a high quality financial institutions which limits credit risks.

Receivables and Support

Approximately 43 percent of the Organization's receivables for the year ended June 30, 2016 was from two donors. Approximately 33 percent of the Organization's receivables for the year ended June 30, 2015 was from two donors.

Approximately 52 percent of the Organization's support for the year ended June 30, 2016 was from four donors. Approximately 21 percent of the Organization's support for the year ended June 30, 2015 was from two donors.

NOTE 14 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the years ended June 30, 2016 and 2015, the Organization paid no interest and no income taxes.

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NOTE 15 – CALIFORNIA DEPARTMENT OF EDUCATION (CDE) CONTRACTS

During the fiscal years ended June 30, 2016 and 2015, the Organization entered into three contract agreements to provide child development services as follows:

<u>2016</u> <u>Contract</u> <u>Number</u>		<u>Grant</u> <u>Amount</u>
CSPP-5313	CA State Preschool Program	\$ 168,948
CPKS-5057	Prekindergarten and Family Literacy Program	5,000
CACFP-05677	Child & Adult Care Food Program	<u>19,290</u>
		<u>\$ 193,238</u>
<u>2015</u> <u>Contract</u> <u>Number</u>		<u>Grant</u> <u>Amount</u>
CSPP-4319	CA State Preschool Program	\$ 157,120
CPKS-4057	Prekindergarten and Family Literacy Program	5,000
CACFP-05677	Child & Adult Care Food Program	<u>16,392</u>
		<u>\$ 178,512</u>

NOTE 16 – NUTRITION PROGRAM

The Organization had one nutrition agreement with CDE for a Child and Adult Care Food Program, as reported in the Schedule of Expenditures of Federal and State Awards. However, no nutrition audit report schedules are included in the audit because the audit disclosed no nutrition overpayments, underpayments, or program findings; the contractor did not request reimbursement of audit costs; and the audit is not a program-specific nutrition audit.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 27, 2016, the date the financial statements were available to be issued.