

ALL KIDS ACADEMY HEAD START, INC.

**INDEPENDENT AUDITORS' REPORT AND
FINANCIAL STATEMENTS**

For the Years Ended June 30, 2022 and 2021

ALL KIDS ACADEMY HEAD START, INC.

Table of Contents

INDEPENDENT AUDITORS' REPORT	1 – 2
FINANCIAL STATEMENTS:	
Statements of Financial Position as of June 30, 2022 and 2021.....	3
Statements of Activities for the Years Ended June 30, 2022 and 2021	4
Statements of Cash Flows for the Years Ended June 30, 2022 and 2021.....	5
Statement of Functional Expenses for the Year Ended June 30, 2022.....	6
Statement of Functional Expenses for the Year Ended June 30, 2021.....	7
Notes to Financial Statements	8 – 16



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
All Kids Academy Head Start, Inc.
El Cajon, California

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of All Kids Academy Head Start, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of All Kids Academy Head Start, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of All Kids Academy Head Start, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about All Kids Academy Head Start, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of All Kids Academy Head Start, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about All Kids Academy Head Start, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2022, on our consideration of All Kids Academy Head Start, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters for the year ended June 30, 2022. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of All Kids Academy Head Start, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering All Kids Academy Head Start, Inc.'s internal control over financial reporting and compliance.

Lavine, Lofgren, Morris & Engdberg LLP

La Jolla, California
December 14, 2022

ALL KIDS ACADEMY HEAD START, INC.

Statements of Financial Position As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 696,534	\$ 768,791
Restricted cash	5,237	141,944
Grant receivable - claims to NHA for reimbursement	609,369	895,766
Food reimbursement receivable	101,799	-
California State Preschool Program receivable	34,037	-
Prepaid expenses	3,168	-
Security deposits	23,306	21,778
Property and equipment, net	875,090	909,191
Total assets	\$ 2,348,540	\$ 2,737,470
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTION		
Accounts payable and accrued expenses	\$ 454,910	\$ 703,009
Accrued payroll and related liabilities	80,769	305,648
Accrued annual leave	630,051	589,635
Deferred rent liability	127,512	85,277
Advances from and amounts due to funding agencies	199,485	168,958
Total liabilities	1,492,727	1,852,527
Commitments and contingencies		
Net assets without donor restriction	855,813	884,943
Total liabilities and net assets without donor restriction	\$ 2,348,540	\$ 2,737,470

See accompanying notes to financial statements
and independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Statements of Activities For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue and support:		
Grant revenue:		
Head Start Program	\$ 15,032,983	\$ 14,218,668
California State Preschool Program	1,149,496	1,147,770
Child and Adult Care Food Program	335,802	7,567
San Diego County - Quality Preschool Initiative	65,131	55,704
COVID-19—Child Care Stabilization Stipend	69,500	-
	<u>16,652,912</u>	<u>15,429,709</u>
Total grant revenue	16,652,912	15,429,709
Contributions	3,128	1,102
Other income	-	45,970
	<u>16,656,040</u>	<u>15,476,781</u>
Total revenue and support	16,656,040	15,476,781
Expenses:		
Child care services	14,498,915	12,583,645
Management and general	2,186,255	2,317,182
	<u>16,685,170</u>	<u>14,900,827</u>
Total expenses	16,685,170	14,900,827
Increase (decrease) in net assets without donor restriction	(29,130)	575,954
Net assets without donor restriction:		
Beginning of the year	884,943	308,989
	<u>884,943</u>	<u>308,989</u>
End of the year	<u>\$ 855,813</u>	<u>\$ 884,943</u>

See accompanying notes to financial statements
and independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Statements of Cash Flows For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Increase (decrease) in net assets without donor restriction	\$ (29,130)	\$ 575,954
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation expense	164,894	91,695
Deferred rent expense	42,235	21,714
Changes in operating assets and liabilities:		
Grant receivable - claims to NHA for reimbursement	286,397	(709,266)
Food reimbursement receivable	(101,799)	-
California State Preschool Program receivable	(34,037)	-
Prepaid expenses	(3,168)	-
Security deposits	(1,528)	1,500
Accounts payable and accrued expenses	(39,771)	26,955
Accrued payroll and related liabilities	(224,879)	200,291
Accrued annual leave	40,416	149,031
Advances from and amounts due to funding agencies	30,527	3,736
Net cash provided by operating activities	<u>130,157</u>	<u>361,610</u>
Cash flows from investing activities:		
Payment of short-term trade accounts payable used to finance equipment acquisition	(223,907)	-
Purchase of property and equipment	(115,214)	(418,382)
Net cash used in investing activities	<u>(339,121)</u>	<u>(418,382)</u>
Net decrease in cash	(208,964)	(56,772)
Cash and restricted cash, beginning of year	<u>910,735</u>	<u>967,507</u>
Cash and restricted cash, end of year	<u>\$ 701,771</u>	<u>\$ 910,735</u>
Noncash investing and financing activities:		
Property and equipment purchases financed via short-term trade accounts payable	<u>\$ 15,579</u>	<u>\$ 223,907</u>

See accompanying notes to financial statements
and independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Statement of Functional Expenses For the Year Ended June 30, 2022

	<u>Child Care Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 7,679,851	\$ 1,394,995	\$ 9,074,846
Payroll taxes and fringe benefits	2,497,828	454,079	2,951,907
Occupancy	1,051,487	43,820	1,095,307
Special assistance	554,236	-	554,236
Contracted services	557,283	213,638	770,921
Supplies	1,131,122	16,829	1,147,951
Facilities and equipment	600,291	31,494	631,785
Conferences and meetings	144,245	11,778	156,023
Utilities	97,100	4,187	101,287
Commercial insurance	80,020	7,792	87,812
Telephone	69,231	3,358	72,589
Travel	3,833	373	4,206
Other	32,388	3,912	36,300
Total expenses	<u><u>\$ 14,498,915</u></u>	<u><u>\$ 2,186,255</u></u>	<u><u>\$ 16,685,170</u></u>

See accompanying notes to financial statements
and independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Statement of Functional Expenses For the Year Ended June 30, 2021

	<u>Child Care Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 7,287,869	\$ 1,470,384	\$ 8,758,253
Payroll taxes and fringe benefits	2,478,143	497,806	2,975,949
Occupancy	984,257	47,308	1,031,565
Special assistance	46,967	-	46,967
Contracted services	89,735	188,852	278,587
Supplies	819,931	37,307	857,238
Facilities and equipment	502,787	43,465	546,252
Conferences and meetings	119,832	12,730	132,562
Utilities	74,089	3,785	77,874
Commercial insurance	60,400	6,617	67,017
Telephone	92,871	5,139	98,010
Travel	225	25	250
Other	26,539	3,764	30,303
Total expenses	<u><u>\$ 12,583,645</u></u>	<u><u>\$ 2,317,182</u></u>	<u><u>\$ 14,900,827</u></u>

See accompanying notes to financial statements
and independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 1. ORGANIZATION

All Kids Academy Head Start, Inc. (the "Organization") is a non-profit organization incorporated in 1970 under the laws of the State of California. The Organization's specific and primary purpose is to engage in a comprehensive child development program for low-income families and their infant/toddler and preschool-aged children in its community under the Economic Opportunity Act of 1964. The Organization is a subrecipient (delegate agency) of Neighborhood House Association ("NHA").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. 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. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

For the purposes of the statements of cash flows, the Organization considers investments purchased with a maturity of three months or less to be cash equivalents. There were no cash equivalents as of June 30, 2022 or 2021. As further described in Note 8, the Organization has restricted cash in the amount of \$5,236 and \$141,944 for the California Department of Education ("CDE") as of June 30, 2022 and 2021, respectively. For the purposes of the statements of cash flows, cash includes cash and restricted cash on the accompanying statements of financial position, as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 696,534	\$ 768,791
Restricted Cash	5,237	141,944
Total cash and restricted cash per the statements of cash flows	<u>\$ 701,771</u>	<u>\$ 910,735</u>

The Organization maintains its cash and cash equivalents and restricted cash in checking and money market accounts, which at times may exceed federally insured limits. The Organization has not experienced any losses in the aforementioned accounts. The Organization believes it is not exposed to any significant credit risk in regard to its cash and cash equivalents accounts.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as (i) increases in net assets without donor restriction, or (ii) increases in net assets with donor restriction, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction 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 net assets with donor restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restrictions. No amounts are restricted as of June 30, 2022 or 2021.

Functional Allocation of Expenses

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the statements of functional expenses. Where costs can be specifically identified with a particular program or activity, they are categorized accordingly. Where costs are common to more than one function, they have been allocated thereto based on relative square footage, time spent, and other estimates made by the Organization's management.

Property and Equipment

The Organization capitalizes property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost and is depreciated using the straight-line method over following useful lives:

<u>Description</u>	<u>Useful Life</u>
Vehicles	Five years
Furniture & Equipment	Five years
Leasehold Improvements	Shorter of useful life or related lease term

Title to property acquired with NHA grant funds is generally vested with NHA while used for authorized purposes in accordance with the grant fund requirements. In the event NHA should discontinue the delegate agency agreement with the Organization, NHA would have the right to take possession of all property and equipment acquired with NHA grant funds. The Organization believes that its delegate agency agreement will continue for the foreseeable future and that in the event NHA took possession of certain of its property, there would not be a significant effect on its financial statements.

Impairment of Long-Lived Assets

The Organization reviews its long-lived assets including property and equipment for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying value over the fair value of the asset. There was no impairment of the Organization's long-lived assets during years ended June 30, 2022 and 2021.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

The Organization receives a substantial amount of services donated by volunteers and others interested in the Organization's programs throughout the year. Such contributed services are not recognized in the financial statements unless the services create or enhance nonfinancial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The donated services by volunteers for the years ended June 30, 2022 and 2021 did not meet the aforementioned requirements, and management has determined that the value of discounted professional services received was not significant to the financial statements for the years ended June 30, 2022 and 2021. As such, no amounts were recognized in the financial statements for volunteer or donated time.

Revenue Recognition and Deferred Revenue

The Organization has analyzed its grant agreements and has determined that they represent nonreciprocal (rather than exchange) transactions, and applies the accounting guidance applicable to contribution (nonexchange) transactions. More specifically, management has determined its grant agreements contain donor-imposed conditions, and accordingly, the Organization recognizes grant revenue when those conditions are met. Due to the cost reimbursement nature of the grant agreements, those conditions are substantially met as the Organization incurs expenses by providing the services for which the grants are awarded.

Amounts due to funding agencies include amounts received from funding agencies for which services have not yet been delivered and for which conditions of the grants have not yet been met as of the reporting date.

Contributions without restriction are reported as unrestricted revenue and support in the year in which payments are received and/or unconditional promises to give are made. Any donor-restricted contributions that were initially conditional contributions whose restrictions are met in the same reporting period are reported within net assets without donor restrictions.

Income Taxes

Under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code, the Organization is exempt from the payment of taxes on income other than unrelated business income. For the years ended June 30, 2022 and 2021, no provision for income taxes is included in the accompanying financial statements as the Organization had no significant unrelated business income.

Management believes that it has not taken any significant uncertain tax positions. There are currently no examinations in process and management believes that the Organization is no longer subject to income tax examinations for fiscal years prior to the fiscal year ended June 30, 2018.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board issued guidance codified in Accounting Standards Codification (“ASC”) 842, *Leases*, which amends the guidance in ASC 840, *Leases*. The core principle of the standard is to provide enhanced transparency and comparability by requiring lessees to record right-of-use assets and corresponding lease liabilities on the balance sheet for most leases. Expenses associated with leases will continue to be recognized in a manner similar to current accounting guidance. The Organization is required to adopt this standard effective July 1, 2022, with early adoption permitted. The Organization is currently evaluating the impact of the new accounting pronouncement, including the enhanced disclosure requirements.

Receivables

The Organization considers its receivables, including grants, accounts, and food reimbursement receivables, to be fully collectible; accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditors’ report, which is the date these financial statements were available to be issued.

NOTE 3. RETIREMENT PLAN

The Organization sponsors a defined contribution 403(b) Tax Sheltered Annuity retirement plan covering eligible employees of the Organization. Participants may voluntarily elect to defer a portion of their compensation into the plan. Employer contributions charged to operations for the years ended June 30, 2022 and 2021 were \$451,978 and \$456,252, respectively.

NOTE 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 1,003,510	\$ 991,025
Furniture and equipment	604,178	485,870
Vehicles	91,566	91,566
Software	25,807	25,807
Total property and equipment at cost	1,725,061	1,594,268
Less: accumulated depreciation and amortization	<u>(849,971)</u>	<u>(685,077)</u>
Property and equipment, net	<u>\$ 875,090</u>	<u>\$ 909,191</u>

Depreciation expense, included in facilities and equipment expense on the statements of functional expenses, was \$164,894 and \$91,695 For the years ended June 30, 2022 and 2021, respectively.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 5. FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR

The Organization has \$1,441,740 of financial assets available within one year of June 30, 2022 consisting of cash of \$696,535 and receivables of \$745,205 to meet cash needs for general expenditures. The Organization received an advance in the amount of \$5,236 from the CDE for the State Preschool Program, for which the Organization has recorded an equal and offsetting liability as of June 30, 2022, which is included in advances from and amounts due to funding agencies. The receivables are subject to implied time restrictions and have been collected subsequent to June 30, 2022. The Organization intends for its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization's primary sources of support are cost reimbursement grants.

The Organization expects that, together with the aforementioned cash and receivable balances, these sources will provide adequate funding for its near-term operating needs.

NOTE 6. CONCENTRATION OF GRANT REVENUE

During the years ended June 30, 2022 and 2021, the Organization received 100% of its grant revenue from the following sources:

	<u>2022</u>	<u>2021</u>
Neighborhood House Association for Head Start Program	\$ 15,032,983	\$ 14,218,668
California Department of Education - State Preschool Program	\$ 1,149,496	\$ 1,147,770
California Department of Social Services (2022) and California Department of Education (2021) for Child and Adult Care Food Program	\$ 335,802	\$ 7,567
San Diego County - Quality Preschool Initiative	\$ 65,131	\$ 55,704
California Department of Social Services Child Care Licensed Facility Stabilization Stipend	\$ 69,500	\$ -

The California Department of Education – State Preschool Program, California Department of Social Services (2022) and California Department of Education (2021) for Child and Adult Care Food Program, San Diego County – Quality Preschool Initiative, and California Department of Social Services Child Care Licensed Facility Stabilization Stipend funds are for enhancing the established Head Start preschool program. For the years ended June 30, 2022 and 2021, the Child and Adult Care Food Program funds were passed through from the federal government to the Organization by the California Department of Social Services and the California Department of Education, respectively.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 7. COMMITMENTS AND CONTINGENCIES

Lease Commitments

As of June 30, 2022, the Organization occupies facilities in various locations under operating lease agreements that expire at various dates through 2038. Total facilities rent expense (including storage rent) for the years ended June 30, 2022 and 2021 was \$1,095,307 and \$1,031,565, respectively.

Future minimum lease payments, including estimated common area maintenance fees and material lease renewals signed subsequent to June 30, 2022, are approximately as follows for the fiscal years ending June 30:

<u>Fiscal Year Ending</u>	<u>Amount</u>
2023	\$ 1,073,000
2024	749,000
2025	761,000
2026	570,000
2027	416,000
Thereafter	<u>2,273,000</u>
Total future minimum lease payments	<u>\$ 5,842,000</u>

Compliance Audits

The Organization receives federal and state grants that are subject to review, audit, and adjustment by various federal and state agencies for qualified expenses charged to the grants. Any such audits could lead to requests for reimbursement to the federal and state agencies for any expenditures or claims disallowed under the terms of the agreements. Although the Organization expects such amounts, if any, to be insignificant, the result of any audits which may be performed by federal or state agencies is unable to be determined at this time.

Contingencies

The Organization is involved in various claims arising from the normal course of operating its programs and activities. Management does not believe their outcome will have a material adverse effect on the financial position or results of operations of the Organization.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 8. ADVANCES FROM AND AMOUNTS DUE TO FUNDING AGENCIES

As of June 30, 2022 and 2021, advances from and amounts due to funding agencies consists of the following:

	<u>2022</u>	<u>2021</u>
Due to CDE	\$ -	\$ 141,944
Operating advance - CDSS	104,700	-
Operating advance - CDE	5,237	5,236
Operating advance - NHA	66,242	-
Rental deposits - NHA	23,306	21,778
	<u>\$ 199,485</u>	<u>\$ 168,958</u>

As of June 30, 2021, amounts not spent from that year's CDE contract were permitted to be carried forward for expenditure to the fiscal year ended June 30, 2022. As the amounts were not expended for the CDE program during the year ended June 30, 2022, the amounts have been placed into a reserve account and may be carried forward to future fiscal years.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements

For the Years Ended June 30, 2022 and 2021

NOTE 9. RECONCILIATION OF EXPENSES PER FINANCIAL STATEMENTS TO EXPENDITURES OF FEDERAL AWARDS FOR HEAD START

The following reconciles total expenses per the statements of activities to total expenditures as reported to NHA for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Total expenses per statements of activities	\$ 16,685,170	\$ 14,900,827
Property and equipment purchased with grant funds	130,793	642,289
Depreciation of property and equipment purchased with grant funds	(164,894)	(91,695)
Deferred rent expense	(42,235)	(21,714)
Total expenditures claimed	16,608,834	15,429,707
Total expenditures funded by San Diego County - Quality Preschool Initiative	(65,131)	(55,704)
Total expenditures funded by California Department of Social Services (2022) and California Department of Education (2021) for Child and Adult Care Food Program	(335,802)	(7,567)
Total expenditures funded by California Department of Education for the State Preschool Program	(1,149,496)	(1,147,770)
Total expenditures funded by California Department of Education for the State Preschool Program Child Development: American Rescue Plan One-Time Stipend	(9,923)	-
Total expenditures funded by California Department of Social Services Child Care Licensed Facility Stabilization Stipend	(11,500)	-
Other miscellaneous expenses	(3,999)	2
Total Head Start program expenditures reported on the schedule of expenditures of federal awards	<u>\$ 15,032,983</u>	<u>\$ 14,218,668</u>

ALL KIDS ACADEMY HEAD START, INC.

Notes to Financial Statements For the Years Ended June 30, 2022 and 2021

NOTE 10. COVID-19

In December 2019, a novel strain of coronavirus was reported to have surfaced in China. On March 11, 2020, the World Health Organization declared COVID-19, the illness caused by the coronavirus, a pandemic. The spread of this virus beyond China and within the United States of America ("U.S.") has caused economic and business disruption during the fiscal years ended June 30, 2022 and 2021 as a result of mandated closings of businesses designated as non-essential and certain other social distancing measures across the U.S, and much of the Organization's services had to be provided on a remote basis. In acknowledgment of the difficulties posed by the pandemic, during the 2020, 2021, and 2022 fiscal years, the Department of Health and Human Services eased certain of the Head Start Program's enrollment and attendance requirements without a reduction in funding. In addition, for the 2022 and 2021 fiscal years, the Organization received an additional \$1,086,097 and \$929,250, respectively, in COVID-19-specific funding for its Head Start Program. While the pandemic currently appears to be waning, its effects are ongoing, and considerable uncertainty remains regarding any continued need for restrictions and the long-term effectiveness of vaccines. As such, management is unable to estimate the impacts of the pandemic on the Organization's future operations. The financial statements contain no adjustments relating to the potential future effects of the pandemic.

In addition, effective June 28, 2021, the Organization and NHA amended their grant agreement for the year ended June 30, 2021 to include an additional \$600,000 in funding to be used by September 2021. This amount was fully-expended during the year ended June 30, 2022.