PROKIDS, INC.

FINANCIAL REPORT

June 30, 2022

Pile CPAs
Integrity Innovation since 1938

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
ProKids, Inc.

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of ProKids, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards (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 the Organization 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 opinions.

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 the Organization's ability to continue as a going concern for 12 months beyond the date of this report.

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 opinions.

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting amatorial 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 GAAS 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 the Organization'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 the Organization’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 Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 financial statements.

INDEPENDENT AUDITOR'S REPORT - continued

Other Matters - continued

The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements 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 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 August 25, 2022, on our consideration of the Organization'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. 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 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 the Organization's internal control over financial reporting and compliance.

Pile CPAs

Indianapolis, Indiana
August 25, 2022

PROKIDS, INC

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	$ 196,498	$ 834,522
Grants receivable	515,539	578,139
Other receivables	31,317	41,005
Other current assets	113,301	106,275
TOTAL CURRENT ASSETS	856,655	1,559,941
PROPERTY AND EQUIPMENT		
Office equipment	208,368	198,512
Office furniture	112,315	112,315
Leasehold improvements	122,026	122,026
	442,709	432,853
Less accumulated depreciation	(268,135)	(214,730)
	174,574	218,123
TOTAL ASSETS	$ 1,031,229	$ 1,778,064
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current maturities of long-term debt	$ -	$ 890,700
Accounts payable	2,756	13,937
Salaries & wages payable	87,014	89,297
TOTAL CURRENT LIABILITIES	89,770	993,934
LONG-TERM LIABILITIES		
Deferred rent expense, less current portion	53,718	61,923
TOTAL LONG-TERM LIABILITIES	53,718	61,923
NET ASSETS		
Without donor restrictions	689,851	722,207
With donor restrictions	197,890	-
TOTAL NET ASSETS	887,741	722,207
TOTAL LIABILITIES AND NET ASSETS	$ 1,031,229	$ 1,778,064

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF ACTIVITIES

Year ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants - federal	$ 4,875,824	$ 197,890	$ 5,073,714
Evaluations	1,424,821	-	1,424,821
Other income	18,329	-	18,329
TOTAL SUPPORT AND REVENUE	6,318,974	197,890	6,516,864
EXPENSES			
Program expenses:			
Central Indiana Cluster G	6,162,087	-	6,162,087
General and administrative expenses	189,243	-	189,243
TOTAL EXPENSES	6,351,330	-	6,351,330
CHANGE IN NET ASSETS	(32,356)	197,890	165,534
NET ASSETS			
Beginning of year	722,207	-	722,207
End of year	$ 689,851	$ 197,890	$ 887,741

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF ACTIVITIES - continued
Year ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Grants - federal	$ 4,800,594	$ -	$ 4,800,594
Evaluations	1,396,895	-	1,396,895
Other income	13,827	-	13,827
TOTAL SUPPORT AND REVENUE	6,211,316	-	6,211,316
EXPENSES			
Program expenses:			
Central Indiana Cluster G	6,072,996	-	6,072,996
General and administrative expenses	190,999	-	190,999
TOTAL EXPENSES	6,263,995	-	6,263,995
CHANGE IN NET ASSETS	(52,679)	-	(52,679)
NET ASSETS			
Beginning of year	774,886	-	774,886
End of year	$ 722,207	$ -	$ 722,207

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Central Indiana Cluster G	General and Admin.	Total
Depreciation	$ 52,839	$ 566	$ 53,405
Dues and subscriptions	1,210	219	1,429
Equipment expense	21,389	607	21,996
Facilities expense	6,509	4	6,513
General insurance	3,716	20,222	23,938
Health insurance	608,441	13,546	621,987
Life, dental, and disability	91,380	1,750	93,130
Maintenance agreements	440	120	560
Materials and supplies	15,809	751	16,560
Miscellaneous expense	989	7,493	8,482
Other outside services	51,317	245	51,562
Payroll service	-	8,449	8,449
Payroll taxes	327,492	6,196	333,688
Postage	5,369	101	5,470
Professional fees	-	35,457	35,457
Rent	197,279	4,937	202,216
Retirement plan contributions	82,187	2,074	84,261
Salaries	4,497,560	85,023	4,582,583
Telephone	63,351	465	63,816
Training Event Expense	3,564	500	4,064
Travel	96,915	35	96,950
Workers compensation	34,331	483	34,814
	$ 6,162,087	$ 189,243	$ 6,351,330

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued
Year ended June 30, 2021

	Central Indiana Cluster G	General and Admin.	Total
Depreciation	$ 51,486	$ 566	$ 52,052
Dues and subscriptions	527	219	746
Equipment expense	56,218	499	56,717
Facilities expense	5,139	9	5,148
General insurance	3,311	14,234	17,545
Health insurance	464,044	8,821	472,865
Life, dental, and disability	79,585	1,565	81,150
Maintenance agreements	723	135	858
Materials and supplies	22,825	591	23,416
Miscellaneous expense	1,087	11,427	12,514
Other outside services	33,155	267	33,422
Payroll service	330	8,516	8,846
Payroll taxes	347,232	7,215	354,447
Postage	4,339	175	4,514
Professional fees	-	31,525	31,525
Rent	196,154	4,874	201,028
Retirement plan contributions	86,980	2,317	89,297
Salaries	4,607,646	96,756	4,704,402
Telephone	67,058	616	67,674
Training Event Expense	4,234	198	4,432
Travel	16,657	133	16,790
Workers compensation	24,266	341	24,607
	$ 6,072,996	$ 190,999	$ 6,263,995

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions and interest	$ 6,589,152	$ 6,938,957
Cash disbursed for programs and general and administrative purposes	(6,326,620)	(6,362,658)
Net cash provided by (used in) operating activities	262,532	576,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	(9,856)	(1,191)
Net cash provided by (used in) investing activities	(9,856)	(1,191)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on line of credit	630,000	-
Payments on line of credit	(630,000)	-
Payments on long-term debt	(890,700)	-
Net cash provided by (used in) financing activities	(890,700)	-
Increase (decrease) in cash	(638,024)	575,108
CASH		
Beginning	834,522	259,414
Ending	$ 196,498	$ 834,522
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ 165,534	$ (52,679)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	53,405	52,052
(Increase) decrease in:		
Grants and other receivables	72,288	727,641
Other assets	(7,026)	(101,697)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(13,464)	(43,726)
Deferred rent and lease incentive	(8,205)	(5,292)
Net cash provided by (used in) operating activities	$ 262,532	$ 576,299
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 17,415	$ -

See Notes to Financial Statements.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
ProKids, Inc. (the "Organization") was formed to develop, implement, and manage intra-agency programs, identified by Part C of the Individuals With Disabilities Education Act ("IDEA") legislation, in order to provide early intervention services to eligible infants and toddlers (birth to three years of age) with disabilities and their families. In the State of Indiana, this Part C program is called First Steps.

The goals of the First Steps Program in Indiana are to find and identify eligible children who are developmentally delayed; to provide assessment/evaluation of development for referred children to determine eligibility; to assist children to transition into other appropriate programs, once the child is three years of age and/or no longer eligible; to teach families to be advocates for their child's needs; and to provide appropriate developmental interventions so as to decrease the need for ongoing Special Education Services.

The Organization is the Fiscal Agent for the Local Planning and Coordinating Council ("LPCC") and the System Point of Entry ("SPOE") for the Indiana First Steps Program in Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties ("Central Indiana Cluster G").

- *Local Planning and Coordinating Councils* - The purpose of these grants is to provide funding for Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties to do public awareness, child find, transition, education, and other activities that enhance the early intervention program in each county. The Organization provides fiscal agent services, through cost reimbursement, to administer these funds for each of the above counties.

- *System Point of Entry* - The purpose of these grants is to provide funding to receive referrals from Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties for children who are suspected of having developmental delays or who are at risk for developmental delays due to their medical condition or other biological risk factors; to initiate the evaluation process; and to determine whether eligibility criteria have been met. The Organization provides fiscal agent services, through cost reimbursement and fee for service, to administer these funds for each of the above counties.

A summary of the Organization's significant accounting policies are as follows:

A. Basis of Accounting
The financial statements have been prepared on the accrual basis of accounting.

B. Basis of Presentation
These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation - continued
This has been done by classification of fund transactions and balances into two categories of net assets:

Net Assets without donor restrictions: These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Net Assets with donor restrictions: These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

C. Cash
Cash consists of one checking account with a financial institution. The account is partially insured by the Federal Deposit Insurance Corporation. The balances, at times, may exceed federally insured limits. To date, there have been no losses on such accounts.

D. Concentration of Credit Risk
Federal funding by Indiana Family and Social Services Administration, Division of Disability and Rehabilitative Services ("State of Indiana") accounted for greater than 95% of total revenue received by the Organization for 2022 and 2021. The funding is derived from reimbursable grants and a fee for service contract to carry out the mission and programs of the Organization.
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E. Grants Receivable
Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at June 30, 2022 and 2021, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

F. Property and Equipment
Property and equipment are stated at cost. The Organization capitalizes assets with a value greater than $500 and an estimated useful life of three or more years. Property and equipment are considered to be owned by the Organization; however, state funding sources may maintain equitable interest in the property purchased by grant monies, as well as the right to determine the use of any proceeds from the sale of these assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Estimated useful lives for software, furniture, and equipment range from 3 to 10 years and leasehold improvements for 10 years or the life of the lease.

Depreciation in the amount of $53,405 and $52,052 has been allocated to program services and supporting activities in the statements of activities for the years ended June 30, 2022 and 2021, respectively.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

G. Support and Revenues

The Organization receives support from private contributions and grants, and recognizes this support when cash or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions and grants recognized are recorded as net assets without donor restrictions or net assets with donor restrictions depending upon the existence and/or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated amounts. When a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restriction. Support and revenue with donor-imposed restrictions which are met in the same reporting period are reported as net assets without donor restrictions in the statement of activities.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position. Grant expenditures are subject to audit and acceptance by the granting agency, and adjustments could be required as a result of such audit. Management believes that any liability for reimbursements which may arise as a result of these audits would not be material.

H. Income Taxes

The Organization is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been made.

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempt status and the taxability of any unrelated business income. The Organization believes these positions are sustainable. Although the Organization has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities.

I. Functional Expenses

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

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 results could differ from those estimates.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. It is unknown how long these conditions will last and what the complete financial effect will be to the organization. Our concentrations due to grantor or contributor; concentrated revenue from particular programs, services or fund-raising events; and the market or geographic area in which the Organization conducts operations make it reasonably possible that we are vulnerable to the risk of a near-term severe impact.

Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

K. Reclassification

Certain amounts from the prior year have been reclassified to conform with the current year presentation.

L. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through August 25, 2022, which is the date the financial statements were available to be issued.

NOTE 2 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and corresponding lease liability on the statement of financial position at the date of the lease commencement. Leases will be classified as either finance or operating, and this distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the entity for the year ending June 30, 2023. The Organization is currently in the process of evaluating the effect of adoption of this ASU on its financial statements.

NOTE 2 RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS - continued

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The standard will improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. This standard will be effective for the organization for the year ending June 30, 2023. The Organization does not expect this ASU to have a significant impact on the Organization's financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY

The following table reflects financial assets as of June 30, 2022 and 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date, due to donor or contractual restrictions. Currently, the Organization does not have donor or other contractual restrictions that make them unavailable for general expenditures within one year of the statement of financial position.

For purposes of analyzing resources available to meet general expenditures over a 12 month period, the Organization considers all expenditures related to its ongoing program and support activities to be general expenditures.

The Organization has a $9.7 million reimbursement grant available over two years to meet cash needs for general expenditures. Year ending June 30, 2022 was year one of the two-year grant cycle. The grant is subject to time restrictions but is expected to be collected with the next 12 months. The Organization also had a $350,000 line of credit, which it could draw upon in the event of an unanticipated liquidity need. In May 2022 the Organization increased the line of credit to $400,000. The Organization's financial health and liquidity is monitored through regular reporting to the Board of Directors.

The table below represents financial assets available for general expenditures within one year at June 30, 2022 and 2021:

Financial assets at year-end:	2022	2021
Cash	$ 196,498	$ 834,522
Grants and other receivables	546,856	619,144
Total financial assets	743,354	1,453,666
Less amounts not available to be used within one year:		
Donor-imposed restrictions	(197,890)	-
Financial assets not available to be used within one year	(197,890)	-
Financial assets available to meet general expenditures within one year	$ 545,464	$ 1,453,666

NOTE 4 LINE OF CREDIT

The Organization had a line of credit with National Bank of Indianapolis with a maximum debt facility of $350,000 available through January 11, 2022. On May 2, 2022, the Organization entered a new line of credit agreement with an increased maximum debt facility of $400,000 available through May 1, 2023. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. The amount borrowed under the line of credit was $0 as of June 30, 2022 and 2021. Interest is assessed at the lender's prime rate plus 0.25%, but not less than 4.50%. The effective rate at June 30, 2022 and 2021 was 5.00% and 4.50%, respectively.

NOTE 5 LONG-TERM DEBT

On April 15, 2020, the Organization signed and received a $890,700 loan under the Paycheck Protection Program ("PPP") created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1.00%, but payments are not required to begin until October 15, 2020. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized and is fully guaranteed by the Federal government.

The Organization determined it was not eligible for forgiveness, and the funds were fully paid back as of June 30, 2022.

NOTE 6 LEASE COMMITMENTS

In March 2018, the Organization signed an office lease at a new location with a lease term of ninety-four months that expires February 2026. The Organization received the first four months free with monthly payments escalating over the life of the lease.

The Organization is obligated under two operating leases for a postage machine and a copier with monthly payments ranging from $175 to $420 and various expiration dates through July 2025. Subsequent to year-end, the Organization signed a new postage machine lease through October 2027.

The total rent expense charged to income for the year ended June 30, 2022 and 2021, consists of the following:

	2022	2021
Rental and CAM paid on office lease	$ 210,421	$ 206,320
Adjustment to recognize lease payments ratable over the term of the lease	(8,205)	(5,292)
Total rent expense	$ 202,216	$ 201,028

NOTE 6 LEASE COMMITMENTS - continued

The future minimum lease payments as of June 30, 2022, are as follows:

	Facilities	Postage Machine	Copiers	Total
2023	$ 211,034	$ 2,186	$ 5,032	$ 218,252
2024	213,948	2,196	5,032	221,176
2025	216,862	2,196	419	219,477
2026	144,898	2,196	-	147,094
2027	-	2,196	-	2,196
Thereafter	-	732	-	732
	$ 786,742	$ 11,702	$ 10,483	$ 808,927

NOTE 7 EMPLOYEE BENEFIT PLAN

The Organization has established a 403(b) Defined Contribution Retirement Plan (the "Plan"). An employee is eligible to make elective deferrals without a service requirement, unless they are part of an excluded class described in the Plan Adoption Agreement.

Eligible classes of employees are all employees except Casual Employees who are hired to work on an as needed basis from time to time and normally work 0-19 hours per week; provided, however, that a Casual Employee who attains age 21 and completes one year of eligibility service will be eligible to become a participant for purposes of becoming a contributing participant (and thus eligible to make elective deferrals) on the first day of the next Plan Year, but not more than six months after satisfaction of this criteria. To be eligible for employer contributions, an employee must be at least 21 years of age and complete 12 consecutive months of eligibility service. Plan contributions are invested at the discretion of each participant and are fully vested and non-forfeitable when such contributions are made.

Plan contributions are made at a discretionary rate set by the Board of Directors each year. The discretionary rate for fiscal years June 30, 2022 and 2021 was 2%. Retirement plan contributions were $84,261 and $89,297 for the years ended June 30, 2022 and 2021, respectively.

NOTE 8 NET ASSETS

Net assets consist of the following:

	2022	2021
Without donor restrictions:		
Undesignated	$ 689,851	$ 722,207
With donor restrictions:		
Purpose restrictions:		
Recruitment and retention grant	$ 197,890	$ -

PROKIDS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Passed Through to Sub-Recipients	Federal Expenditures
US Department of Education				
Individuals with Disabilities Education Act				
Grants for Infants and Families with Disabilities	84.181			
Pass-Through Grantor:				
Indiana Family & Social Svcs Admin				
Pass-through programs:				
First Steps Cluster Contracts (FS)		21511	$ -	$ 4,875,824
Total expenditures of federal awards			$ -	$ 4,875,824

See Notes to the Schedule of Expenditures of Federal Awards.

PROKIDS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2022

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of ProKids, Inc. (the "Organization") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ProKids, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, the financial statements of ProKids, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 25, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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.

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

INDEPENDENT AUDITOR'S REPORT - continued

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pile CPAs

Indianapolis, Indiana
August 25, 2022

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Board of Directors
ProKids, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited ProKids, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2022. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, The Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT - continued

Auditor's Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards* , and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* , and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed. We are required to communicate with those charged with governance.

We are required to communicate with those charged with governance regarding, amount other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT - continued

Report on Internal Control Over Compliance - continued
A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pile CPAs

Indianapolis, Indiana
August 25, 2022

PROKIDS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2022

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting	
● Material weakness identified?	No
● Significant deficiency identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal Control over major programs:	
● Material weakness identified?	No
● Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
● Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	No

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program
84.181	US Department of Education Individuals with Disabilities Education Act Grants for Infants and Families with Disabilities

Dollar Threshold used to distinguish between type A and type B programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

II. FINANCIAL STATEMENT FINDINGS	None
III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	None

PROKIDS, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2022

The prior year audit disclosed no instances of noncompliance that were required to be reported under U.S. Government Auditing Standards and no uncorrected or unresolved findings exist from the prior audit's Schedule of Audit Findings and Questioned Costs.