

**CLAY COUNTY CHILD CARE CENTER, INC.**

Clay Center, Kansas

**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2019 and 2018

VARNEY & ASSOCIATES, CPAs, LLC  
Manhattan, Kansas

**CLAY COUNTY CHILD CARE CENTER, INC.**

Clay Center, Kansas

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September 5, 2019

Board of Directors  
Clay County Child Care Center, Inc.  
Clay Center, Kansas

## Independent Auditor's Report

### Report on the Financial Statements

We have audited the accompanying financial statements of Clay County Child Care Center, Inc. (the Center), a non-profit organization, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. 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 the Center as of June 30, 2019 and 2018, and the changes in net assets for the years then ended in accordance with accounting principles generally accepted in the United States of America.

# Independent Auditor's Report

September 5, 2019  
Clay County Child Care Center, Inc.  
(Continued)

#### **Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) , 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. The information has been subjected to the auditing procedures applied in the audit 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 Schedule of Expenditures of Federal Awards 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 September 5, 2019, on our consideration of the Center'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 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 Center's internal control over financial reporting and compliance.

*Vannoy & Associates CPAs LLC*

Certified Public Accountants  
Manhattan, Kansas

*Independent Auditor's Report*

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**STATEMENTS OF FINANCIAL POSITION**  
June 30,

	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 91,178	\$ 42,740
Grants receivable	122,301	208,557
<b>Total Current Assets</b>	<u>\$ 213,479</u>	<u>\$ 251,297</u>
<b>Non-Current Assets</b>		
Property and Equipment - Net		
Equipment	\$ 208,826	\$ 176,023
Furniture and fixtures	89,858	89,858
Buildings and improvements	888,673	859,319
Vehicles	980,312	1,033,996
Land	5,000	5,000
<b>Total Property and Equipment</b>	<u>\$ 2,172,669</u>	<u>\$ 2,164,196</u>
Accumulated depreciation	(1,167,491)	(1,131,051)
<b>Property and Equipment - Net</b>	<u>\$ 1,005,178</u>	<u>\$ 1,033,145</u>
Investments - Spreer Endowment	<u>\$ 491,143</u>	<u>\$ 510,698</u>
<b>Total Non-Current Assets</b>	<u>\$ 1,496,321</u>	<u>\$ 1,543,843</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,709,800</u></u>	<u><u>\$ 1,795,140</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 10,633	\$ 52,430
Accrued payroll	48,209	44,698
Other accrued liabilities	10,577	8,113
<b>Total Current Liabilities</b>	<u>\$ 69,419</u>	<u>\$ 105,241</u>
<b>Net Assets</b>		
Without Donor Restriction	\$ 1,149,238	\$ 1,179,201
With Donor Restriction - Spreer Endowment	491,143	510,698
<b>Total Net Assets</b>	<u>\$ 1,640,381</u>	<u>\$ 1,689,899</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,709,800</u></u>	<u><u>\$ 1,795,140</u></u>

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**STATEMENTS OF ACTIVITIES**  
For the Years Ended June 30,

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
<b>Revenues</b>						
<b>Public Support</b>						
U.S. Government						
Head Start Grant	\$ 1,552,490	\$ -	\$ 1,552,490	\$ 1,813,538	\$ -	\$ 1,813,538
Early Head Start Grant	413,529	-	413,529	347,558	-	347,558
State of Kansas						
Early Head Start State Grant	705,573	-	705,573	690,250	-	690,250
CACFP	94,875	-	94,875	100,800	-	100,800
Local						
Contributions of materials and space	590	-	590	4,681	-	4,681
Other contributions and grants	1,265	-	1,265	36,150	-	36,150
<b>Total Public Support</b>	<b>\$ 2,768,322</b>	<b>\$ -</b>	<b>\$ 2,768,322</b>	<b>\$ 2,992,977</b>	<b>\$ -</b>	<b>\$ 2,992,977</b>
<b>Income</b>						
Daycare fees	\$ 192,918	\$ -	\$ 192,918	\$ 200,286	\$ -	\$ 200,286
Net investment income (loss)	(143)	1,465	1,322	163	38,252	38,415
Other income, gains and (losses)	527	-	527	(4,403)	-	(4,403)
<b>Total Income</b>	<b>\$ 193,302</b>	<b>\$ 1,465</b>	<b>\$ 194,767</b>	<b>\$ 196,046</b>	<b>\$ 38,252</b>	<b>\$ 234,298</b>
<b>Total Revenues</b>	<b>\$ 2,961,624</b>	<b>\$ 1,465</b>	<b>\$ 2,963,089</b>	<b>\$ 3,189,023</b>	<b>\$ 38,252</b>	<b>\$ 3,227,275</b>
<b>Release of Donor Restrictions</b>	<b>\$ 21,020</b>	<b>\$ (21,020)</b>	<b>\$ -</b>	<b>\$ 59,315</b>	<b>\$ (59,315)</b>	<b>\$ -</b>
<b>Expenses</b>						
Program services	\$ 2,688,476	\$ -	\$ 2,688,476	\$ 2,517,334	\$ -	\$ 2,517,334
Management and general	324,131	-	324,131	301,879	-	301,879
Fundraising	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 3,012,607</b>	<b>\$ -</b>	<b>\$ 3,012,607</b>	<b>\$ 2,819,213</b>	<b>\$ -</b>	<b>\$ 2,819,213</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (29,963)</b>	<b>\$ (19,555)</b>	<b>\$ (49,518)</b>	<b>\$ 429,125</b>	<b>\$ (21,063)</b>	<b>\$ 408,062</b>
<b>NET ASSETS - BEGINNING</b>	<b>1,179,201</b>	<b>510,698</b>	<b>1,689,899</b>	<b>750,076</b>	<b>531,761</b>	<b>1,281,837</b>
<b>NET ASSETS - ENDING</b>	<b>\$ 1,149,238</b>	<b>\$ 491,143</b>	<b>\$ 1,640,381</b>	<b>\$ 1,179,201</b>	<b>\$ 510,698</b>	<b>\$ 1,689,899</b>

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

*Financial Statements*

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2019

	Program Services				Supporting Activities		
	Head Start	Early Head Start	Daycare	Total Program Activities	Management and General	Fundraising	Total Expenses
<b>EXPENSES</b>							
Salaries and wages	* \$ 780,978	\$ 467,362	\$ 175,162	\$ 1,423,502	\$ 231,225	\$ -	\$ 1,654,727
Retirement contributions	* 54,091	31,696	5,887	91,674	15,613	-	107,287
Other employee benefits	* 190,416	72,470	13,514	276,400	24,748	-	301,148
Payroll taxes	* 56,658	33,955	12,996	103,609	16,724	-	120,333
Fees for service - Accounting	169	-	1,162	1,331	7,260	-	8,591
Fees for service - Other	56,283	196,021	2,937	255,241	4,784	-	260,025
Advertising	1,574	4,032	177	5,783	-	-	5,783
Office expenses	73,930	61,723	19,076	154,729	7,393	-	162,122
Information technology	19,515	11,652	977	32,144	4,062	-	36,206
Occupancy	56,511	22,073	10,899	89,483	2,732	-	92,215
Travel	64,786	41,236	(276)	105,746	5,527	-	111,273
Depreciation	** 79,946	53,985	13,855	147,786	-	-	147,786
Insurance	(109)	297	860	1,048	4,063	-	5,111
<b>TOTAL EXPENSES</b>	<b>\$ 1,434,748</b>	<b>\$ 996,502</b>	<b>\$ 257,226</b>	<b>\$ 2,688,476</b>	<b>\$ 324,131</b>	<b>\$ -</b>	<b>\$ 3,012,607</b>

\* Each of these expense lines contain joint costs which have been allocated to the functions on the basis of time and effort

\*\* This expense line contains joint costs which have been allocated based on square footage

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2018

	Program Services				Supporting Activities		
	Head Start	Early Head Start	Daycare	Total Program Activities	Management and General	Fundraising	Total Expenses
<b>EXPENSES</b>							
Salaries and wages	* \$ 730,030	\$ 432,216	\$ 165,118	\$ 1,327,364	\$ 218,131	\$ -	\$ 1,545,495
Retirement contributions	* 50,377	29,121	5,470	84,968	14,623	-	99,591
Other employee benefits	* 171,640	52,160	11,345	235,145	21,668	-	256,813
Payroll taxes	* 52,967	31,376	11,865	96,208	15,661	-	111,869
Fees for service - Accounting	-	-	1,027	1,027	6,913	-	7,940
Fees for service - Other	54,840	189,431	2,174	246,445	5,229	-	251,674
Advertising	1,353	1,706	-	3,059	-	-	3,059
Office expenses	113,527	44,221	15,432	173,180	5,710	-	178,890
Information technology	14,451	8,729	574	23,754	2,026	-	25,780
Occupancy	51,477	22,212	15,374	89,063	1,870	-	90,933
Travel	66,971	42,815	912	110,698	6,315	-	117,013
Depreciation	** 73,553	37,923	12,967	124,443	-	-	124,443
Insurance	741	384	855	1,980	3,733	-	5,713
<b>TOTAL EXPENSES</b>	<b>\$ 1,381,927</b>	<b>\$ 892,294</b>	<b>\$ 243,113</b>	<b>\$ 2,517,334</b>	<b>\$ 301,879</b>	<b>\$ -</b>	<b>\$ 2,819,213</b>

\* Each of these expense lines contain joint costs which have been allocated to the functions on the basis of time and effort

\*\* This expense line contains joint costs which have been allocated based on square footage

The accompanying notes are an integral part of these financial statements.  
See Independent Auditor's Report.



**CLAY COUNTY CHILD CARE CENTER, INC.**  
 Clay Center, Kansas  
**STATEMENTS OF CASH FLOWS**  
 For the Years Ended June 30,

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ (49,518)	\$ 408,062
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
Depreciation	\$ 147,786	\$ 124,443
Loss on disposal of property and equipment	-	7,046
(Gains) losses on investments	(1,465)	(38,252)
(Increase) decrease in operating assets		
Grants receivable	86,256	(69,880)
Increase (decrease) in operating liabilities		
Accounts payable	(41,797)	9,554
Accrued payroll	3,511	10,552
Other accrued liabilities	2,464	456
<b>Total Adjustments</b>	<u>\$ 196,755</u>	<u>\$ 43,919</u>
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>\$ 147,237</u>	<u>\$ 451,981</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid for purchase of property and equipment	\$ (119,819)	\$ (538,365)
Cash paid for purchase of investments	(54,911)	(62,217)
Cash received from sale of investments	75,931	121,532
<b>Net Cash Provided By (Used In) Investing Activities</b>	<u>\$ (98,799)</u>	<u>\$ (479,050)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	\$ 48,438	\$ (27,069)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>42,740</u>	<u>69,809</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 91,178</u></u>	<u><u>\$ 42,740</u></u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest expense paid	<u>\$ -</u>	<u>\$ -</u>
Income taxes paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# Financial Statements

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2019 and 2018

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

***Nature of Activities***

The Center is a non-profit corporation which was formed on May 4, 1972 to provide educational, health, and social services for preschool and school age children in Clay, Washington, Cloud, Ottawa and Republic counties. The majority of the Center's funding is provided from grants from the U.S. Department of Health and Human Services and the State of Kansas.

***Basis of Presentation***

Financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

During 2018, the Center adopted the financial reporting provisions of FASB Accounting Standards Update (ASU) 2016-14. The primary changes affecting these financial statements include the reclassification of net assets according to donor restrictions.

***Cash and Cash Equivalents***

The Center considers all highly liquid investments, except for those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

***Grants Receivable***

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Center uses the allowance method in accounting for bad debts. Under this method, all uncollectible amounts are charged to the allowance account and bad debt expense is determined by adjusting the balance in the allowance account to an amount considered reasonable by management based on history and knowledge of clients.

For the years ending June 30, 2019 and 2018, management has evaluated the collectability of grants receivable and has estimated an allowance for uncollectible accounts of \$0 for each year.

***Capital Assets***

The Center capitalizes purchases over \$1,000 of equipment, furniture and fixtures, buildings and improvements, vehicles and land. Disbursements for maintenance and repairs are charged to expense as incurred. Depreciation is provisioned on a straight-line basis of the estimated useful lives of the assets, which are as follows:

	<b>Years</b>
Equipment	3 to 10
Furniture and fixtures	5 to 10
Buildings and improvements	5 to 40
Vehicles	3 to 5

***Compensated Absences***

At the beginning of each year, employees receive an allotment of paid time off that must be used prior to the end of the year. Any unused time expires at the end of the year and is not eligible for a cash payment. Additionally, unused time is not eligible for payment if employment is terminated. Accordingly, the Center does not accrue a liability for compensated absences.

***Revenue Recognition***

The Center recognizes daycare fee revenue when services have been rendered. Grant revenue is recognized in the period it is earned in accordance with the grant agreements. The Center reports cash contributions in the period received. In-kind contributions are recognized at the fair market value of the goods or services received.

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2019 and 2018

**Notes to Financial Statements**

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Advertising Expense***

The costs of advertising are expensed as incurred and are separately reported on the statement of functional expenses. The Center's advertising costs are general in nature so as to make the public aware of the services provided.

***Fair Value Measurements***

ASC Topic 820, *Fair Value Measurements and Disclosures*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Generally accepted accounting principles also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no level 3 assets or liabilities measured at fair value during 2019 and 2018, nor transfers in or out of the level 3 classification during these years.

See Note 5 for further disclosure of investment fair value.

***Income Taxes***

The Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been reflected in the Center's financial statements.

The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. For each of the years ended June 30, 2019 and 2018, the Center did not recognize any interest or penalties associated with tax matters.

The Center's federal Exempt Organization Returns (Form 990) is subject to examination by the IRS, generally for three years after it is filed. No taxing authorities have commenced income tax examinations for open years.

***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 reported amounts. Actual results could differ from those estimates.

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2019 and 2018

**Note 4: Investments - Spreer Endowment and Net Assets with Donor Restrictions**

The Spreer Endowment Fund (the Fund) was originally established by Marvin H. Spreer and Virgie Spreer, brother and sister, who in 2002 donated \$600,000 to the Center under a fund agreement which specified certain conditions for the use and management of the donated monies. The resources in this fund comprise all of the net assets with donor restrictions as reported on the statements of financial position.

The Fund is intended to grow so it will provide relatively the same buying power in the future as it does now. To accomplish this, 80% of the Fund's earnings are available to the Center for withdrawal to finance operations in any way deemed appropriate by the Center and its Board of Directors. The remaining 20% is required to be maintained in the fund to support growth of the Fund's assets.

Additionally, the Center has discretion to invest, reinvest, and manage the fund assets in any manner that is deemed appropriate by the Center's Board of Directors and which is within the limitations of the State Prudent Management of Institutional Funds Act (SPMIFA).

The Center's Board of Directors has interpreted the SPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Center, along with the Fund trustees which were appointed by the Fund sponsor, work together with the fund administrator at the Trust Company of Manhattan to ensure good communication between all parties regarding the Fund's investment strategies and spending policy, which are as follows:

*Investment return objectives, risk parameters, and strategies* - The Center has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending policy* - The Center has a policy of appropriating for distribution each year 80% of its endowment fund's earnings and growth, which is consistent with donor restrictions. In establishing this policy, the Center considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2019 and 2018

**Note 4: Investments - Spreer Endowment and Net Assets With Donor Restrictions (Continued)**

Changes in endowment net assets for 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 510,698	\$ 531,761
Deposits	54,911	62,217
Withdrawals	(75,931)	(121,532)
Net investment return	1,465	38,252
Ending balance	<u>\$ 491,143</u>	<u>\$ 510,698</u>

The withdrawals, net of deposits, for each year are \$21,020 and \$59,315 for 2019 and 2018, respectively, which represent amounts released from restriction as reported on the statements of activities.

In previous years, the Center withdrew funds from the endowment which included a portion of the original \$600,000 donor endowed gift principal balance and agreed to repay these amounts plus interest. The following is a schedule of these commitments to reinvest and their changes for 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Beginning balance	\$ 133,239	\$ 99,947
Gift principal borrowings	-	35,393
Gift principal reinvestments	(3,253)	(2,101)
Ending balance	<u>\$ 129,986</u>	<u>\$ 133,239</u>

These commitments require annual reinvestments of approximately \$4,000 per year through December 2032. From that point through November 2041, the annual required reinvestment is \$1,468. In addition to these amounts, the Center has a commitment of \$90,000 which is used to finance the costs of the home visitation and child care partnership programs in advance of receiving grant reimbursements from the state of Kansas. This commitment is expected to remain outstanding unless the state of Kansas is able to provide a more timely method of reimbursement.

**Note 5: Fair Value Measurements**

The following is a description of valuation methodologies used for assets recorded at fair value and which are measured on a recurring basis:

	<u>Fair Value Level</u>	<u>2019</u>	<u>2018</u>
Cash Equivalents			
Money market fund	Level 1	\$ 1,750	\$ 54,113
Equity			
Domestic	Level 1	178,379	180,171
Foreign	Level 1	106,380	112,973
Fixed Income			
Corporate bonds	Level 2	122,887	73,774
Mutual funds	Level 1	57,252	56,096
Real Assets			
Mutual Funds - Commodities	Level 1	-	9,140
Mutual Funds - Real Estate	Level 1	9,572	7,436
Mutual Funds - TIPS	Level 1	14,923	9,785
Stock - REIT	Level 1	-	7,210
<b>Total</b>		<u>\$ 491,143</u>	<u>\$ 510,698</u>

The corporate bonds are valued by comparing the terms (rates of interest and length of term) to similar debt instruments which are traded on active exchange markets (level 2).

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
June 30, 2019 and 2018

**Notes to Financial Statements**

**Note 6: Retirement Plan**

The Center offers a SEP IRA retirement plan (the Plan) to full-time employees. For employees of Head Start and Early Head Start, the Center contributes 7% of gross wages to the Plan. For employees of the Daycare, the Center contributes 3% of gross wages to the plan. Retirement contribution expense for each year is separately stated on the Statement of Functional Expense.

**Note 7: Operating Leases**

The Center's operating lease expenses for 2019 and 2018 are as follows:

<u>Operating Location</u>	<u>Leased Property</u>	<u>2019</u>	<u>2018</u>
Clay County - Head Start & Daycare	Parking Lot	\$ 1,500	\$ 1,500
Cloud County - Early Head Start	Facilities	3,600	3,600
Cloud County - Head Start	Facilities	6,000	6,000
Ottawa County - Head Start	Facilities	-	4,500
Republic County - Head Start	Facilities	514	5,400
Washington County - Head Start	Facilities	3,000	3,000
		<u>\$ 14,614</u>	<u>\$ 24,000</u>

The Center operates these leases under terms which are cancellable at the Center's fiscal year ending date of June 30. As of the date these financial statements were available to be issued, the Center was in the process of renegotiating these contracts for the 2020 year and expects to renew at financial commitment levels which are similar to the 2019 year and for terms that run through June 30, 2020. The only exception is that the \$514 rent expense for Republic County listed above will not recur in 2020 as the Center established its own facility for that location during 2019.

**Note 8: Subsequent Events**

Management has evaluated subsequent events through September 5, 2019, which is also the date the financial statements were available to be issued.

**Note 9: Liquidity and Availability**

Financial assets available for general expenditure during 2020, that is, without donor or other restrictions limiting their use comprise the following:

Cash and cash equivalents	\$ 91,178
Grants receivable	122,301
	<u>\$ 213,479</u>

As part of the Center's liquidity management plan, cash in excess of daily requirements is maintained in interest bearing money market deposits. Grants receivable are normally collected in full in the first quarter after year end.

Resources which are not available at June 30, 2019 are attributable to donor restrictions which indicate these resources may only be used for specific purposes. Donor restrictions related entirely to the Speer Endowment Fund which, as noted in Note 4, only 80% of these funds are available for the Center's use while 20% is to remain within the fund in order to support growth of the fund. In addition to this limitation, the Center has reinvestment commitments (described in note 4) which will require approximately \$4,000 of cash to be reinvested in the Spreer Endowment during 2020.



September 5, 2019

Board of Directors  
Clay County Child Care Center, Inc.  
Clay Center, Kansas

**Independent Auditor's Report on Internal Control over Financial Reporting and  
On Compliance and Other Matters Based on an Audit of Financial Statements  
Performed In Accordance with Government Auditing Standards**

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 Clay County Child Care Center, Inc. (the Center), a non-profit organization, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated September 5, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control deficiencies, in internal control such that there is a reasonable possibility that material misstatements 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 over financial reporting 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.

September 5, 2019  
Clay County Child Care Center, Inc.  
(Continued)

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Center'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 Center'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Vannoy & Associates CPAs LLC*

Certified Public Accountants  
Manhattan, Kansas





September 5, 2019

Board of Directors  
Clay County Child Care Center, Inc.  
Clay Center, Kansas

**Independent Auditor's Report on Compliance For Each Major Federal  
Program and Report on Internal Control over Compliance  
In Accordance With the Uniform Guidance**

**Report on Compliance for Each Major Federal Program**

We have audited Clay County Child Care Center, Inc. (the Center's) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2019. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Center's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program have occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the Center's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the Center complied, in all material respects, with the 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, 2019.

*Independent Auditor's Report*

### **Internal Control over Compliance**

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's 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. *A significant deficiency in internal control over compliance* is a deficiency, or a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Vining & Associates PA, LLC*

Certified Public Accountants  
Manhattan, Kansas

## **SUPPLEMENTAL INFORMATION**

**CLAY COUNTY CHILD CARE CENTER, INC.**  
Clay Center, Kansas  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2019

	<b>Federal CFDA Number</b>	<b>Pass-through Identifying Number</b>	<b>Federal Award Expenditures</b>	<b>Subrecipient Expenditures</b>
<b>U.S. Department of Health and Human Services</b>				
Head Start	93.600	N/A	* \$ 2,032,923	\$ -
Passed through the Kansas Department of Children and Family Services				
Early Head Start - Home Visitation Grant	93.558	EES-2018-KEHSHV-02-G	\$ 282,128	\$ -
Early Head Start - Child Care Partnership Grant	93.596	EES-2018-KEHSCCP-02-G	440,315	-
Total passed through Kansas Department of Children and Family Services			<u>\$ 722,443</u>	<u>\$ -</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>\$ 2,755,366</u>	<u>\$ -</u>
<b>U.S. Department of Agriculture</b>				
Passed through the Kansas Department of Education				
Child and Adult Care Food Program	10.558	P0011	\$ 94,875	\$ -
<b>TOTAL</b>			<u><u>\$ 2,850,241</u></u>	<u><u>\$ -</u></u>

\*Major Program

**Basis of Presentation**

The expenditures reported above are reported using the accrual basis of accounting, modified to include encumbrances. Accordingly, amounts reported above may not articulate directly with amounts reported in the Center's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**Non-Cash Assistance, Insurance and Loans**

The Center did not receive or expend any federal awards in the form of non-cash assistance, insurance, loans or loan guarantees, including interest subsidies during the year ended June 30, 2019.

**Indirect Cost Rate**

The Center does not allocate indirect costs to its federal award program. Accordingly, use of the 10% de minimis indirect cost rate provisioned by the Uniform Guidance, section 414, is not applicable.

**CLAY COUNTY CHILD CARE CENTER, INC.**  
 Clay Center, Kansas  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 For the Year Ended June 30, 2019

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified	
Internal control over financial reporting:		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

**Federal Awards**

Internal controls over major programs:		
Material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None reported

Type of auditor's report issued on compliance for major programs:	Unqualified
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Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200.516(a)?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
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Identification of major programs:	
Name of Federal program	<u>CFDA Number</u>
Head Start	93.600

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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Auditee qualified as a low-risk auditee?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
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**Section II - Financial Statement Findings**

No matters were reported

**Section III - Federal Award Findings and Questioned Costs**

No matters were reported

**Supplemental Information**

**CLAY COUNTY CHILD CARE CENTER, INC.**  
 Clay Center, Kansas  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL**  
**EARLY HEAD START GRANT**  
**FOR PERIOD: JULY 1, 2018 TO JUNE 30, 2019**

**Supplemental Information**

**2018-2019 Child Care Partnership State Grant**  
**Award # EES-2018-KEHSCCP-02-G**

	<b>Budget</b>	<b>July 1, 2017 to June 30, 2018</b>	<b>July 1, 2018 to June 30, 2019</b>	<b>Total</b>	<b>Variance Over (Under) Budget</b>
<b>REVENUE</b>					
Grant	\$ 516,266	\$ 389,493	\$ 42,766	\$ 432,259	\$ (84,007)
<b>EXPENDITURES</b>					
Personnel	\$ 191,234	\$ 138,671	\$ 5,286	\$ 143,957	\$ (47,277)
Taxes/Fringe benefits	55,485	50,526	770	51,296	(4,189)
Travel	12,953	11,776	162	11,938	(1,015)
Equipment	2,350	2,365	-	2,365	15
Supplies	26,450	16,375	1,228	17,603	(8,847)
Contractual	197,391	177,706	(476)	177,230	(20,161)
Building	10,770	9,897	431	10,328	(442)
Training	13,993	12,638	-	12,638	(1,355)
Other (1)	2,940	3,055	46	3,101	161
Other (2)	2,700	1,702	101	1,803	(897)
<b>TOTAL EXPENDITURES</b>	<b>\$ 516,266</b>	<b>\$ 424,711</b>	<b>\$ 7,548</b>	<b>\$ 432,259</b>	<b>\$ (84,007)</b>

**2018-2019 Home Visitation State Grant**  
**Award # EES-2018-KEHSHV-02-G**

	<b>Budget</b>	<b>July 1, 2017 to June 30, 2018</b>	<b>July 1, 2018 to June 30, 2019</b>	<b>Total</b>	<b>Variance Over (Under) Budget</b>
<b>REVENUE</b>					
Grant	\$ 273,327	\$ 265,174	\$ 8,153	\$ 273,327	\$ -
<b>EXPENDITURES</b>					
Personnel	\$ 179,117	\$ 179,436	\$ -	\$ 179,436	\$ 319
Taxes/Fringe benefits	49,808	49,489	-	49,489	(319)
Travel	12,460	12,363	-	12,363	(97)
Equipment	2,350	2,365	-	2,365	15
Supplies	8,400	8,370	-	8,370	(30)
Contractual	5,411	5,390	-	5,390	(21)
Building	9,070	9,133	-	9,133	63
Training	2,996	3,033	-	3,033	37
Other (1)	2,365	2,366	-	2,366	1
Other (2)	1,350	1,382	-	1,382	32
<b>TOTAL EXPENDITURES</b>	<b>\$ 273,327</b>	<b>\$ 273,327</b>	<b>\$ -</b>	<b>\$ 273,327</b>	<b>\$ -</b>