Clay County Child Care Center, Inc.

Financial Statements
As of June 30, 2022 and 2021
and For the Years Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

Table of Contents

	Page
Independent Auditor's Report on Financial Statements	1 – 3
Financial Statements	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6 – 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 15
Supplemental Information	
Budget Comparison Schedule – Kansas Early Head Start Grants	16
Expenditures of Federal Awards	
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	17 – 18
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	19 – 20
Schedule of Expenditures of Federal Awards	21
Schedule of Findings and Questioned Costs	22

To the Board of Directors
Clay County Child Care Center, Inc.
314 Court
Clay Center, KS 67432

September 29, 2022

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Clay County Child Care Center, Inc. (the Organization), a non-profit organization, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above 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 its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described below 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

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the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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.

Schedule of Expenditures of Federal Awards

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 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) 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 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental information as listed in the table of contents 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 supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting

In accordance with Government Auditing Standards, we have also issued our report dated September 29, 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

	2022	2021
Assets		
Current Assets		
Cash and cash equivalents	$ 261,566	$ 120,875
Grants receivable	161,135	185,557
Total Current Assets	422,701	306,432
Noncurrent Assets		
Investments	466,343	540,521
Property and equipment, net	1,038,202	1,076,151
Total Noncurrent Assets	1,504,545	1,616,672
Total Assets	$ 1,927,246	$ 1,923,104
Liabilities and Net Assets		
Liabilities (each of which are current)		
Accounts payable	$ 25,429	$ 10,859
Accrued payroll	46,839	55,277
Accrued payroll taxes, benefits and withholdings	1,789	21,618
Refundable grant advances	39,480	-
Total Liabilities	113,537	87,754
Net Assets		
Without donor restrictions	1,347,366	1,294,829
With donor restrictions	466,343	540,521
Total Net Assets	1,813,709	1,835,350
Total Liabilities and Net Assets	$ 1,927,246	$ 1,923,104

	2022			2021		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues						
Public Support						
U.S. Government						
Head Start / Early Head Start grant	$ 2,124,218	$ -	$ 2,124,218	$ 2,443,851	$ -	$ 2,443,851
State of Kansas						
Early Head Start grant	691,731	-	691,731	698,365	-	698,365
Child and Adult Care Food Program	24,336	-	24,336	58,020	-	58,020
Local						
Contributions and grants	171,237	-	171,237	4,306	-	4,306
Total Public Support	3,011,522	-	3,011,522	3,204,542	-	3,204,542
Income						
Program service fees	15,307	-	15,307	180,489	-	180,489
Total Operating Revenues	3,026,829	-	3,026,829	3,385,031	-	3,385,031
Operating Expenses						
Program services	2,609,011	-	2,609,011	2,794,555	-	2,794,555
Supporting services	382,578	-	382,578	368,930	-	368,930
Total Operating Expenses	2,991,589	-	2,991,589	3,163,485	-	3,163,485
Net Operating Revenue	35,240	-	35,240	221,546	-	221,546
Other Changes in Net Assets						
Net investment return (loss)	267	(70,524)	(70,257)	615	107,690	108,305
Investing gain (loss) on equipment disposal	13,376	-	13,376	(207)	-	(207)
Release of donor restrictions	3,654	(3,654)	-	56,482	(56,482)	-
Total of Other Changes in Net Assets	17,297	(74,178)	(56,881)	56,890	51,208	108,098
Total Changes in Net Assets	52,537	(74,178)	(21,641)	278,436	51,208	329,644
Net Assets, Beginning	1,294,829	540,521	1,835,350	1,016,393	489,313	1,505,706
Net Assets, Ending	$ 1,347,366	$ 466,343	$ 1,813,709	$ 1,294,829	$ 540,521	$ 1,835,350

		Program Services					
		Head Start	Early Head Start	Day Care	Total Program Services	Supporting Services (Management & General)	Total Operating Expenses
Salaries and wages	*	$ 834,457	$ 503,410	$ 11,302	$ 1,349,169	$ 285,105	$ 1,634,274
Retirement benefits	*	51,585	30,910	558	83,053	18,025	101,078
Other employee benefits	*	161,104	79,909	1,836	242,849	21,953	264,802
Payroll taxes	*	54,268	32,016	1,410	87,694	19,390	107,084
Fees for accounting services		-	-	1,098	1,098	7,024	8,122
Fees for other services		37,509	135,209	615	173,333	2,455	175,788
Advertising and promotion		697	1,357	-	2,054	-	2,054
Supply and office expense		76,788	45,594	1,906	124,288	5,065	129,353
Information technology		42,117	15,523	91	57,731	4,947	62,678
Occupancy		110,135	26,190	773	137,098	5,372	142,470
Travel		63,251	45,259	-	108,510	2,071	110,581
Conferences and meetings		13,180	11,936	-	25,116	1,276	26,392
Depreciation		166,951	27,130	402	194,483	3,348	197,831
Insurance		13,730	4,776	-	18,506	6,383	24,889
Dues and memberships		2,155	1,874	-	4,029	164	4,193
Total Operating Expenses		$ 1,627,927	$ 961,093	$ 19,991	$ 2,609,011	$ 382,578	$ 2,991,589

* Each of these expense lines contains joint costs that are attributed to both program and supporting services and these joint costs have been allocated to the functional categories based on estimates of time and effort.

		Program Services					
		Head Start	Early Head Start	Day Care	Total Program Services	Supporting Services (Management & General)	Total Operating Expenses
Salaries and wages	*	$ 817,525	$ 477,588	$ 201,558	$ 1,496,671	$ 268,956	$ 1,765,627
Retirement benefits	*	55,536	32,283	5,921	93,740	18,131	111,871
Other employee benefits	*	199,530	83,562	18,785	301,877	26,231	328,108
Payroll taxes	*	44,300	30,186	9,233	83,719	19,444	103,163
Fees for accounting services		-	-	1,183	1,183	9,952	11,135
Fees for other services		27,391	149,420	2,971	179,782	5,639	185,421
Advertising and promotion		2,576	1,930	-	4,506	-	4,506
Supply and office expense		124,552	83,186	23,427	231,165	7,397	238,562
Information technology		15,035	13,295	747	29,077	2,311	31,388
Occupancy		48,033	23,412	9,919	81,364	(806)	80,558
Travel		70,391	30,428	406	101,225	1,211	102,436
Conferences and meetings		11,742	12,819	-	24,561	2,485	27,046
Depreciation		114,236	29,425	644	144,305	2,382	146,687
Insurance		9,429	4,181	2,340	15,950	5,433	21,383
Dues and memberships		2,890	2,507	33	5,430	164	5,594
Total Operating Expenses		$ 1,543,166	$ 974,222	$ 277,167	$ 2,794,555	$ 368,930	$ 3,163,485

* Each of these expense lines contains joint costs that are attributed to both program and supporting services and these joint costs have been allocated to the functional categories based on estimates of time and effort.

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	$ (21,641)	$ 329,644
Adjustments to Reconcile to Net Operating Cash Flow		
Depreciation expense	197,831	146,687
Net investment (return) loss	70,257	(108,305)
Investing (gain) loss on equipment disposal	(13,376)	207
Principal forgiveness on note payable	-	(41,400)
Net Changes in Operating Accounts		
Grants receivable	24,422	(26,019)
Accounts payable	14,570	(7,017)
Accrued payroll	(8,438)	9,041
Accrued payroll taxes, benefits and withholdings	(19,829)	14,192
Refundable grant advances	39,480	-
Total of Net Changes in Operating Accounts	50,205	(9,803)
Total Adjustments to Reconcile to Net Operating Cash Flow	304,917	(12,614)
Net Cash Provided by Operating Activities	283,276	317,030
Cash Flows from Investing Activities		
Cash received from sale of investments	27,664	57,097
Cash received from sale of equipment	13,500	1,803
Cash paid for purchase of investments	(23,743)	-
Cash paid for purchase of equipment	(160,006)	(351,495)
Net Cash Used by Investing Activities	(142,585)	(292,595)
Net Change in Cash and Cash Equivalents	140,691	24,435
Cash and Cash Equivalents – Beginning	120,875	96,440
Cash and Cash Equivalents – Ending	$ 261,566	$ 120,875

Note 1: Principal Activity and Significant Accounting Policies

Organization and Principal Activities

Clay County Child Care Center, Inc. (the Organization) was organized as a Kansas non-profit corporation on May 4, 1972. The Organization's mission is to provide educational, health, and social services for preschool and school age children in Clay, Washington, Cloud, Ottawa, and Republic counties in Kansas. This mission is achieved primarily through participation in the following federal and state funded grant programs:

- Head Start (HS) and Early Head Start (EHS) federal award programs administered by the U.S. Department of Health and Human Services (HHS), Administration for Children and Families (ACF). The Organization's direct oversight agency for these programs is the Office of Head Start (OHS).

- Home Visitation (HV) and Child Care Partnership (CCP) award programs administered by the Kansas Department for Children and Families (DCF).

These programs are intended to achieve the following objectives for children ages 3 to 5 (Head Start) and pregnant women and children ages 0 to 3 (Early Head Start):

- To promote school readiness by enhancing the social and cognitive development of low-income children through the provision of comprehensive health, educational, nutritional, social, and other services; and to involve parents in their children's learning and to help parents make progress toward their educational, literacy and employment goals.

- Comprehensive center-based or home-based services are provided to enrolled children, pregnant women, and their families. These include health, nutrition, social, and other services determined to be necessary by a family needs assessment, in addition to education and cognitive development services. Services are designed to be responsive to each child's and family's ethnic, cultural, and linguistic heritage.

Basis of Accounting and Financial Reporting

The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with financial reporting provisions prescribed by the Financial Accounting Standards Board. This basis of accounting is commonly known as U.S. Generally Accepted Accounting Principles (U.S. GAAP).

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Financial Institution Risk

The Organization manages deposit concentration risk by placing banking deposits with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. During the years ended June 30, 2022 and 2021, the Organization did not experience losses related to this type of risk.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return or loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Note 1: Principal Activity and Significant Accounting Policies (Continued)

Grants Receivable and Credit Policies

Grants receivable consist primarily of noninterest-bearing amounts due from federal and state agencies under contracted award agreements. Credit risk associated with grants receivable are considered to be limited due to high historical collection rates and because the outstanding amounts are due from governmental agencies supportive of the Organization's mission. At June 30, 2022 and 2021, an allowance was not reserved against grants receivable as each grant account was estimated to be fully collectable.

Property and Equipment, Net

The Organization records property and equipment additions over $1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term.

When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently

Net Assets

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or grantor) restrictions.

Net Assets With Donor Restrictions – The Organization reports funding provided by donors (or grantors) as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted support is reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition – Public Support

Public support is primarily derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and 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 refundable advances in the statement of financial position.

Concentration of Public Support

A significant concentration of public support is received through the Organization's participation in Head Start and Early Head Start programs funded by federal and state agencies. These programs provided substantially all of the operating revenues for each of the years ended June 30, 2022 and 2021.

This funding is subject to audit by the federal Office of Head Start and the Kansas Department for Children and Families, or by independent certified public accountants, under the Single Audit Act, the purpose of which is to ensure compliance with terms and conditions specified in the funding agreements. The Organization does not believe that it has any liability for reimbursement of costs which may be audited in the future. As such, any future reimbursement is not expected to have significant effect on the financial position of the Organization.

Note 1: Principal Activity and Significant Accounting Policies (Continued)

Revenue Recognition – Program Income

Revenue is recognized when the Organization satisfies performance obligations by providing daycare services to local families. Each daycare service contract is structured such that the Organization's performance obligations have been met when daycare service of a child for a day has been provided. As each performance obligation is satisfied, the Organization has met its performance obligations and recognizes revenue thereon. The Organization ordinarily invoices clients for services upon completion of service. Due to cost constraints and a limited supply of labor, the Organization permanently terminated the daycare service with an effective date of July 31, 2021.

Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Retirement Benefit Expense

The Organization offers a SEP IRA retirement plan (the Plan) to full-time employees. For employees of Head Start and Early Head Start, the Organization contributes 7% of gross wages to the Plan. For employees of the Day Care program, the Organization contributes 3% of gross wages to the plan. Retirement contribution expense for each year is separately stated on the statements of functional expense.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires the Organization to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and those differences could be material.

Income Taxes

The Organization is organized as a Kansas nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as an organization described in IRC Section 501(c)(3). Further, the Organization qualifies for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and has been determined not to be a private foundation under IRC Sections 509(a)(1).The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. For the years ended June 30, 2022 and 2021, the Organization has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Returns filed by the Organization are subject to IRS examination, generally for three years after each return is filed. No taxing authorities have commenced income tax examinations for open tax years.

Subsequent Events

The Organization has evaluated subsequent events through September 29, 2022 which is the date the financial statements were available to be issued.

Recent Accounting Guidance

In February 2016, the Financial Accounting Standards Board (FASB) has issued Accounting Standards Update (ASU) No. 2016-02 *Leases (Topic 842)* which the Organization has evaluated for implementation beginning with the year ended June 30, 2023. The new standard requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements through a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the statement of financial position for most leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of the expense recognition in the statement of activities.

Note 2: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, during 2023:

	Liquid	Not Available	Liquid and Available
Cash and cash equivalents	$ 261,566	$ -	$ 261,566
Grants receivable	161,135	-	161,135
Investments	466,343	466,343	-
	$ 889,044	$ 466,343	$ 422,701

As part of the Organization's liquidity management plan, the Organization maintains cash on deposit with a single financial institution that is believed to be creditworthy, and which is insured by Federal Depository Insurance Coverage (FDIC). Investments are not available due to donor restrictions which are more fully described in note 4.

Note 3: Fair Value Measurements

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset, or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset or liability.

	Fair Value Level	2022	2021
Assets Measured at Fair Value			
Investments			
Cash and cash equivalents	Level 1	$ 39,319	$ 36,362
Equity – foreign	Level 1	91,010	110,438
Equity – domestic	Level 1	156,262	197,286
Fixed income - taxable	Level 1	179,752	196,435
Total Assets Measured at Fair Value		$ 466,343	$ 540,521

Note 4: Investments of the Spreer Endowment

The Spreer Endowment Fund (the Endowment) was originally established by Marvin H. Spreer and Virgie Spreer, brother and sister, who in 2002 donated $600,000 to the Organization under a fund agreement which specified certain conditions for the use and management of the donated monies. The Endowment is intended to grow so it will provide relatively the same buying power in the future as it did at origination. To accomplish this, 80% of the Endowment's earnings are available to the Organization for withdrawal to finance operations in any way deemed appropriate by the Organization and its Board of Directors. The remaining 20% is required to be maintained to support asset growth.

Additionally, the Organization has discretion to invest, reinvest, and manage the fund assets in any manner that is deemed appropriate by the Organization's Board of Directors, and which is within the limitations of the State Prudent Management of Institutional Funds Act (SPMIFA). The Organization'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 Organization, along with the Endowment trustees which were appointed by the donors, work together with the fund administrator at the Trust Company of Manhattan to ensure appropriate communication between all parties regarding the Endowment's investment strategies and spending policy.

Investment return objectives, risk parameters, and strategies

The Organization 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 Organization 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 Organization 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.

Changes in endowment net assets for 2022 and 2021 are as follows:

	2022	2021
Beginning balance	$ 540,521	$ 489,313
Deposits	24,010	-
Withdrawals	(27,664)	(56,482)
Net investment return (loss)	(70,524)	107,690
Ending balance	$ 466,343	$ 540,521

The withdrawals, net of deposits, for each year are $3,654 and $56,482 for 2022 and 2021, respectively, which represent amounts included as released from restriction on the statements of activities.

Note 4: Investments of the Spreer Endowment (Continued)

Commitment to Reinvest Endowment Withdrawals

In prior years, the Organization withdrew funds from the endowment which included a portion of the original $600,000 donor endowed gift principal balance and agreed with the Endowment trustees to reinvest these amounts plus interest. The following is a schedule of the changes in the commitments to reinvest:

	2022	2021
Beginning balance	$ 153,252	$ 126,659
Gift principal borrowed	-	30,000
Gift principal reinvested	(23,489)	(3,407)
Ending balance	$ 129,763	$ 153,252

These commitments require annual reinvestments of approximately $4,000 (gift principal and interest) per year through December 2032. From that point through November 2041, the annual required reinvestment is $1,468.

In addition to the annual installment amount of $4,000, the Organization has the following reinvestment commitments:

- A balloon payment reinvestment of $10,000 which was originally withdrawn to support the ongoing operations of the daycare service. This commitment is expected to be reinvested in full by the due date of January 20, 2023.

- A balloon payment reinvestment of $90,000 which is used to finance the ongoing operational costs of the home visitation and childcare partnership programs in advance of receiving grant reimbursements from the state of Kansas. This commitment is expected to remain outstanding until such time as the state of Kansas is able to provide a timelier method of reimbursement. Effective in 2022, the state of Kansas enacted a trial program to provide refundable grant advances to the Organization. If the state of Kansas decides to continue this program on a permanent basis, the Organization expects to liquidate the outstanding balloon payment commitment in the foreseeable future.

Note 5: Property and Equipment, Net

Property and equipment assets are presented net of accumulated depreciation on the statements of financial position as follows:

	2022	**2021**
Land	$ 5,000	$ 5,000
Buildings	953,039	933,877
Leasehold improvements	40,590	-
Equipment	1,401,024	1,503,320
Cost Basis of Property and Equipment	2,399,653	2,442,197
Accumulated Depreciation	(1,361,451)	(1,366,046)
Property and Equipment, Net	$ 1,038,202	$ 1,076,151

Note 6: Note Payable

On April 10, 2020, the Organization entered into an unsecured loan with a principal balance of $41,400 with Union State Bank pursuant to the Paycheck Protection Program (the PPP), which is sponsored by the Small Business Administration (the SBA). The PPP is part of the Coronavirus Aid, Relief and Economic Security Act (the CARES Act). The loan originated with interest due at an annual rate of 1.00%. All or a portion of the loan may be forgiven by the SBA upon application by the Organization accompanied by documentation of expenditures in accordance with SBA requirements under the PPP.

The Organization utilized the loan funds for allowable expenditures within the daycare program and received forgiveness of the entire original principal during 2021 with no interest due thereon.

Note 7: Operating Lease Expenses and Commitments

The Organization's operating lease expenses for 2022 and 2021 are as follows:

Operating Location	Property	2022	2021
Clay County, Kansas	Parking Lot	$ 1,500	$ 1,500
Cloud County, Kansas	EHS Facilities	7,276	3,600
Cloud County, Kansas	HS Facilities	14,224	6,000
Washington County, Kansas	Facilities	3,000	3,000
Total Lease Expenses		$ 26,000	$ 14,100

The Organization operates these leases under terms which are cancellable at June 30 on a recurring, annual basis. Each lease automatically renews on July 1 as long as neither party to the lease changes any of the lease terms.

SUPPLEMENTAL INFORMATION

2021-2022 Child Care Partnership State Grant
Award # EES-2022-KEHSCCP-02

	Budget	Actual July 2021 to June 2022	Actual July 2022 to June 2023	Total Actual	Variance Over (Under) Budget
Revenue					
Grant	$ 494,989	$ 438,875	$ -	$ 438,875	$ (56,114)
Expenditures					
Personnel	$ 173,996	$ 160,528	$ 8,542	169,070	$ (4,926)
Taxes/fringe benefits	61,613	52,037	1,237	53,274	(8,339)
Travel	14,820	11,014	1,797	12,811	(2,009)
Equipment	2,945	-	-	-	(2,945)
Supplies	23,050	15,784	3,018	18,802	(4,248)
Contractual	195,615	134,356	424	134,780	(60,835)
Building	12,355	10,588	1,556	12,144	(211)
Training	5,500	3,371	110	3,481	(2,019)
Other (1)	3,295	1,639	19	1,658	(1,637)
Other (2)	1,800	1,488	34	1,522	(278)
Total Expenditures	$ 494,989	$ 390,805	$ 16,737	407,542	$ (87,447)
			Receipts Over Expenditures*	$ 31,333	

2021-2022 Home Visitation State Grant
Award # EES-2022-KEHSHV-02

	Budget	Actual July 2021 to June 2022	Actual July 2022 to June 2023	Total Actual	Variance Over (Under) Budget
Revenue					
Grant	$ 322,784	$ 296,246	$ -	$ 296,246	$ (26,538)
Expenditures					
Personnel	$ 196,849	$ 173,380	$ 7,499	180,879	$ (15,970)
Taxes/fringe benefits	60,849	50,905	1,084	51,989	(8,860)
Travel	18,078	16,103	2,355	18,458	380
Equipment	2,945	-	-	-	(2,945)
Supplies	15,050	9,586	1,026	10,612	(4,438)
Contractual	8,560	7,826	384	8,210	(350)
Building	12,655	10,395	1,541	11,936	(719)
Training	2,578	2,806	90	2,896	318
Other (1)	3,420	1,639	19	1,658	(1,762)
Other (2)	1,800	1,427	34	1,461	(339)
Total Expenditures	$ 322,784	$ 274,067	$ 14,032	288,099	$ (23,641)
			Receipts Over Expenditures*	$ 8,147	

* The revenue over expenditures for each grant total to $39,480, which agrees with the liability for refundable grant advances on the Statement of Financial Position as of June 30, 2022.

EXPENDITURES OF FEDERAL AWARDS

To the Board of Directors
Clay County Child Care Center, Inc.
314 Court
Clay Center, KS 67432

September 29, 2022

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance

Opinion on Each Major Federal Program

We have audited Clay County Child Care Center, 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 directand 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 types of 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; 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 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.

Responsibility of Management for Compliance

Management of the Organization 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.

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 generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material

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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 generally accepted auditing standards, 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 regarding, among 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 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. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

To the Board of Directors
Clay County Child Care Center, Inc.
314 Court
Clay Center, KS 67432

September 29, 2022

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards

We have audited, 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, the financial statements of Clay County Child Care Center, Inc. (the Organization) as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated September 29, 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) to determine the 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 Organization's financial statement 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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, ***during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.*** However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. ***The results of our tests disclosed no***

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instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Federal and Passthrough Grantors and Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Award Expenditures
U.S. Department of Health and Human Services			
Head Start Cluster	93.600	None	$ 2,124,218
Passed through the Kansas Department for Children and Family Services			
Temporary Assistance for Needy Families (TANF)	93.558	EES-2022-KEHSHV-02	288,099
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EES-2022-KEHSCCP-02	407,542
Total passed through the Kansas Department for Children and Family Services			695,641
Total U.S. Department of Health and Human Services			2,819,859
U.S. Department of Agriculture			
Passed through the Kansas Department of Education			
Child and Adult Care Food Program	10.558	P0011	20,427
Total Federal Award Expenditures			$ 2,840,286

Note 1: Significant Accounting Polices

The Organization's schedule of expenditures of federal awards is presented on the accrual basis of accounting. 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).

Note 2: Indirect Cost Rate

The Organization has not elected to use the 10% de minimis indirect cost rate provisioned by the Uniform Guidance Section 414, for reporting costs charged to federal award programs.

Note 3: Subrecipients

The Organization did not provide any federally sourced funding or assistance to subrecipients.

Section I - Summary of Auditor's Results

Auditor's Opinions	
Report on financial statements in accordance with U.S. GAAP	Unmodified
Report on compliance for major federal award programs	Unmodified
Internal Control Over Financial Reporting:	
Significant deficiencies or material weaknesses identified	None Reported
Reportable conditions identified but not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted	None Reported
Internal Control Over Federal Awards:	
Significant deficiencies or material weaknesses identified	None Reported
Reportable conditions identified but not considered to be material weaknesses	None Reported
Audit Findings Required to be Reported by 2 CFR 200.516(a)	None Reported
Major Program(s) Selected for Testing	Head Start Cluster (93.600)
Threshold Used to Distinguish Type A and B Programs	$750,000
Auditee Qualified as a Low-Risk Auditee	Yes

Section II – Reportable Financial Statement Findings

Findings	None reported

Section III – Findings and Questioned Costs for Federal Awards

Findings	None reported