Clay County Child Care Center, Inc.

Financial Statements
As of June 30, 2021 and 2020
and For the Years Then Ended

With Report by Independent Auditors

KIENTZ & PENICK
CPAs, LLC

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KIENTZ & PENICK
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To the Board of Directors
Clay County Child Care Center, Inc.
Clay Center, Kansas

November 2, 2021

Independent Auditor's Report

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

Management's Responsibility

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 audit. We conducted our audit 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 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 Organization as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Prior Year Financial Statements Audited by Other Auditors
The financial statements of the Organization as of and for the year ended June 30, 2020 were audited by other auditors who issued an unmodified opinion in their report dated September 28, 2020.

Reporting on the Schedule of Expenditures of Federal Awards
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)* 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.

Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated November 2, 2021 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

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	$ 120,875	$ 96,440
Grants receivable	185,557	159,538
Total Current Assets	306,432	255,978
Noncurrent Assets		
Investments	540,521	489,313
Property and equipment, net	1,076,151	873,353
Total Noncurrent Assets	1,616,672	1,362,666
Total Assets	$ 1,923,104	$ 1,618,644
Liabilities and Net Assets		
Liabilities (each of which are current)		
Accounts payable	$ 10,859	$ 17,876
Accrued payroll	55,277	46,236
Accrued payroll taxes, benefits, and withholdings	21,618	7,426
Note payable	-	41,400
Total Liabilities	87,754	112,938
Net Assets		
Without donor restrictions	1,294,829	1,016,393
With donor restrictions	540,521	489,313
Total Net Assets	1,835,350	1,505,706
Total Liabilities and Net Assets	$ 1,923,104	$ 1,618,644

	2021			2020		
	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	$ 2,443,851	$ -	$ 2,443,851	$ 2,002,414	$ -	$ 2,002,414
State of Kansas						
Early Head Start grant	698,365	-	698,365	709,705	-	709,705
Child and Adult Care Food Program	58,020	-	58,020	77,809	-	77,809
Local						
Contributions and grants	4,306	-	4,306	6,771	-	6,771
Total Public Support	3,204,542	-	3,204,542	2,796,699	-	2,796,699
Income						
Program service fees	180,489	-	180,489	189,584	-	189,584
Total Operating Revenues	3,385,031	-	3,385,031	2,986,283	-	2,986,283
Operating Expenses						
Program services	2,794,555	-	2,794,555	2,792,663	-	2,792,663
Supporting services	368,930	-	368,930	330,180	-	330,180
Total Operating Expenses	3,163,485	-	3,163,485	3,122,843	-	3,122,843
Net Operating Revenue (Expense)	221,546	-	221,546	(136,560)	-	(136,560)
Other Changes in Net Assets						
Net investment return	615	107,690	108,305	4,366	13,611	17,977
Investing loss on equipment disposal	(207)	-	(207)	-	-	-
Release of donor restrictions	56,482	(56,482)	-	15,441	(15,441)	-
Total of Other Changes in Net Assets	56,890	51,208	108,098	19,807	(1,830)	17,977
Total Changes in Net Assets	278,436	51,208	329,644	(116,753)	(1,830)	(118,583)
Net Assets, Beginning	1,016,393	489,313	1,505,706	1,133,146	491,143	1,624,289
Net Assets, Ending	$ 1,294,829	$ 540,521	$ 1,835,350	$ 1,016,393	$ 489,313	$ 1,505,706

		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 service 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	*	$ 819,190	$ 477,736	$ 183,447	$ 1,480,373	$ 241,278	$ 1,721,651
Retirement benefits	*	56,998	32,484	6,130	95,612	16,354	111,966
Other employee benefits	*	212,724	78,953	14,818	306,495	25,451	331,946
Payroll taxes	*	59,906	34,634	14,068	108,608	17,483	126,091
Fees for accounting services		-	-	965	965	8,724	9,689
Fees for other services		49,149	197,731	2,963	249,843	3,120	252,963
Advertising and promotion		2,735	923	156	3,814	121	3,935
Supply and office expense		111,298	57,649	21,445	190,392	5,047	195,439
Information technology		18,338	7,990	759	27,087	2,787	29,874
Occupancy		52,626	17,989	11,470	82,085	3,062	85,147
Travel		58,002	33,550	549	92,101	2,778	94,879
Depreciation		84,197	54,698	14,342	153,237	-	153,237
Insurance		924	317	810	2,051	3,975	6,026
Total Operating Expenses		$ 1,526,087	$ 994,654	$ 271,922	$ 2,792,663	$ 330,180	$ 3,122,843

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

	2021	2020
Cash Flows from Operating Activities		
Change in net assets	$ 329,644	$ (118,583)
Adjustments to Reconcile to Net Operating Cash Flow:		
Depreciation expense	146,687	153,237
Net investment return exclusive of interest on bank deposits	(107,690)	(13,611)
Investing loss on equipment disposal	207	-
Principal forgiveness on note payable	(41,400)	
Net Operating Changes in:		
Grants receivable	(26,019)	(37,237)
Accounts payable	(7,017)	(8,849)
Accrued payroll	9,041	(1,973)
Accrued payroll taxes, benefits, and withholdings	14,192	(3,151)
Net Cash Provided by (Used In) Operating Activities	317,645	(30,167)
Cash Flows from Investing Activities		
Cash received from sale of investments	56,482	48,724
Cash received from sale of equipment	1,803	-
Cash paid for purchase of investments	-	(33,283)
Cash paid for purchase of equipment	(351,495)	(21,412)
	(293,210)	(5,971)
Cash Flows from Financing Activities		
Cash received as principal on note payable	-	41,400
Net Increase (Decrease) in Cash and Cash Equivalents	24,435	5,262
Cash and Cash Equivalents – Beginning	96,440	91,178
Cash and Cash Equivalents – Ending	$ 120,875	$ 96,440

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. To date, the Organization has not experienced 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/(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, 2021 and 2020, an allowance was not reserved against grants receivable as each 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. No amounts received under our federal and state contracts and grants during 2021 and 2020 have been reported as refundable advances.

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, 2021 and 2020.

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 condition 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.

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 Center 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, 2021 and 2020, 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 November 2, 2021 which is the date the financial statements were available to be issued.

Recent Accounting Guidance

The Financial Accounting Standards Board (FASB) has issued the following accounting standards update (ASU) which the Organization has evaluated for implementation beginning with the year ended June 30, 2023.

ASU No. 2016-02 Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The new standard establishes 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 2022:

	Liquid	Not Available	Liquid and Available
Cash and cash equivalents	$ 120,875	$ -	$ 120,875
Grants receivable	185,557	-	185,557
Investments	540,521	(540,521)	-
	$ 846,953	$ (540,521)	$ 306,432

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 are 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 of Investments

The Organization reports certain assets and liabilities 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	2021	2020
Assets Held at Fair Value			
Investments			
Cash and cash equivalents	Level 1	$ 36,362	$ 57,064
Equity – foreign	Level 1	110,438	98,341
Equity – domestic	Level 1	197,286	170,541
Fixed income - taxable	Level 1	196,435	163,367
Total Investments		540,521	489,313

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 Center 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 Center 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 good 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 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.

Changes in endowment net assets for 2021 and 2020 are as follows:

	2021	2020
Beginning balance	$ 489,313	$ 491,143
Deposits	-	33,283
Withdrawals	(56,482)	(48,724)
Net investment return	107,690	13,611
Ending balance	$ 540,521	$ 489,313

The withdrawals, net of deposits, for each year are $56,482 and $15,441 for 2021 and 2020, 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:

	2021	2020
Beginning balance	$ 126,659	$ 129,986
Gift principal borrowed	30,000	-
Gift principal reinvestments	(3,407)	(3,327)
Ending balance	$ 153,252	$ 126,659

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 these amounts, the Organization has a commitment of $90,000 which is used to finance the 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 unless the state of Kansas is able to provide a timelier method of reimbursement.

Note 5: 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. No principal or interest payments were made on this note payable during 2021 or 2020.

Note 6: Operating Lease Expenses and Commitments

The Organization's operating lease expenses for 2021 and 2020 are as follows:

Operating Location	Property	2021	2020
Clay County, Kansas	Parking Lot	$ 1,500	$ 1,500
Cloud County, Kansas	Facilities	3,600	3,600
Cloud County, Kansas	Facilities	6,000	6,000
Washington County, Kansas	Facilities	3,000	3,000
Total Investments		$ 14,100	$ 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

2020-2021 Child Care Partnership State Grant
Award # EES-2020-KEHSCCP-02

	Budget	July 2020 to June 2021	July 2021 to June 2022	Total	Variance Over (Under) Budget
Revenue					
Grant	$ 470,301	$ 404,832	$ 10,948	$ 415,780	$ (54,521)
Expenditures					
Personnel	164,743	158,524	8,324	166,848	2,105
Taxes/fringe benefits	57,561	53,269	1,202	54,471	(3,090)
Travel	12,242	7,552	251	7,803	(4,439)
Equipment	1,020	1,019	-	1,019	(1)
Supplies	23,150	19,448	647	20,095	(3,055)
Contractual	189,510	148,617	82	148,699	(40,811)
Building	10,705	9,363	314	9,677	(1,028)
Training	6,500	4,490	-	4,490	(2,010)
Other (1)	3,295	1,274	129	1,403	(1,892)
Other (2)	1,575	1,275	-	1,275	(300)
	$ 470,301	$ 404,831	$ 10,949	$ 415,780	$ (54,521)

2020-2021 Home Visitation State Grant
Award # EES-2020-KEHSHV-02

	Budget	July 2020 to June 2021	July 2021 to June 2022	Total	Variance Over (Under) Budget
Revenue					
Grant	$ 306,450	$ 272,449	$ 10,136	$ 282,585	$ (23,865)
Expenditures					
Personnel	198,717	175,009	7,550	182,559	(16,158)
Taxes/fringe benefits	52,923	51,833	1,095	52,928	5
Travel	12,000	10,592	444	11,036	(964)
Equipment	-	-	-	-	-
Supplies	17,655	13,470	577	14,047	(3,608)
Contractual	7,710	7,617	73	7,690	(20)
Building	11,105	8,919	270	9,189	(1,916)
Training	2,700	2,413	-	2,413	(287)
Other (1)	2,320	1,274	129	1,403	(917)
Other (2)	1,320	1,320	-	1,320	-
	$ 306,450	$ 272,447	$ 10,138	$ 282,585	$ (23,865)

EXPENDITURES OF FEDERAL AWARDS

KIENTZ & PENICK
CPAs, LLC

To the Board of Directors
Clay County Child Care Center, Inc.
Doing Business as Kansas Manufacturing Solutions
Lenexa, Kansas

November 2, 2021

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

Management's Responsibility
The management of Clay County Child Care Center, Inc. (the Organization) 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 Organization's major federal programs 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 Awards (Uniform Guidance).

These 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 Organization'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 of the Organization's compliance.

Opinion on Each Major Federal Program
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, 2021.

Report on Internal Control Over Compliance
Management of the Organization 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 Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the 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 Organization's 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.

Limitation on the Use of This Report

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.
Doing Business as Kansas Manufacturing Solutions
Lenexa, Kansas

November 2, 2021

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, 2021, and the related notes to the financial statements which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated November 2, 2021.

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 entity'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.

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

Purpose of this Report

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

Kientz & Penick, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

Federal and Passthrough Grantors and Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Award Expenditures
U.S. Department of Health and Human Services			
Head Start Cluster			
Head Start	93.600	None	$ 2,209,113
COVID-19 - Head Start	93.600	None	193,338
Total Head Start Cluster			2,402,451
Passed through the Kansas Department for Children and Family Services			
Temporary Assistance for Needy Families (TANF)	93.558	EES-2020-KEHSHV-02	282,585
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EES-2020-KEHSCCP-02	415,780
Total passed through the Kansas Department for Children and Family Services			698,365
Total U.S. Department of Health and Human Services			3,100,816
U.S. Department of Agriculture			
Passed through the Kansas Department of Education			
Child and Adult Care Food Program	10.558	P0011	58,020
Total Federal Award Expenditures			$ 3,158,836

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Clay County Child Care Center, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2021.

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). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended and does not present the Organization's financial position, changes in net assets, or cash flows.

Note 2: Summary of Significant Accounting Policies

Federal award expenditures are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Non-Cash Assistance, Insurance and Loans

The Organization did not receive or expend any federal awards in the form of non-cash assistance, insurance loans or loan guarantees, including interest subsidies.

Note 4: 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 5: 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