

Clay County Child Care Center, Inc.

**Financial Statements
As of June 30, 2023 and 2022
and For the Years Then Ended**

With Report by Independent Auditors



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To the Board of Directors

Clay County Child Care Center, Inc.
314 Court
Clay Center, KS 67432

September 19, 2023

Independent Auditor's Report

Opinion

We have audited the accompanying financial statements of Clay County Child Care Center, Inc. (the Organization), a nonprofit organization, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2023 and 2022, 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

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 and *Government Auditing Standards*, we:

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

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

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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary 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 supplementary 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 supplementary 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 19, 2023 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

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 146,687	\$ 261,566
Grants receivable	244,364	161,135
Total Current Assets	<u>391,051</u>	<u>422,701</u>
Noncurrent Assets		
Investments	555,723	466,343
Property and equipment, net	1,058,750	1,038,202
Total Noncurrent Assets	<u>1,614,473</u>	<u>1,504,545</u>
Total Assets	<u>\$ 2,005,524</u>	<u>\$ 1,927,246</u>
Liabilities and Net Assets		
Liabilities (each of which are current)		
Accounts payable	\$ 3,166	\$ 25,429
Accrued payroll	20,853	46,839
Accrued payroll taxes, benefits and withholdings	29,812	1,789
Refundable grant advances	-	39,480
Total Liabilities	<u>53,831</u>	<u>113,537</u>
Net Assets		
Without donor restrictions	1,395,970	1,347,366
With donor restrictions	555,723	466,343
Total Net Assets	<u>1,951,693</u>	<u>1,813,709</u>
Total Liabilities and Net Assets	<u>\$ 2,005,524</u>	<u>\$ 1,927,246</u>

	Without Donor Restriction	With Donor Restriction	Total
Operating Revenues			
Public Support			
U.S. Government			
Head Start / Early Head Start grant	\$ 2,578,621	\$ -	\$ 2,578,621
State of Kansas			
Early Head Start grant	600,344	-	600,344
Child and Adult Care Food Program	58,949	-	58,949
Local			
Contributions and grants	237,137	-	237,137
Total Public Support	<u>3,475,051</u>	<u>-</u>	<u>3,475,051</u>
Income			
Miscellaneous	911	-	911
Total Operating Revenues	<u>3,475,962</u>	<u>-</u>	<u>3,475,962</u>
Operating Expenses			
Program services	2,908,335	-	2,726,739
Supporting services	414,200	-	595,796
Total Operating Expenses	<u>3,322,535</u>	<u>-</u>	<u>3,322,535</u>
Net Operating Revenue	<u>153,427</u>	<u>-</u>	<u>153,427</u>
Other Changes in Net Assets			
Net investment return	446	32,237	32,683
Investing loss on equipment disposal	(48,126)	-	(48,126)
Reinvestment of donor restricted funds	(82,449)	82,449	-
Release of donor restrictions	25,306	(25,306)	-
Total of Other Changes in Net Assets	<u>(104,823)</u>	<u>89,380</u>	<u>(15,443)</u>
Total Changes in Net Assets	48,604	89,380	137,984
Net Assets – Beginning	1,347,366	466,343	1,813,709
Net Assets – Ending	<u>\$ 1,395,970</u>	<u>\$ 555,723</u>	<u>\$ 1,951,693</u>

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Revenues			
Public Support			
U.S. Government			
Head Start / Early Head Start grant	\$ 2,124,218	\$ -	\$ 2,124,218
State of Kansas			
Early Head Start grant	691,731	-	691,731
Child and Adult Care Food Program	24,336	-	24,336
Local			
Contributions and grants	171,237	-	171,237
Total Public Support	<u>3,011,522</u>	<u>-</u>	<u>3,011,522</u>
Income			
Program service fees	15,307	-	15,307
Total Operating Revenues	<u>3,026,829</u>	<u>-</u>	<u>3,026,829</u>
Operating Expenses			
Program services	2,609,011	-	2,609,011
Supporting services	382,578	-	382,578
Total Operating Expenses	<u>2,991,589</u>	<u>-</u>	<u>2,991,589</u>
Net Operating Revenue	<u>35,240</u>	<u>-</u>	<u>35,240</u>
Other Changes in Net Assets			
Net investment return (loss)	267	(70,524)	(70,257)
Investing gain on equipment disposal	13,376	-	13,376
Release of donor restrictions	3,654	(3,654)	-
Total of Other Changes in Net Assets	<u>17,297</u>	<u>(74,178)</u>	<u>(56,881)</u>
Total Changes in Net Assets	52,537	(74,178)	(21,641)
Net Assets – Beginning	<u>1,294,829</u>	<u>540,521</u>	<u>1,835,350</u>
Net Assets – Ending	<u>\$ 1,347,366</u>	<u>\$ 466,343</u>	<u>\$ 1,813,709</u>

	Program Services			** Supporting Services	Total Operating Expenses
	Head Start	Early Head Start	Total Program Services		
Salaries and wages	* \$ 947,875	\$ 412,598	\$ 1,360,473	\$ 272,022	\$ 1,632,495
Retirement benefits	* 60,730	25,282	86,012	18,483	104,495
Other employee benefits	* 172,998	47,138	220,136	22,389	242,525
Payroll taxes	* 64,257	26,607	90,864	20,026	110,890
Fees for accounting services	-	-	-	9,103	9,103
Fees for other services	69,898	118,079	187,977	24,835	212,812
Advertising and promotion	1,503	1,013	2,516	2,734	5,250
Supply and office expense	162,467	46,705	209,172	13,617	222,789
Information technology	32,535	22,904	55,439	6,459	61,898
Occupancy	300,371	78,443	378,814	7,974	386,788
Travel	59,548	38,904	98,452	6,236	104,688
Conferences and meetings	8,007	4,054	12,061	-	12,061
Depreciation	155,217	26,379	181,596	2,337	183,933
Insurance	15,259	4,523	19,782	7,109	26,891
Dues and memberships	2,750	2,291	5,041	876	5,917
Total Operating Expenses	\$ 2,053,415	\$ 854,920	\$ 2,908,335	\$ 414,200	\$ 3,322,535

* 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.

** Supporting services are composed entirely of management and general activities.

	Program Services			Total Program Services	** Supporting Services	Total Operating Expenses
	Head Start	Early Head Start	Day Care			
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.

** Supporting services are composed entirely of management and general activities.

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Total changes in net assets	\$ 137,984	\$ (21,641)
Adjustments to Reconcile to Net Operating Cash Flow		
Depreciation	183,933	197,831
Net investment (return) loss	(32,683)	70,257
Investing (gain) loss on equipment disposal	48,126	(13,376)
Net Changes in Operating Accounts		
Grants receivable	(83,229)	24,422
Accounts payable	(22,263)	14,570
Accrued payroll	(25,986)	(8,438)
Accrued payroll taxes, benefits and withholdings	28,023	(19,829)
Refundable grant advances	(39,480)	39,480
Net Cash Provided by Operating Activities	<u>194,425</u>	<u>283,276</u>
Cash Flows from Investing Activities		
Sale of investments	25,752	27,664
Sale of equipment	115,973	13,500
Purchase of investments	(82,449)	(23,743)
Purchase of equipment	(368,580)	(160,006)
Net Cash Used in Investing Activities	<u>(309,304)</u>	<u>(142,585)</u>
Net Change in Cash and Cash Equivalents	(114,879)	140,691
Cash and Cash Equivalents – Beginning	261,566	120,875
Cash and Cash Equivalents – Ending	<u>\$ 146,687</u>	<u>\$ 261,566</u>

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 nonprofit 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, 2023 and 2022, 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, 2023 and 2022, 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.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2023 and 2022.

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. There was \$39,480 of refundable advances which were received during the year ended June 30, 2022 and then recognized as revenue during the year ended June 30, 2023.

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, 2023 and 2022.

Note 1: Principal Activity and Significant Accounting Policies (Continued)**Concentration of Public Support (Continued)**

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.

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. The Organization contributes 7% of gross wages to the Plan for each eligible employee. 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)(ii) 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, 2023 and 2022, 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 19, 2023 which is the date the financial statements were available to be issued.

Note 2: Liquidity and Availability

Financial assets as of June 30, 2023 which are available for general expenditure, that is, without donor restrictions limiting their use, during the year ended June 30, 2024 are as follows:

	<u>Liquid</u>	<u>Not Available</u>	<u>Liquid and Available</u>
Cash and cash equivalents	\$ 146,687	\$ -	\$ 146,687
Grants receivable	244,364	-	244,364
Investments	555,723	555,723	-
	<u>\$ 946,774</u>	<u>\$ 555,723</u>	<u>\$ 391,051</u>

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 for general expenditures 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.

	<u>Fair Value Level</u>	<u>As of June 30, 2023</u>	<u>As of June 30, 2022</u>
Assets Measured at Fair Value			
Investments			
Cash and cash equivalents	Level 1	\$ 106,396	\$ 39,319
Equity funds – foreign	Level 1	107,242	91,010
Equity funds – domestic	Level 1	169,966	156,262
Fixed income funds	Level 1	172,119	179,752
Total Assets Measured at Fair Value		<u>\$ 555,723</u>	<u>\$ 466,343</u>

Note 4: Net Assets With Donor Restrictions

Net assets with donor restrictions were composed of the following on June 30,:

	2023	2022
Spreer Endowment Fund	\$ 485,875	\$ 466,343
Spreer Facilities Fund	69,848	-
Total Net Assets With Donor Restrictions	\$ 555,723	\$ 466,343

Spreer Endowment Fund

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 during the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Beginning Balance	\$ 466,343	\$ 540,521
Reinvestment of donor restricted funds	14,010	24,010
Release of donor restrictions	(25,306)	(27,664)
Net investment return (loss)	30,828	(70,524)
Ending Balance	\$ 485,875	\$ 466,343

Note 4: Net Assets With Donor Restrictions (Continued)*Spreer Endowment Fund (Continued)**Spending Policy (Continued)*

The withdrawals, net of deposits, for each year are \$3,654 and \$56,482 for the years ended June 30, 2023 and 2022, respectively, which represent amounts included as released from restriction on the statements of activities.

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 as of June 30,:

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 129,763	\$ 153,252
Gift principal borrowed	-	-
Gift principal reinvested	(13,575)	(23,489)
Ending Balance	<u>\$ 116,188</u>	<u>\$ 129,763</u>

These commitments require minimum reinvestments of approximately \$4,000 (gift principal and interest) per year through December 2032. From that point through November 2041, the minimum 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.

Spreer Facilities Fund

The Spreer Facilities Fund (the Fund) was originally established by Marvin H. Spreer and Virgie Spreer, brother and sister, who in 2002 donated \$260,000 to the Organization under a fund agreement which specified the Fund may be used to acquire permanent facilities for the conduct of the Organization's operations. These funds were originally used to acquire the Dreams Unlimited building in Clay Center, Kansas. During the year ended June 30, 2023, the Dreams Unlimited facility was sold resulting net sales proceeds of \$93,475. Of this total, \$68,439 was reinvested into the Fund in accordance with the fund agreement while the remainder of \$25,036 was applied toward the purchase of property and equipment investments.

Note 5: Property and Equipment, Net

Property and equipment assets are presented net of accumulated depreciation on the statements of financial position at June 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 5,000	\$ 5,000
Buildings	686,696	953,039
Leasehold improvements	40,590	40,590
Equipment	1,524,375	1,401,024
Cost Basis of Property and Equipment	<u>2,256,661</u>	<u>2,399,653</u>
Accumulated Depreciation	(1,197,911)	(1,361,451)
Property and Equipment, Net	<u>\$ 1,058,750</u>	<u>\$ 1,038,202</u>

Note 6: Operating Lease Expenses and Commitments

The Organization's operating lease expenses for the years ended June 30, 2023 and 2022 are as follows:

Operating Location	Property	2023	2022
Clay County, Kansas	Parking Lot	\$ 1,625	\$ 1,500
Cloud County, Kansas	EHS Facilities	5,408	7,276
Cloud County, Kansas	HS Facilities	11,492	14,224
Washington County, Kansas	Facilities	3,000	3,000
Total Lease Expenses		\$ 21,525	\$ 26,000

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.

SUPPLEMENTARY INFORMATION

**2022-2023 Child Care Partnership State Grant
Award # EES-2022-KEHSCCP-02**

	<u>Budget</u>	<u>Actual July 2022 to June 2023</u>	<u>Actual July 2023 to August 2023</u>	<u>Total Actual</u>	<u>Variance Over (Under) Budget</u>
Revenue					
Grant	\$ 518,989	\$ 326,333	\$ 14,566	\$ 340,899	\$ (178,090)
Expenditures					
Personnel	\$ 194,804	\$ 123,371	\$ 2,161	125,532	\$ (69,272)
Taxes/fringe benefits	58,703	35,857	721	36,578	(22,125)
Travel	2,500	1,012	308	1,320	(1,180)
Equipment	2,945	2,945	-	2,945	-
Supplies	23,025	15,676	3,294	18,970	(4,055)
Contractual	174,504	121,328	377	121,705	(52,799)
Building	38,978	26,837	16,039	42,876	3,898
Training	4,000	1,845	680	2,525	(1,475)
Other (1)	4,407	2,136	19	2,155	(2,252)
Other (2)	15,123	9,892	348	10,240	(4,883)
Total Expenditures	<u>\$ 494,989</u>	<u>\$ 390,805</u>	<u>\$ 16,737</u>	<u>\$ 364,846</u>	<u>\$ (154,143)</u>

**2022-2023 Home Visitation State Grant
Award # EES-2022-KEHSHV-02**

	<u>Budget</u>	<u>Actual July 2022 to June 2023</u>	<u>Actual July 2023 to August 2023</u>	<u>Total Actual</u>	<u>Variance Over (Under) Budget</u>
Revenue					
Grant	\$ 370,517	\$ 243,147	\$ 15,105	\$ 258,252	\$ (112,265)
Expenditures					
Personnel	\$ 209,129	\$ 151,536	\$ 2,263	153,799	\$ (55,330)
Taxes/fringe benefits	59,961	37,216	953	38,169	(21,792)
Travel	2,500	754	173	927	(1,573)
Equipment	2,945	2,945	-	2,945	-
Supplies	17,125	10,871	1,859	12,730	(4,395)
Contractual	13,349	10,589	363	10,952	(2,397)
Building	38,978	27,097	15,779	42,876	3,898
Training	4,000	1,650	438	2,088	(1,912)
Other (1)	4,407	2,136	19	2,155	(2,252)
Other (2)	18,123	13,459	395	13,854	(4,269)
Total Expenditures	<u>\$ 370,517</u>	<u>\$ 258,253</u>	<u>\$ 22,242</u>	<u>\$ 280,495</u>	<u>\$ (90,022)</u>

EXPENDITURES OF FEDERAL AWARDS



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

September 19, 2023

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 direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. 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, 2023.

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

Eric Kientz
CPA, CMA, CNAP
Senior Audit Partner
(785) 477-9053
Eric@KPMHK.CPA

PO Box 754
Manhattan, KS 66505
KPMHK.CPA

Taylor Penick
CPA, CNAP
Managing Partner
(785) 817-7716
Taylor@KPMHK.CPA

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 19, 2023

**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, 2023, 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 19, 2023.

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***

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	\$ 2,578,621
Passed through the Kansas Department for Children and Family Services Temporary Assistance for Needy Families (TANF)	93.558	EES-2022- KEHSHV-02	342,714
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	EES-2022- KEHSCCP-02	257,630
Total passed through the Kansas Department for Children and Family Services			<u>600,344</u>
Total U.S. Department of Health and Human Services			<u>3,178,965</u>
U.S. Department of Agriculture Passed through the Kansas Department of Education Child and Adult Care Food Program	10.558	P0011	58,949
Total Federal Award Expenditures			<u>\$ 3,237,914</u>

Note 1: Significant Accounting Policies

The schedule of expenditures of federal awards 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, 2023. 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 to and does not present the statement of financial position, statement of activities, or cash flows of the Organization.

Expenditures on the schedule are reported on the accrual basis of accounting, modified to include capitalized assets and to exclude depreciation expense. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, or other applicable regulatory guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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: Non-Cash Assistance, Insurance, and Loans

The Organization did not receive or expend any Federal awards in the form of noncash assistance, insurance, loans, or loan guarantees.

Note 4: 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
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Major Program(s) Selected for Testing	Head Start Cluster (93.600)
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Threshold Used to Distinguish Type A and B Programs	\$750,000
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Auditee Qualified as a Low-Risk Auditee	Yes
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Section II – Reportable Financial Statement Findings

Findings	None reported
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Section III – Findings and Questioned Costs for Federal Awards

Findings	None reported
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