

Financial Statements

CHILD CARE RESOURCES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2018

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Rosen & Underdown, PLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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Board of Directors
Child Care Resources, Inc.
203 Hull Street, Suite A
Richmond, Virginia 23224

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Resources, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resources, Inc. as of September 30, 2018, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information shown on pages 9 and 11 is presented for purposes of additional analysis. The accompanying schedule of expenditures of federal awards (page 10), as required by Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2019, on our consideration of Child Care Resources, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Child Care Resources, Inc.'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 Child Care Resources, Inc.'s internal control over financial reporting and compliance.

Rosen & Underdown, CPAs
June 5, 2019

CHILD CARE RESOURCES, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2018

ASSETS

Accounts receivable	\$1,558,731
Inventories	9,587
Furniture and equipment, net of accumulated depreciation	<u>15,279</u>
TOTAL ASSETS	<u>\$1,583,597</u>

LIABILITIES AND NET ASSETS

Cash overdraft	\$ 31,735
Accounts payable	1,332,340
Accrued payroll	<u>15,622</u>
TOTAL LIABILITIES	1,379,697

NET ASSETS

Without donor restriction	203,900
With donor restrictions	<u>.....</u>
TOTAL NET ASSETS	<u>203,000</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,583,597</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHILD CARE RESOURCES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

	<u>OPERATIONS</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
USDA grants	\$...	\$8,899,296	\$8,899,296
Grants-other	...	5,000	5,000
Net assets released from restrictions	8,904,296	(8,904,296)	...
Interest income	<u>18</u>	<u>...</u>	<u>18</u>
TOTAL REVENUE AND OTHER SUPPORT	<u>8,904,314</u>	<u>...</u>	<u>8,904,314</u>
EXPENSES:			
Program services, food service	7,799,767	...	7,799,767
Management and general	<u>1,052,727</u>	<u>...</u>	<u>1,052,727</u>
Total expenses	<u>8,852,494</u>	<u>...</u>	<u>8,852,494</u>
CHANGE IN NET ASSETS	51,820	...	51,820
BEGINNING NET ASSETS	<u>152,080</u>	<u>...</u>	<u>152,080</u>
ENDING NET ASSETS	<u>\$ 203,900</u>	<u>\$...</u>	<u>\$ 203,900</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHILD CARE RESOURCES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

Cash flows from operating activities	
Change in net assets	\$ 51,820
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	4,530
Increase in accounts receivable	(638,986)
Decrease in inventories	15,016
Increase in accounts payable	487,392
Decrease in other liabilities	<u>(1,747)</u>
Net cash used by operating activities	(81,975)
Cash flows from investing activities	
Acquisition of furniture and equipment	<u>(4,373)</u>
Net cash used by investing activities	<u>(4,373)</u>
Cash flows from financing activities	
Net cash used by financing activities	<u>...</u>
Decrease in cash and cash equivalents	(86,348)
Beginning cash and cash equivalents balance	<u>54,613</u>
Ending cash and cash equivalents balance	<u><u>\$(31,735)</u></u>
Supplemental disclosures	
Cash paid during the year for:	
Interest	<u>\$...</u>
Income taxes	<u>\$...</u>

See Independent Auditors' Report and Accompanying Notes to Financial Statements

CHILD CARE RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

Note A - Summary Of Significant Accounting Policies

Nature of Organization

Child Care Resources, Inc. (the Organization) is a 501(c)(3) not-for-profit organization that is dedicated to sponsoring Virginia child care centers through the USDA Child and Adult Care Food Program. This Federal program is designed to provide nutritious meals to children and adults while in child/adult care by off-setting their center's food costs. The financial statements of the Organization have been prepared on the accrual basis in accordance with generally accepted accounting principles. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. In addition, the Organization is required to present a statement of cash flows. The Organization has discontinued its use of fund accounting and, accordingly, has reclassified its financial statements to present the two classes of net assets. As of September 30, 2018, there were no with donor restrictions in net assets.

Income Taxes

The Organization is exempt from federal and state income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code. The Organization's information returns are subject to examination generally for three years after the filing date.

Consideration of credit risk

The Organization maintains cash balances at one financial institution. The balances, at times, may exceed federally insured limits. At September 30, 2018, the Organization had not exceeded the insured limit.

Furniture and Equipment

Furniture and equipment are carried at cost. Depreciation of furniture and equipment is provided using the straight line method over their estimated lives. Expenditures for ordinary maintenance and repairs have been charged to income as incurred.

Accounts Receivable

Accounts receivable consists entirely of amounts due from the U.S. Department of Agriculture for center reimbursements. No allowance for doubtful accounts is considered necessary.

CHILD CARE RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

Inventories

In 2016, the Organization expanded its service scope to after school programs at elementary schools. This requires the use of pre-packaged meals which the Organization purchases and maintains. These inventories are stated at the lower of cost (first-in, first-out) or market value.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Support and Revenue

The Organization receives most of its support and grants from the U.S. Department of Agriculture (USDA). The Organization submits claims with the USDA on behalf of the child care centers that it represents. The USDA permits the sponsoring organization to retain up to 15% of the claim for administrative purposes. Currently the Organization retains the maximum, 15%. In 2018, the Organization received a grant from the Virginia Early Childhood Foundation and Nemours Foundation for early childhood food-service equipment

Cash Equivalents

For the statement of cash flows, all unrestricted investment instruments with original maturities of three months or less are cash equivalents. The Organization has no cash equivalents at September 30, 2018.

Note B - Net Assets Released from Restrictions

Net assets were released from the USDA claim restrictions by satisfying the requirement that the sponsor submit the reimbursements to the centers within five (5) days of receipt of funds from the USDA. Net assets were released from the Virginia Early Childhood Foundation and Nemours Foundation grant by satisfying the requirement of distributing food-service equipment to ten (10) centers.

Note C - Lease Commitment

The Organization leases its facility under a thirty-six month lease that expires on December 31, 2018 which requires a monthly rent of \$4,226.29 per month which includes taxes, insurance and utilities. The rent increases 2.5% annually. The Organization has a three year option to renew the lease at the expiration date.

CHILD CARE RESOURCES, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

Currently, management anticipates that this will be exercised. The following is a schedule by years, of future minimum rentals under the current lease with the assumption that the lease will be renewed:

Years Ending September 30:	
2019	\$ 51,666
2020	52,958
2021	54,282
2022	55,639
2023 and thereafter	<u>13,995</u>
	<u>\$228,540</u>

Note D - Loan Payable-Executive Director

The Executive Director will advance funds to the Organization from time to time as needed. These advances are non-interest bearing advances. There were no funds advanced as of September 30, 2018.

Note E - Functional Allocation of Expenses

The costs of providing the food service program has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting service benefitted.

Note F - Subsequent Events

Subsequent events are defined as events or transactions that occur after the statement of financial position date through the date that the financial statements are available to be issued. Management has performed an evaluation as of June 5, 2019, the date the financial statements were available to be issued, that there are no subsequent events requiring disclosure.

Note G - Allowable Costs

The Organization strictly adheres to the compliance supplement for the Child and Adult Care Food Program in approving allowed costs that are submitted from the child care centers for reimbursement. The Organization follows the eight criteria that are listed in the supplement.

Note H - Without Donor Restrictions Net Assets

None of the Organization's net assets are subject to donor restrictions. Accordingly, all net assets are accounted for as without donor restrictions under ASU No. 2016-14.

CHILD CARE RESOURCES, INC.
 SCHEDULE OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2018

	Program Services, Food <u>Service</u>	Management <u>and General</u>	<u>Total</u>
<u>Wage related expenses:</u>			
Salaries	\$ 88,750	\$ 631,960	\$ 720,710
Employee benefits	12,372	88,096	100,468
Payroll taxes	<u>6,721</u>	<u>47,856</u>	<u>54,577</u>
Total salaries and related expenses	<u>107,843</u>	<u>767,912</u>	<u>875,755</u>
<u>Operating expenses:</u>			
USDA food reimbursements	7,602,844	...	7,602,844
Computer expenses	...	59,758	59,758
Insurance	...	2,534	2,534
Maintenance	...	2,770	2,770
Postage	...	12,475	12,475
Printing	...	11,231	11,231
Professional fees	...	25,936	25,936
Rent	...	52,010	52,010
Conferences, meetings and training	...	16,193	16,193
Supplies	...	47,848	47,848
Utilities	...	14,867	14,867
Travel expense	89,080	9,898	98,978
Miscellaneous	...	2,901	2,901
Training	...	1,305	1,305
Loan fees	...	670	670
Fees and dues	...	<u>19,889</u>	<u>19,889</u>
Total operating expenses	<u>7,691,924</u>	<u>280,285</u>	<u>7,972,209</u>
Total expenses before depreciation	7,799,767	1,048,197	8,847,964
Depreciation	...	<u>4,530</u>	<u>4,530</u>
Total expenses	<u>\$7,799,767</u>	<u>\$1,052,727</u>	<u>\$8,852,494</u>

See Independent Auditors' Report on Additional Information

CHILD CARE RESOURCES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture		
Child and Adult Care Food Program	10.558	<u>\$8,899,296</u>
Total		<u>\$8,899,296</u>

CHILD CARE RESOURCES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2018

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Resources, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the regulations of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Child Care Resources, Inc.
203 Hull Street, Suite A
Richmond, Virginia 23224

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Child Care Resources, Inc., (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 5, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Resources, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Child Care Resources, Inc.'s, internal control. Accordingly, we do not express an opinion on the effectiveness of Child Care Resources, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

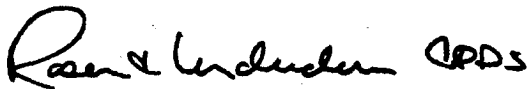
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Care Resources, Inc.'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.



Rosen & Underdown, CPAs

June 5, 2019.

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

Board of Directors
Child Care Resources, Inc.
203 Hull Street Road, Suite A
Richmond, Virginia 23224

Report on Compliance for Major Federal Program

We have audited Child Care Resources, Inc.'s compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Child Care Resources, Inc.'s major federal program for the year ended September 30, 2018. Child Care Resources, Inc.'s major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Child Care Resources, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child Care Resources, Inc.'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 with the major federal program. However, our audit does not provide a legal determination on Child Care Resources, Inc.'s compliance.

Opinion on Major Federal Program

In our opinion, Child Care Resources, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Child Care Resources, Inc. 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 Child Care Resources, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 Child Care Resources, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies*. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*. However, material weaknesses may exist that have not been identified.

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

Rosen & Underdown CPAs

Rosen & Underdown, CPAs

June 5, 2019.

CHILD CARE RESOURCES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2018

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Child Care Resources, Inc.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance that were material to the financial statements of Child Care Resources, Inc. were identified.
4. No material weaknesses were identified during the audit of the Major federal award programs.
5. The auditors' report on compliance for the major award programs for Child Care Resources, Inc. expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 200.516 of the Uniform Guidance are reported in the schedule.
7. The program tested as major program included:
 U.S. Department of Agriculture Child
 and Adult Food Program CFDA 10.558
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Child Care Resources, Inc. qualified as a low-risk auditee.

FINDINGS

NONE