

CHILD CARE RESOURCES, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

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HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Child Care Resources, Inc.
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Resources, Inc. (the "Organization") (a non-profit organization), which comprise the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resources, Inc. as of September 30, 2020 and 2019, 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.

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 schedule of expenditures of federal awards for the year ended September 30, 2020, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) 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 15, 2021, 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 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 Child Care Resources, Inc.'s internal control over financial reporting and compliance.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
June 15, 2021

CHILD CARE RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash	\$ 549,638	\$ 63,949
Grants receivable	1,579,468	2,133,289
Inventory	10,312	4,232
Property and equipment, net	<u>19,662</u>	<u>18,790</u>
	<u>\$ 2,159,080</u>	<u>\$ 2,220,260</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,549,378	\$ 1,824,581
Line of credit	-	50,000
Accrued expenses	28,008	45,811
Loan from related party	1,092	-
Advanced grant	113,322	68,259
Long-term debt	<u>149,900</u>	<u>-</u>
	1,841,700	1,988,651
TOTAL LIABILITIES	1,841,700	1,988,651
 NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>317,380</u>	<u>231,609</u>
	<u>\$ 2,159,080</u>	<u>\$ 2,220,260</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals, corporations, and foundations	\$ 1,468	\$ -	\$ 1,468
Grants			
Federal agencies	-	8,717,249	8,717,249
Total Support	<u>1,468</u>	<u>8,717,249</u>	<u>8,718,717</u>
Sales of Products			
Sales	7,246	-	7,246
Less: Cost of Goods Sold	<u>2,564</u>	<u>-</u>	<u>2,564</u>
Net Sales of Products	<u>4,682</u>	<u>-</u>	<u>4,682</u>
Other Revenues, Gains, and (Losses)			
Interest income	1,470	-	1,470
Loss on sale of property and equipment	(983)	-	(983)
Other revenue	<u>192,700</u>	<u>-</u>	<u>192,700</u>
Total Other Revenues, Gains, and (Losses)	<u>193,187</u>	<u>-</u>	<u>193,187</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	<u>8,717,249</u>	<u>(8,717,249)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>8,916,586</u>	<u>-</u>	<u>8,916,586</u>
EXPENSES			
Program Services			
Child and Adult Food Program	8,627,068	-	8,627,068
Management and General	<u>203,747</u>	<u>-</u>	<u>203,747</u>
TOTAL EXPENSES	<u>8,830,815</u>	<u>-</u>	<u>8,830,815</u>
CHANGE IN NET ASSETS	85,771	-	85,771
NET ASSETS, beginning of year	<u>231,609</u>	<u>-</u>	<u>231,609</u>
NET ASSETS, end of year	<u>\$ 317,380</u>	<u>\$ -</u>	<u>\$ 317,380</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals, corporations, and foundations	\$ 148	\$ -	\$ 148
Grants			
Federal agencies	-	10,318,556	10,318,556
Total Support	<u>148</u>	<u>10,318,556</u>	<u>10,318,704</u>
Sales of Products			
Sales	-	-	-
Less: Cost of Goods Sold	-	-	-
Net Sales of Products	<u>-</u>	<u>-</u>	<u>-</u>
Other Revenues, Gains, and (Losses)			
Interest income	934	-	934
Loss on sale of property and equipment	(589)	-	(589)
Other revenue	5,010	-	5,010
Total Other Revenues, Gains, and (Losses)	<u>5,355</u>	<u>-</u>	<u>5,355</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	<u>10,318,556</u>	<u>(10,318,556)</u>	<u>-</u>
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>10,324,059</u>	<u>-</u>	<u>10,324,059</u>
EXPENSES			
Program Services			
Child and Adult Food Program	10,083,713	-	10,083,713
Management and General	212,637	-	212,637
TOTAL EXPENSES	<u>10,296,350</u>	<u>-</u>	<u>10,296,350</u>
CHANGE IN NET ASSETS	27,709	-	27,709
NET ASSETS, beginning of year	<u>203,900</u>	<u>-</u>	<u>203,900</u>
NET ASSETS, end of year	<u>\$ 231,609</u>	<u>\$ -</u>	<u>\$ 231,609</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2020

	Child and Adult Food Program	Management and General	Total
Salaries and wages	\$ 821,911	\$ 101,993	\$ 923,904
Employee benefits	88,163	12,194	100,357
Payroll taxes	59,685	8,337	68,022
	<u>969,759</u>	<u>122,524</u>	<u>1,092,283</u>
USDA food reimbursements	7,311,450	-	7,311,450
Computer	110,917	6,521	117,438
Travel	50,238	11,894	62,132
Rent	44,405	11,102	55,507
Professional fees	25,367	17,422	42,789
Supplies	28,219	7,371	35,590
Printing	26,997	6,750	33,747
Fees and dues	21,619	7,798	29,417
Utilities	11,935	2,983	14,918
Postage	8,208	2,052	10,260
Depreciation	4,150	2,767	6,917
Insurance	5,283	1,022	6,305
Conferences, meeting and training	2,997	1,415	4,412
Miscellaneous	2,322	1,179	3,501
Maintenance	2,757	689	3,446
Cost of goods sold	2,564	-	2,564
Training	240	60	300
Advertising	205	-	205
Interest	-	198	198
TOTAL EXPENSES	<u>8,629,632</u>	<u>203,747</u>	<u>8,833,379</u>
Cost of goods sold	<u>(2,564)</u>	<u>-</u>	<u>(2,564)</u>
PER STATEMENT OF ACTIVITIES	<u>\$ 8,627,068</u>	<u>\$ 203,747</u>	<u>\$ 8,830,815</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2019

	Child and Adult Food Program	Management and General	Total
Salaries and wages	\$ 736,953	\$ 101,993	\$ 838,946
Employee benefits	86,429	11,953	98,382
Payroll taxes	53,976	7,597	61,573
	<u>877,358</u>	<u>121,543</u>	<u>998,901</u>
USDA food reimbursements	8,814,425	-	8,814,425
Travel	115,508	28,877	144,385
Computer	94,780	4,179	98,959
Rent	44,616	11,167	55,783
Supplies	38,993	10,499	49,492
Professional fees	17,558	11,705	29,263
Conferences, meeting and training	19,413	4,854	24,267
Fees and dues	17,848	6,131	23,979
Utilities	11,774	2,944	14,718
Training	8,531	2,133	10,664
Postage	6,679	1,670	8,349
Miscellaneous	3,868	2,124	5,992
Depreciation	3,067	2,045	5,112
Insurance	3,869	946	4,815
Printing	3,566	891	4,457
Maintenance	1,860	465	2,325
Interest	-	464	464
TOTAL EXPENSES	<u>10,083,713</u>	<u>212,637</u>	<u>10,296,350</u>
Cost of goods sold	<u>-</u>	<u>-</u>	<u>-</u>
PER STATEMENT OF ACTIVITIES	<u><u>\$ 10,083,713</u></u>	<u><u>\$ 212,637</u></u>	<u><u>\$ 10,296,350</u></u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 85,771	\$ 27,709
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	6,917	5,112
Loss on sale of property and equipment	983	589
Forgiveness of PPP loan	(177,000)	-
(Increase) decrease in		
Grants receivable	553,821	(574,558)
Inventory	(6,080)	5,355
Increase (decrease) in		
Accounts payable	(275,203)	460,506
Accrued expenses	(17,803)	30,189
Advanced grant	45,063	68,259
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>216,469</u>	<u>23,161</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,772)	(9,212)
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,772)</u>	<u>(9,212)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party loan	151,092	-
Repayments of related party loan	(150,000)	-
Proceeds from long-term debt	149,900	-
Proceeds from PPP loan	177,000	-
Change in line of credit	(50,000)	50,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>277,992</u>	<u>50,000</u>
INCREASE IN CASH	485,689	63,949
CASH, beginning of year	<u>63,949</u>	<u>-</u>
CASH, end of year	<u>\$ 549,638</u>	<u>\$ 63,949</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Child Care Resources, Inc. (the “Organization”) is a 501(c)(3) nonprofit organization that is dedicated to sponsoring 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 offsetting their centers’ food costs.

Program Description

Child and Adult Food Program - The purpose is to increase access to nutritious meals and nutrition education to lower income children and adults through innovative service delivery methods. The Organization works with approved child care, adult care, and afterschool programs to obtain United States Department of Agriculture (“USDA”) food cost reimbursement.

Summary of Significant Accounting Policies

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America for nonprofit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Fair Value Measurements

The Organization reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by accounting principles generally accepted in the United States of America, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2.* Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements - Continued

When available, the Organization measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the Organization is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary use of fair value measures in the Organization's financial statements is the initial measurement of noncash gifts.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities as of the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements, with no effect on previously reported change in net assets.

Income Taxes

The Organization is exempt from federal income taxes as defined under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose could be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Uncertain Tax Positions

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBTI). The Organization has recognized no uncertain tax positions for the years ended September 30, 2020 and 2019.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period.

Schedule of Expenditures of Federal Awards

The accompanying Supplemental Schedule of Expenditures of Federal Awards is prepared 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). Expenditures reported on the Supplemental Schedule of Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations* or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization does not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Cash Equivalents

Cash equivalents include all deposits in banks and highly liquid investments with original maturity dates of less than three months. The carrying value of cash equivalents approximated fair value because of the short maturities of those financial instruments.

Grants Receivable/Allowance

Grants receivable are carried at original billed amount. Management identifies troubled receivables by evaluating individual receivables and then initiating contact with the grantor regarding expected payment. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received. Unless specifically identified, management has determined grants receivable to be collectible. Therefore, no allowance for doubtful accounts has been recorded as of September 30, 2020 or 2019.

Inventory

Inventory is stated at the lower of cost or net realizable value. The first in, first-out (FIFO) method is used to determine the cost of inventories.

Property and Equipment/Depreciation

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the assets.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

The Organization's unspent contributions are included in this class if the donor limited their use.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

Net assets were released from the USDA claim restrictions by satisfying the requirement that the sponsor submit the reimbursements to the centers within five days of receipt of the funds from the USDA.

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Gifts-in-Kind Contributions

The Organization receives contributions in a form other than cash or investments. Most are donated supplies, which are recorded as contributions as of the date of gift and as expenses when the donated items are placed into service or distributed. If the Organization receives a contribution of land, buildings, or equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the Organization's capitalization policy.

Grant Revenue

The Organization receives most of its support and grants from the 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%. Grant revenue from federal agencies is subject to independent audit under the Office of Management and Budget's audit requirements for federal awards and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, payroll taxes, employee benefits, and other personnel costs are allocated based on time spent by personnel on specific programs.
- Travel, computer, rent, supplies, and other expenses are allocated based on management's estimate of budgeted time and expense per program and supporting services.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE B - LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2020 are:

Financial assets:	
Cash	\$ 549,638
Grants receivable	<u>1,579,468</u>
Total financial assets available for general expenditures within one year	<u>\$ 2,129,106</u>

As part of the Organization's liquidity management plan, cash in excess of daily requirements is kept in checking and money market accounts. The Organization maintains a revolving line of credit of \$200,000 to cover short-term cash needs (Note D).

NOTE C - PROPERTY AND EQUIPMENT, NET

Property and equipment, net are as follows as of September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 38,548	\$ 38,878
Less: Accumulated depreciation	<u>18,886</u>	<u>20,088</u>
Property and equipment, net	<u>\$ 19,662</u>	<u>\$ 18,790</u>

NOTE D - LINE OF CREDIT

The Organization has available a revolving line of credit with Union Bank and Trust with a maximum principal amount not to exceed \$200,000. Interest is computed at Wall Street Journal Prime plus 1.5% (4.75 % as of September 30, 2020). There was no balance on the line of credit as of September 30, 2020. As of September 30, 2019, the outstanding balance on this line of credit was \$50,000. The line of credit agreement is scheduled to mature on September 15, 2023. Interest expense during the years ended September 30, 2020 and 2019 relating to this line of credit was \$198 and \$464, respectively.

NOTE E - LONG-TERM DEBT

The Organization applied and was approved for an Economic Injury Disaster Loan from the Small Business Administration (the "SBA") in the amount of \$149,900 on August 16, 2020. Monthly payments of \$641, including interest at 2.75%, are scheduled to begin in August 2021. The SBA will apply each installment payment first to pay interest accrued to the day SBA receives payment and will then apply any remaining balance to reduce principal. All remaining principal and accrued interest is due and payable thirty years from the date of the loan. The Organization may prepay this loan in part or in full at any time, without notice or penalty.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE E - LONG-TERM DEBT - Continued

Long-term debt matures as follows:

Year ending September 30:	
2021	\$ 578
2022	3,525
2023	3,623
2024	3,724
2025	3,828
Thereafter	134,622
	<u>\$ 149,900</u>

NOTE F - CONCENTRATION OF CREDIT RISK

All depository accounts of the Organization are in institutions insured by the Federal Depository Insurance Corporation; however, the deposits exceeded the insurance limits from time to time during the years ended September 30, 2020 and 2019. As of September 30, 2020 and 2019, the Organization had \$371,894 and \$0 exceeding the insured limit, respectively.

One contributor represented approximately 100% of total support and 100% of grants receivable for the years ended September 30, 2020 and 2019.

One vendor represented approximately 12% of total purchases and 9% of accounts payable for the year ended September 30, 2020. One vendor represented approximately 18% of total purchases and 16% of accounts payable for the year ended September 30, 2019.

NOTE G - COMMITMENTS

The Organization leases office space under a non-cancelable operating lease with monthly rent of \$4,226 per month. The lease expires on December 31, 2021. The rent increases 2.5% annually. Future office space payments are as follows:

<u>Year Ending September 30,</u>	
2021	\$ 55,639
2022	13,996
	<u>\$ 69,635</u>

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE H - 401(K) PLAN

The Organization has adopted a 401(k) profit-sharing plan for employees at least 21 years of age who have been credited with at least 3 months of service. The plan also allows for employees to make contributions based upon a percentage of their compensation, with the Organization matching 100% of the first 3%, and 50% of the next 2%, of employee deferrals. The employees are 100% vested in their contributions and the Organization's contributions. The Organization made matching contributions in the amount of \$20,104 and \$17,760 for the years ended September 30, 2020 and 2019, respectively.

NOTE I - LOAN FROM RELATED PARTY

The Organization received a temporary loan from its CEO on November 12, 2019 in the amount of \$151,092. The loan proceeds were to be used to fund food purchases as the Organization increased its feeding programs while waiting for government reimbursement. If the loan is not repaid before September 30, 2021, interest will begin to accrue at 4%. As of September 30, 2020, \$1,092 was outstanding on the loan.

NOTE J - PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

In April 2020, the Organization received a loan in the amount of \$177,000 under the Paycheck Protection Program ("PPP"). The PPP loan has a two-year term and bears interest at an annual interest rate of 1%. Monthly principal and interest payments are deferred for 6 months, and the maturity date is April 2022.

Under the terms of the CARES Act, PPP loan recipients can apply for, and be granted forgiveness for, all or a portion of the PPP loan and accrued interest. Such forgiveness will be determined, subject to limitations, based on the use of PPP loan proceeds for payment of payroll costs and any payments of mortgage interest, rent, utilities, covered operations expenditures, covered property damage, covered supplier costs, and covered worker protection expenditures, and retention of employees and maintaining salary levels. However, no assurance is provided that forgiveness for any portion of the PPP loan will be obtained.

As of September 30, 2020, the Organization used the full amount received to fund eligible expenses under the terms of the PPP loan. As a result, the Organization believes and expects that it will meet the PPP eligibility criteria for forgiveness and has concluded that the PPP loan represents, in substance, funds without donor restrictions provided under a government grant. As such, the Organization has recognized the use of \$177,000 of the PPP loan proceeds as of September 30, 2020 as other income.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2020 AND 2019

NOTE K - COVID-19

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future years.

NOTE L - SUBSEQUENT EVENTS

In the preparation of its financial statements, Child Care Resources, Inc. considered subsequent events through June 15, 2021, which was the date the financial statements were available to be issued.



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors
Child Care Resources, Inc.
Richmond, Virginia

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. (the "Organization") (a non-profit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 15, 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 opinion 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 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 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.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
June 15, 2021



HARRIS, HARDY & JOHNSTONE, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S 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.
Richmond, Virginia

Report on Compliance for Each Major Federal Program

We have audited Child Care Resources, Inc.'s (the "Organization") (a non-profit organization) compliance with the types of compliance requirements described 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 September 30, 2020. 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.

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.

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). 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 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 September 30, 2020.

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

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

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

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
June 15, 2021

CHILD CARE RESOURCES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2020

<u>Grant Name</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity</u>	<u>Federal Expenditures</u>
<u>DEPARTMENT OF AGRICULTURE</u>			
Child and Adult Care Food Program	10.558	Ohio Dept. of Education	\$ 2,970,054
		Pennsylvania Dept. of Education	365,734
		Virginia Dept. of Education	1,175,699
		Virginia Dept. of Health	2,454,605
		District of Columbia Office of the State Superintendent of Education	1,277,215
		Maryland Dept. of Education	108,605
		Texas Dept. of Agriculture	<u>365,337</u>
			<u><u>\$ 8,717,249</u></u>

See Independent Auditor's Report

CHILD CARE RESOURCES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2020

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Child Care Resources, Inc. were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Child Care Resources, Inc. were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Child Care Resources, Inc. expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.
7. The program tested as a major program was:

<u>2020</u>	<u>CFDA #</u>
Child and Adult Care Food Program (CACFP)	10.558
8. The threshold for distinguishing Types A and B was \$750,000.
9. Child Care Resources, Inc. was determined to be a low risk auditee.

Findings - Financial Statement Audit

None

Findings and Questioned Costs - Major Federal Award Programs Audit

None

See Independent Auditor's Report