

CHILD CARE RESOURCES, INC.
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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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 Audit of the Financial Statements

Opinion

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, 2021 and 2020, 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 present fairly, in all material respects, the financial position of Child Care Resources, Inc. as of September 30, 2021 and 2020, 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 in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Child Care Resources, Inc. 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 opinions.

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 Child Care Resources, Inc.'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 and *Government 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 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 Child Care Resources, Inc.'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 Child Care Resources, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 schedule of expenditures of federal awards 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 May 3, 2022, 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 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.

Harris, Hardy & Johnstone, P.C.

Richmond, Virginia
May 3, 2022

CHILD CARE RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash	\$ 854,663	\$ 549,638
Grants receivable	2,154,968	1,579,468
Inventory	1,516	10,312
Prepaid expenses	144	-
Property and equipment, net	<u>18,635</u>	<u>19,662</u>
	<u>\$ 3,029,926</u>	<u>\$ 2,159,080</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 1,751,699	\$ 1,549,378
Accrued expenses	33,433	28,008
Loan from related party	-	1,092
Advanced grant	113,226	113,322
Long-term debt	<u>-</u>	<u>149,900</u>
	<u>1,898,358</u>	<u>1,841,700</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>1,131,568</u>	<u>317,380</u>
	<u>\$ 3,029,926</u>	<u>\$ 2,159,080</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Support			
Contributions			
Individuals, corporations, and foundations	\$ 10,005	\$ -	\$ 10,005
Grants			
Federal agencies	371,832	10,562,555	10,934,387
Total Support	<u>381,837</u>	<u>10,562,555</u>	<u>10,944,392</u>
Sales of Products			
Sales	15,303	-	15,303
Less: Cost of Goods Sold	1,158	-	1,158
Net Sales of Products	<u>14,145</u>	<u>-</u>	<u>14,145</u>
Other Revenues, Gains, and (Losses)			
Interest income	504	-	504
Loss on sale of property and equipment	(1,192)	-	(1,192)
Other revenue	183,744	-	183,744
Total Other Revenues, Gains, and (Losses)	<u>183,056</u>	<u>-</u>	<u>183,056</u>
Net Assets Released from Restrictions			
Satisfaction of use restrictions	10,562,555	(10,562,555)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	<u>11,141,593</u>	<u>-</u>	<u>11,141,593</u>
EXPENSES			
Program Services			
Child and Adult Food Program	10,064,098	-	10,064,098
Management and General	263,307	-	263,307
TOTAL EXPENSES	<u>10,327,405</u>	<u>-</u>	<u>10,327,405</u>
CHANGE IN NET ASSETS	814,188	-	814,188
NET ASSETS, beginning of year	317,380	-	317,380
NET ASSETS, end of year	<u>\$ 1,131,568</u>	<u>\$ -</u>	<u>\$ 1,131,568</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 FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2021

	Child and Adult Food Program	Management and General	Total
Salaries and wages	\$ 676,367	\$ 169,092	\$ 845,459
Employee benefits	63,962	15,990	79,952
Payroll taxes	49,069	12,267	61,336
	<u>789,398</u>	<u>197,349</u>	<u>986,747</u>
USDA food reimbursements	8,991,527	-	8,991,527
Computer	116,213	5,362	121,575
Rent	45,094	11,299	56,393
Professional fees	21,839	14,560	36,399
Fees and dues	27,658	8,366	36,024
Supplies	18,547	4,819	23,366
Utilities	12,721	3,180	15,901
Travel	12,306	3,076	15,382
Printing	9,175	2,294	11,469
Depreciation	5,458	3,638	9,096
Postage	5,374	1,344	6,718
Insurance	3,943	986	4,929
Interest	-	4,624	4,624
Maintenance	2,640	660	3,300
Miscellaneous	1,499	1,307	2,806
Cost of goods sold	1,158	-	1,158
Training	390	98	488
Conferences, meetings, and training	252	63	315
Taxes and licenses	-	266	266
Advertising	64	16	80
TOTAL EXPENSES	<u>10,065,256</u>	<u>263,307</u>	<u>10,328,563</u>
Cost of goods sold	<u>(1,158)</u>	<u>-</u>	<u>(1,158)</u>
PER STATEMENT OF ACTIVITIES	<u>\$ 10,064,098</u>	<u>\$ 263,307</u>	<u>\$ 10,327,405</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, meetings, 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.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 814,188	\$ 85,771
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	9,096	6,917
Loss on sale of property and equipment	1,192	983
Forgiveness of PPP loan	(177,058)	(177,000)
(Increase) decrease in		
Grants receivable	(575,500)	553,821
Inventory	8,796	(6,080)
Prepaid expenses	(144)	-
Increase (decrease) in		
Accounts payable	202,321	(275,203)
Accrued expenses	5,425	(17,803)
Advanced grant	(96)	45,063
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>288,220</u>	<u>216,469</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(9,261)	(8,772)
NET CASH USED IN INVESTING ACTIVITIES	<u>(9,261)</u>	<u>(8,772)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from related party loan	-	151,092
Repayments of related party loan	(1,092)	(150,000)
Proceeds from long-term debt	-	149,900
Repayments of long-term debt	(149,900)	-
Proceeds from PPP loan	177,058	177,000
Change in line of credit	-	(50,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>26,066</u>	<u>277,992</u>
INCREASE IN CASH	305,025	485,689
CASH, beginning of year	<u>549,638</u>	<u>63,949</u>
CASH, end of year	<u>\$ 854,663</u>	<u>\$ 549,638</u>

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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, 2021 AND 2020

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.

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, 2021 and 2020.

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.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2021 AND 2020

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

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, 2021 or 2020.

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 AND 2020

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, 2021 are:

Financial assets:	
Cash	\$ 854,663
Grants receivable	<u>2,154,968</u>
Total financial assets available for general expenditures within one year	<u>\$ 3,009,631</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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 38,991	\$ 38,548
Less: Accumulated depreciation	<u>20,356</u>	<u>18,886</u>
Property and equipment, net	<u>\$ 18,635</u>	<u>\$ 19,662</u>

NOTE D - LINE OF CREDIT

The Organization has available a revolving line of credit with Truist Bank with a maximum principal amount not to exceed \$200,000. Interest is computed at the U.S. Prime Rate as published in the Wall Street Journal plus 1.5% with a minimum annual rate of 4.50% (4.50% as of September 30, 2021). There was no balance on the line of credit as of September 30, 2021 and 2020. The line of credit agreement is scheduled to mature on September 15, 2023.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2021 AND 2020

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%, were scheduled to begin in August 2021. The Organization repaid this loan in September 2021. Interest expense during the year ended September 30, 2021 was \$4,521.

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, 2021 and 2020. As of September 30, 2021 and 2020, the Organization had \$626,980 and \$371,894 exceeding the insured limit, respectively.

One contributor represented approximately 98% and 100% of total support and 100% of grants receivable for the years ended September 30, 2021 and 2020, respectively.

One vendor represented approximately 13% of total purchases and 2% of accounts payable for the year ended September 30, 2021. One vendor represented approximately 12% of total purchases and 9% of accounts payable for the year ended September 30, 2020.

NOTE G - COMMITMENTS

The Organization leases office space under a non-cancelable operating lease with monthly rent of \$4,665 per month. The lease expires on December 31, 2024. There is an option to renew for three more years, which is expected to be exercised. The rent increases 2.5% annually. Future office space payments are as follows:

<u>Year Ending September 30,</u>	
2022	\$ 57,030
2023	58,456
2024	59,917
2025	61,415
2026 and thereafter	143,705
	<u>\$ 380,523</u>

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2021 AND 2020

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 \$19,662 and \$20,104 for the years ended September 30, 2021 and 2020, 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. As of September 30, 2020, \$1,092 was outstanding on the loan. The loan was repaid during March 2021.

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 had a two-year term and bore interest at an annual interest rate of 1%. Monthly principal and interest payments were deferred for 6 months, and the maturity date was April 2022.

In January 2021, the Organization received a second loan in the amount of \$177,058 under the Paycheck Protection Program ("PPP2"). The PPP2 loan had a two-year term and bore interest at an annual interest rate of 1%. Monthly principal and interest payments were deferred for 6 months, and the maturity date was January 2023.

Under the terms of the CARES Act, PPP loan recipients could apply for, and be granted forgiveness for, all or a portion of the PPP loan and accrued interest. Such forgiveness would 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 was provided that forgiveness for any portion of the PPP loan would 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 such, the Organization recognized the use of the PPP loan proceeds as of September 30, 2020 as other income. The SBA approved full forgiveness in November 2020.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2021 AND 2020

NOTE J - PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN - Continued

As of September 30, 2021, the Organization used the full amount received to fund eligible expenses under the terms of the PPP2 loan. As a result, the Organization believed and expected that it would meet the PPP2 eligibility criteria for forgiveness and concluded that the PPP2 loan represented, in substance, funds without donor restrictions provided under a government grant. As such, the Organization has recognized the use of \$177,058 of the PPP loan proceeds as of September 30, 2021 as other income. In February 2022, the SBA approved full forgiveness.

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 ongoing 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 May 3, 2022, 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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for determining 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.

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 financial statements. 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
May 3, 2022



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

Opinion on Each Major Federal Program

We have audited Child Care Resources, Inc.'s 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 Child Care Resources, Inc.'s major federal programs for the year ended September 30, 2021. Child Care Resources, Inc.'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, 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 each of its major federal programs for the year ended September 30, 2021.

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* 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 Child Care Resources, Inc. 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 Child Care Resources, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management 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 Child Care Resources, Inc.'s federal programs.

Auditor's Responsibilities 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 Child Care Resources, Inc.'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 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 Child Care Resources, Inc.'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 Child Care Resources, Inc.'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 Child Care Resources, Inc.'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 Child Care Resources, Inc.'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 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Harris, Hardy ; Johnstone, P.C.

Richmond, Virginia
May 3, 2022

CHILD CARE RESOURCES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2021

<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	\$ 4,179,656
		Pennsylvania Dept. of Education	350,955
		Virginia Dept. of Education	1,077,615
		Virginia Dept. of Health	2,997,472
		District of Columbia Office of the State Superintendent of Education	1,204,649
		Maryland Dept. of Education	147,018
		Texas Dept. of Agriculture	<u>605,190</u>
			<u><u>\$ 10,562,555</u></u>

See Independent Auditor's Report

CHILD CARE RESOURCES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2021

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>2021</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