

CHILD CARE RESOURCES, INC.

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

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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, 2022 and 2021, 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, 2022 and 2021, 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 June 23, 2023, 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
June 23, 2023

CHILD CARE RESOURCES, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 918,632 | \$ 854,663 |
| Grants receivable | 3,457,197 | 2,154,968 |
| Inventory | - | 1,516 |
| Lease deposit | 13,017 | - |
| Prepaid expenses | - | 144 |
| Property and equipment, net | 44,106 | 18,635 |
| | <u>\$ 4,432,952</u> | <u>\$ 3,029,926</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable | \$ 2,946,965 | \$ 1,751,699 |
| Accrued expenses | 54,490 | 33,433 |
| Advanced grant | 48,000 | 113,226 |
| | <u>3,049,455</u> | <u>1,898,358</u> |
| NET ASSETS | | |
| Without donor restrictions | 1,367,161 | 1,131,568 |
| With donor restrictions | 16,336 | - |
| | <u>1,383,497</u> | <u>1,131,568</u> |
| | <u>\$ 4,432,952</u> | <u>\$ 3,029,926</u> |

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2022

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Support | | | |
| Contributions | | | |
| Individuals, corporations, and foundations | \$ 100,111 | \$ - | \$ 100,111 |
| Grants | | | |
| Federal and state agencies | 833,285 | 13,088,089 | 13,921,374 |
| Foundation | - | 65,000 | 65,000 |
| Total Support | <u>933,396</u> | <u>13,153,089</u> | <u>14,086,485</u> |
| Sales of Products | | | |
| Sales | 221 | - | 221 |
| Less: Cost of Goods Sold | - | - | - |
| Net Sales of Products | <u>221</u> | <u>-</u> | <u>221</u> |
| Other Revenues, Gains, and (Losses) | | | |
| Interest income | 1,747 | - | 1,747 |
| Loss on sale of property and equipment | (4,325) | - | (4,325) |
| Other revenue | 2,500 | - | 2,500 |
| Total Other Revenues, Gains, and (Losses) | <u>(78)</u> | <u>-</u> | <u>(78)</u> |
| Net Assets Released from Restrictions | | | |
| Satisfaction of use restrictions | <u>13,136,753</u> | <u>(13,136,753)</u> | <u>-</u> |
| TOTAL REVENUES, GAINS, AND OTHER SUPPORT | <u>14,070,292</u> | <u>16,336</u> | <u>14,086,628</u> |
| EXPENSES | | | |
| Program Services | | | |
| Child and Adult Food Program | 13,476,844 | - | 13,476,844 |
| Management and General | 357,855 | - | 357,855 |
| TOTAL EXPENSES | <u>13,834,699</u> | <u>-</u> | <u>13,834,699</u> |
| CHANGE IN NET ASSETS | 235,593 | 16,336 | 251,929 |
| NET ASSETS, beginning of year | <u>1,131,568</u> | <u>-</u> | <u>1,131,568</u> |
| NET ASSETS, end of year | <u>\$ 1,367,161</u> | <u>\$ 16,336</u> | <u>\$ 1,383,497</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 and state agencies | 371,832 | 10,562,555 | 10,934,387 |
| Foundation | - | - | - |
| 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 FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2022

| | Child and Adult Food Program | Management and General | Total |
|-------------------------------------|------------------------------------|------------------------------|----------------------|
| Salaries and wages | \$ 881,482 | \$ 220,371 | \$ 1,101,853 |
| Employee benefits | 92,117 | 23,029 | 115,146 |
| Payroll taxes | (6,058) | (1,514) | (7,572) |
| | <u>967,541</u> | <u>241,886</u> | <u>1,209,427</u> |
| USDA food reimbursements | 11,991,702 | - | 11,991,702 |
| Computer | 151,596 | 4,188 | 155,784 |
| Supplies | 104,864 | 27,982 | 132,846 |
| Rent | 66,451 | 16,715 | 83,166 |
| Travel | 52,222 | 13,056 | 65,278 |
| Professional fees | 21,671 | 14,800 | 36,471 |
| Fees and dues | 24,021 | 7,607 | 31,628 |
| Miscellaneous | 19,110 | 9,098 | 28,208 |
| Training | 18,210 | 4,553 | 22,763 |
| Utilities | 15,536 | 3,884 | 19,420 |
| Printing | 11,478 | 2,869 | 14,347 |
| Depreciation | 7,289 | 4,859 | 12,148 |
| Conferences, meetings, and training | 7,068 | 1,767 | 8,835 |
| Postage | 5,793 | 1,448 | 7,241 |
| Marketing and promotion | 4,423 | 1,106 | 5,529 |
| Insurance | 4,169 | 1,042 | 5,211 |
| Maintenance | 2,640 | 660 | 3,300 |
| Advertising | 1,060 | 265 | 1,325 |
| Taxes and licenses | - | 70 | 70 |
| TOTAL EXPENSES | <u>13,476,844</u> | <u>357,855</u> | <u>13,834,699</u> |
| Cost of goods sold | <u>-</u> | <u>-</u> | <u>-</u> |
| PER STATEMENT OF ACTIVITIES | <u>\$ 13,476,844</u> | <u>\$ 357,855</u> | <u>\$ 13,834,699</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.

STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

| | <u>2022</u> | <u>2021</u> |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 251,929 | \$ 814,188 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Depreciation | 12,148 | 9,096 |
| Loss on sale of property and equipment | 4,325 | 1,192 |
| Forgiveness of PPP loan | - | (177,058) |
| (Increase) decrease in | | |
| Grants receivable | (1,302,229) | (575,500) |
| Inventory | 1,516 | 8,796 |
| Lease deposit | (13,017) | - |
| Prepaid expenses | 144 | (144) |
| Increase (decrease) in | | |
| Accounts payable | 1,195,266 | 202,321 |
| Accrued expenses | 21,057 | 5,425 |
| Advanced grant | (65,226) | (96) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | <u>105,913</u> | <u>288,220</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (41,944) | (9,261) |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(41,944)</u> | <u>(9,261)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayments of related party loan | - | (1,092) |
| Repayments of long-term debt | - | (149,900) |
| Proceeds from PPP loan | - | 177,058 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>-</u> | <u>26,066</u> |
| INCREASE IN CASH | 63,969 | 305,025 |
| CASH, beginning of year | <u>854,663</u> | <u>549,638</u> |
| CASH, end of year | <u>\$ 918,632</u> | <u>\$ 854,663</u> |

See Independent Auditor's Report and Notes to Financial Statements

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, “Leases (Topic 842).” This update includes a lease accounting model that recognizes two types of leases: finance leases and operating leases. The standard requires that a lessee recognize on the statements of financial position assets and liabilities relating to leases with terms of more than 12 months. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will depend on its classification as a finance or operating lease. This update is effective for the Organization for annual periods beginning after December 15, 2022. The Organization will be required to record a “right of use” asset and a lease liability payable. The Organization is currently evaluating the impact of this adoption, including the use of practical expedients provided in the guidance.

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:

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2022 AND 2021

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

Fair Value Measurements - Continued

- *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.

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).

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2022 AND 2021

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

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, 2022 and 2021.

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. All expenses and net losses are reported as decreases in net assets without donor restrictions.

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, 2022 or 2021.

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.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2022 AND 2021

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

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.

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.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2022 AND 2021

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

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.

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, 2022 AND 2021

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, 2022 are:

| | |
|---|---------------------|
| Financial assets: | |
| Cash | \$ 918,632 |
| Grants receivable | <u>3,457,197</u> |
| Total financial assets available for general expenditures within one year | <u>\$ 4,375,829</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 \$400,000 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, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------|------------------|------------------|
| Furniture and equipment | \$ 58,089 | \$ 38,991 |
| Less: Accumulated depreciation | <u>13,983</u> | <u>20,356</u> |
| Property and equipment, net | <u>\$ 44,106</u> | <u>\$ 18,635</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 \$400,000. Interest is computed at the Prime Rate plus 1.25% (7.5% as of September 30, 2022). There was no balance on the line of credit as of September 30, 2022 and 2021. The line of credit agreement is scheduled to mature on August 9, 2023.

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 - NET ASSETS WITH DONOR RESTRICTIONS

As of September 30, 2022, \$16,336 of net assets with donor restrictions are available to promote the Child and Adult Care Food Program.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2022 AND 2021

NOTE G - 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, 2022 and 2021. As of September 30, 2022 and 2021, the Organization had \$719,139 and \$626,980, respectively, exceeding the insured limit.

One contributor represented approximately 99% and 98% of total support and 100% of grants receivable for the years ended September 30, 2022 and 2021, respectively.

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

NOTE H - COMMITMENTS

The Organization leases office space and office equipment under non-cancelable operating leases which expire through January 2027. Future minimum lease payments are as follows:

| <u>Year Ending September 30,</u> | |
|----------------------------------|-------------------|
| 2023 | \$ 222,667 |
| 2024 | 228,066 |
| 2025 | 187,256 |
| 2026 | 118,849 |
| 2027 | 2,236 |
| | <u>\$ 759,074</u> |

NOTE I - 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 \$25,677 and \$19,662 for the years ended September 30, 2022 and 2021, respectively.

NOTE J - 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. The loan was repaid during March 2021.

CHILD CARE RESOURCES, INC.

NOTES TO FINANCIAL STATEMENTS - Continued

SEPTEMBER 30, 2022 AND 2021

NOTE K - PAYCHECK PROTECTION PROGRAM (PPP) FORGIVABLE LOAN

In January 2021, the Organization received a second round loan in the amount of \$177,058 under the Paycheck Protection Program (“PPP”). As of September 30, 2021, the Organization used the full amount received to fund eligible expenses under the terms of the PPP loan. As a result, the Organization believed and expected that it would meet the PPP eligibility criteria for forgiveness and concluded that the PPP loan represented, in substance, funds without donor restrictions provided under a government grant. As such, the Organization 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 L - SUBSEQUENT EVENTS

In the preparation of its financial statements, Child Care Resources, Inc. considered subsequent events through June 23, 2023, 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, 2022, 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 23, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) 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
June 23, 2023



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, 2022. 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, 2022.

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
June 23, 2023

CHILD CARE RESOURCES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2022

| <u>Grant Name</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---|---------------------------------|
| DEPARTMENT OF AGRICULTURE | | | |
| Child and Adult Care Food Program | 10.558 | Ohio Dept. of Education | \$ 5,037,232 |
| | | Pennsylvania Dept. of Education | 368,235 |
| | | Virginia Dept. of Education | 786,290 |
| | | Virginia Dept. of Health | 3,774,230 |
| | | District of Columbia Office of the State Superintendent of Education | 946,116 |
| | | Maryland Dept. of Education | 232,944 |
| | | Texas Dept. of Agriculture | <u>1,943,042</u> |
| | | | <u>13,088,089</u> |
| CENTERS FOR DISEASE CONTROL AND PREVENTION | | | |
| Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nations' Health | 93.421 | Virginia Early Childhood Foundation | <u>48,664</u> |
| | | | <u>\$ 13,136,753</u> |

See Independent Auditor's Report

CHILD CARE RESOURCES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2022

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>2022</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