

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

**Financial Statements
and Supplementary Information**

June 30, 2023



COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

June 30, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Child Care Services, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Community Child Care Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year 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 Community Child Care Services as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Community Child Care Services, Inc. and to meet our other ethical responsibilities, in accordance with the 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 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.

Responsibilities of Management for the Financial Statements, Continued

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 Community Child Care Services, 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 Community Child Care Services, 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Community Child Care Services, 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.

To the Board of Directors
Community Child Care Services, Inc.
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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 March 4, 2024, on our consideration of Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, Inc.'s internal control over financial reporting and compliance.

Maggart & Associates, P.C.

Nashville, Tennessee
March 4, 2024

COMMUNITY CHILD CARE SERVICES, INC.
(a Nonprofit Organization)

Statement of Financial Position

June 30, 2023

ASSETS

Current assets:	
Cash in bank	\$ 168,326
Accounts receivable - fees, net	152
Government grants receivable	31,658
Accounts receivable - other	11,416
Prepaid expenses	<u>8,611</u>
Total current assets	220,163
 Investments	 1,262,378
Property and equipment, net	771,020
Right-of-use asset, net	<u>6,230</u>
 Total assets	 <u><u>\$ 2,259,791</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 8,925
Accrued payroll and payroll taxes	47,919
Deferred revenue	8,049
Lease liability - current	<u>1,807</u>
Total current liabilities	<u>66,700</u>
 Long-term liabilities:	
Lease liability - noncurrent	<u>4,474</u>
Total liabilities	<u>71,174</u>
<hr/>	
Net assets:	
Without donor restrictions	1,638,617
Board designated	<u>550,000</u>
Total net assets without donor restrictions	<u>2,188,617</u>
 Total liabilities and net assets	 <u><u>\$ 2,259,791</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
(a Nonprofit Organization)

Statement of Activities

For the Year Ended June 30, 2023

Changes in net assets without donor restrictions:

Public support and revenues:

Fees - net of discounts and refunds of \$53,292 \$ 384,235

Government grants 1,292,093

Contributions 16,635

United Way grant 35,000

City of Hendersonville grant 16,000

Recovery of bad debt 2,078

Interest income 4,959

Investment return, net 12,373

Total public support and revenues without donor
restrictions 1,763,373

Expenses:

Program services 1,185,915

Management and general 252,168

Fundraising 40,448

Total expenses 1,478,531

Change in net assets without donor restrictions 284,842

Net assets at beginning of year 1,903,775

Net assets at end of year \$ 2,188,617

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
(a Nonprofit Organization)

Statement of Functional Expenses

For the Year Ended June 30, 2023

		Supporting Services		
	Program	Management and		
	Services	General	Fundraising	Total
Salaries and wages	\$ 752,308	171,412	28,569	952,289
Payroll taxes	55,926	14,718	2,944	73,588
Payroll processing fees	5,231	1,376	275	6,882
Food	84,780	-	-	84,780
Advertising	504	-	-	504
Employee benefits	11,859	3,121	624	15,604
Fundraising expense	-	-	1,810	1,810
Bank charges	9,547	-	-	9,547
Meeting fees	7,639	-	-	7,639
Depreciation	59,620	15,690	3,138	78,448
Insurance	10,612	2,792	558	13,962
General supplies	22,599	-	-	22,599
Class supplies	68,065	-	-	68,065
Staff training	6,758	-	-	6,758
Housekeeping	25,868	-	-	25,868
Professional fees	-	27,613	-	27,613
Dues and subscriptions	-	1,692	-	1,692
Office supplies	2,264	596	119	2,979
Recruiting expense	7,654	-	-	7,654
Staff appreciation	8,175	-	-	8,175
Miscellaneous	-	402	-	402
Pest control	550	-	-	550
Postage	140	-	-	140
Repairs and maintenance	16,770	4,413	883	22,066
Sanitation	8,062	2,121	424	10,607
Security system and patrol	240	63	13	316
Utilities	14,590	3,839	768	19,197
Taxes and licenses	-	701	-	701
Telephone and internet	4,354	1,146	229	5,729
Website	936	246	49	1,231
Loss on disposal of property and equipment	864	227	45	1,136
Total expenses	\$ 1,185,915	252,168	40,448	1,478,531

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
(a Nonprofit Organization)

Statement of Cash Flows

For the Year Ended June 30, 2023

Cash flows from operating Activities:	
Increase in net assets	\$ 284,842
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	78,448
Loss on disposal of property and equipment	1,136
Investment return	(12,378)
(Increase) decrease in operating assets:	
Accounts receivable - fees	908
Government grants receivable	(7,194)
Accounts receivable - other	332
Allowance for doubtful accounts	(4,413)
Prepaid expenses	(355)
Right-of-use asset	1,778
Increase (decrease) in operating liabilities:	
Accounts payable	(1,847)
Accrued payroll and payroll taxes	21,064
Deferred revenue	4,443
Lease liability	(1,747)
Net cash provided by operating activities	<u>365,017</u>
Cash flows from investing activities:	
Purchase of investments	(1,376,250)
Proceeds from sale of investments	376,250
Cash payments for the purchase of property	<u>(100,135)</u>
Net cash used in investing activities	<u>(1,100,135)</u>
Net decrease in cash	(735,118)
Cash in bank at beginning of year	<u>903,444</u>
Cash in bank at end of year	<u><u>\$ 168,326</u></u>

The accompanying notes are an integral part of these statements.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements

Year Ended June 30, 2023

(1) Nature of Activities and Significant Accounting Policies

(a) Organization and Nature of Activities

Community Child Care Services, Inc. (the "Organization") is a nonprofit organization chartered in Tennessee and fully licensed by the Tennessee Department of Human Services. The Organization is administered by a separate Board of Directors. The Organization's mission is to operate a quality child care center for children from low income homes who need care and supervision for part of the day, to facilitate employment of the parents, and to do all things reasonable, incidental, and necessary to accomplish the foregoing, including solicitation of funds or property upon such terms and conditions as to meet, if possible, the expense thereof, but without making a profit there from and with such care extended to children of all races and religions in a non-discriminatory manner. Contributions and grants are received primarily from donors or government agencies located in the Middle Tennessee region.

(b) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

(c) Financial Statement Presentation

The net assets of the Organization and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Included within net assets without donor restrictions are those net assets designated by the Board of Directors for future use for a designated purpose.
- Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time.

The Organization had no net assets with donor restrictions at June 30, 2023.

(d) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(1) Nature of Activities and Significant Accounting Policies, Continued

(e) Cash in Bank

For purposes of the statement of cash flows, the Organization considers all cash and all highly liquid investments with original maturities of three months or less to be cash equivalents.

The Organization maintains cash in financial institutions which at times may exceed the Federal insurance amount. At June 30, 2023, the Organization's uninsured cash balances totaled approximately \$200. The Organization maintains balances in financial institutions that management considers to be financially sound.

(f) Accounts Receivable - Fees

The Organization records an allowance for doubtful accounts in anticipation of future write-offs. The allowance for doubtful accounts is based on the Organization's historical collection experience and a review of outstanding accounts.

(g) Property and Equipment

The Organization capitalizes property and equipment acquisitions in excess of \$2,500 with an estimated useful life in excess of one year. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Property and equipment are depreciated using the straight-line method over their estimated useful lives, which a range from 5 to 40 years.

(h) Impairment of Long-Lived Assets

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(1) Nature of Activities and Significant Accounting Policies, Continued

(i) Public Support and Revenues

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

(j) Functional Expenses

Expenses are charged directly to program, management and general, and fundraising based on an allocation by management.

(k) Advertising

The Organization expenses advertising costs as they are incurred.

(l) Compensated Absences

The Organization allows for paid vacation and sick time. Full-time employees receive ten days of paid time off for 0-5 years of employment and 15 days for more than 5 years of service. Paid time off is provided for the purpose of allowing employees to take time off for illness, vacation, personal days, family illnesses or personal appointments. Up to 5 days of paid time off can be carried over from year to year. Management has elected not to accrue paid time off since the amounts do not materially affect the financial statement.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(1) Nature of Activities and Significant Accounting Policies, Continued

(m) Income Taxes

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

The Organizations Form 990, *Return of Organization Exempt from Income Tax*, for the years ended 2021, 2022 and 2023 are subject to examination by the IRS, generally for three years after they were filed.

(n) Investments

Investments are stated at fair value (or at net asset value as a practical expedient for fair value). All gains, losses and investment income are without donor restrictions.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value, less investment expenses.

(o) Leases

The Organization calculates operating lease liabilities with a risk-free discount rate, using a comparable period with the lease term. All lease and non-lease components are combined for all leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

(2) Investments

Investments consisted of the following at June 30, 2023:

Mutual funds	\$ 683,422
Certificates of deposit	<u>578,956</u>
	<u>\$ 1,262,378</u>

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(2) Investments, Continued

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or by other means.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable- inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value (or at net asset value as a practical expedient for fair value) on a recurring basis. There were no changes to the valuation techniques used during the year.

Mutual funds - Valued at the net asset value (NAV) of shares on the last trading day of the fiscal year, which is the basis for transactions at that date.

Certificates of deposit - Valued at cost plus accrued interest, which approximates fair value due to the relative short-term nature of these investments.

Mutual funds of \$683,422 were measured using Level 1 fair value using net asset value as a practical expedient. Certificates of deposit of \$578,956 were measured using Level 2 fair value.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(3) Property and Equipment

The components of property and equipment as of June 30, 2023 are as follows:

Building	\$ 760,775
Furniture and fixtures	335,588
Equipment	140,566
Land improvements	92,913
Land	<u>80,000</u>
	1,409,842
Accumulated depreciation	<u>(638,822)</u>
	<u>\$ 771,020</u>

Depreciation expense for the year ended June 30, 2023 was \$78,448.

(4) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2023, comprise the following:

	<u>Reported Amount</u>
Financial assets:	
Cash in bank	\$ 168,326
Government grants and accounts receivable, net	43,226
Investments	<u>1,262,378</u>
Total financial assets	1,473,930
Less amounts that are not available for general expenditures:	
Board designated net assets	<u>550,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 923,930</u>

The Organization regularly monitors liquidity required to meet its current operating needs as well as other contractual commitments, while also striving to maximize the investment of its available funds.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(5) Leases

During the previous year ended June 30, 2022, the Organization adopted ASU No. 2016-02 "Leases (Topic 842)" and all subsequent ASU's that modified Topic 842. Leases with initial terms of less than one year are not recorded on the statement of financial position.

The Organization's long-term lease arrangement is classified as an operating lease. The lease agreement does not provide for residual value guarantees and has no restrictions or covenants that would require incurring additional financial obligations.

The implementation of the new standard resulted in recognition of a right-of-use asset of \$9,298 and a corresponding lease liability associated with one operating lease agreement for office equipment.

As of June 30, 2023, the amounts associated with the leased right-of-use asset were as follows:

Right-of-use asset	\$ 9,298
Less accumulated amortization	<u>(3,068)</u>
Net right-of-use asset	<u>\$ 6,230</u>
Lease liability, current portion	\$ 1,807
Lease liability, net of current portion	<u>4,474</u>
Lease liability	<u>\$ 6,281</u>
Current year lease expense - right-of-use asset, included within within class supplies	<u>\$ 1,778</u>

The remaining lease term on the operating lease as of June 30, 2023 is 3.25 years with a weighted average discount rate of 3.5%.

The maturities of the lease liability as of June 30, 2023 are as follows:

Year Ending <u>June 30,</u>	
2024	\$ 1,994
2025	1,994
2026	1,994
2027	<u>665</u>
Total lease payments	6,647
Less: Present value discount	<u>(366)</u>
Present value of lease liability	<u>\$ 6,281</u>

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Notes to the Financial Statements, Continued

Year Ended June 30, 2023

(6) Concentrations

The Organization is economically dependent on grants from the State of Tennessee. The grants from the State of Tennessee Child Care Assistance Program and the State of Tennessee Child Care Food Program accounted for 55% of the total public support and revenues for the year ended June 30, 2023. In addition, the Organization received a grant from the State of Tennessee Child Care Stabilization funds under the American Reserve Plan Act that accounted for 19% of the total public support and revenues for the year ended June 30, 2023.

The Organization receives child care fees from parents living in the Middle Tennessee region. The child care fees accounted for 22% of the total public support and revenues for the year ended June 30, 2023.

The Organization has unsecured accounts receivable due from parents located primarily in the Middle Tennessee region. The gross amounts due on the accounts receivable at June 30, 2023 are \$1,152.

(7) Restrictions on Net Assets

During the current year ended June 30, 2023, the Board of Directors designated a component of net assets without donor restrictions in the amount of \$550,000 to be used for the purpose of property expansion and improvements. There has been no activity within the Board designated component since designation by the Board.

The Organization had no net assets with donor restrictions at June 30, 2023.

(8) Subsequent Events

The Organization has evaluated events and transactions subsequent to the year ended June 30, 2023. As of March 4, 2024, the date the financial statements were available to be issued, no other events, subsequent to the balance sheet date are considered necessary to be included in the financial statements for the year ended June 30, 2023.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Health and Human Services Child Care and Development Block Grant – Child Care Certificate Program (Pass-through Agency - Tennessee State Department of Human Services)	93.575	\$ 835,276
U.S. Department of Agricultural Child and Adult Care Food Program (Pass-through Agency - Tennessee State Department of Human Services)	10.558	<u>126,758</u>
		962,034
<u>COVID -19</u>		
U.S. Department of Health and Human Services Child Care and Development Fund (CCDF) – ARP Act Stabilization Funds (Pass-through Agency - Tennessee State Department of Human Services)	93.575	<u>328,459</u>
		<u>\$ 1,290,493</u>

Notes to Schedule of Expenditures of Federal Awards

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Community Child Care Services Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Community Child Care Services Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Community Child Care Services, Inc.

Note B - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Community Child Care Services, Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

COMMUNITY CHILD CARE SERVICES, INC.
(A Nonprofit Organization)

Schedule of Expenditures of Federal Awards, Continued

Year Ended June 30, 2023

Notes to Schedule of Expenditures of Federal Awards, Continued

Note C – CCDF ARP Act Stabilization Funds

Child care stabilization funds included in the ARP Act are for the benefit of child care providers and are considered payments made to beneficiaries of a federal program. Qualified providers receiving ARP Act Stabilization Funds are therefore not categorized as “sub-recipients” as defined at 45 CFR 75.2 but instead as beneficiaries. The Single Audit Act requirements at 45 CFR Subpart F and the sub-recipient monitoring requirements at 45 CFR 75.352 do not apply to beneficiaries.

COMMUNITY CHILD CARE SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023

FINDINGS - FINANCIAL

2022-001 *Cash Disbursements - Significant Deficiency*

Recommendation: Procedures should be implemented to require documented authorization of requested expenditure prior to disbursement.

Action Taken: New policies and procedures were put in place for the 2022-2023 fiscal year regarding the approval process of expenditures prior to payment. A signature is required on an invoice by the Director or person responsible for the expenditure before payment is made. The signature is an approval that the order is received in full or the services have been completed to satisfaction, and the invoice amount is correct and ready for payment. Recurring monthly bills, such as utilities, pest control, cleaning services, etc... do not require an approval signature, but is reviewed by the Finance Manager for anomalies in the monthly billing cycle before payment is made.

Current Status: 2022-23 written Finance Responsibilities were updated to state that a signature is required on all invoices by administration or person who is receiving the order. This includes recurring monthly invoices. This process is being followed.

2022-002 *Property & Equipment - Significant Deficiency*

Recommendation: Procedures should be implemented to ensure periodic reconciliation between the underlying support and the general ledger for all property and equipment related accounts.

Action Taken: The Finance Manager will review and update the fixed asset register quarterly and reconcile with the trial balance.

Current Status: The Finance Manager reviews expenses quarterly to make note of purchases that are eligible as a capital expense. Noted items are reviewed yearly by the Treasurer to make a final decision on capital expenditures. This process is being followed.

2022-003 *Payroll- Other Deficiency*

Recommendation: Employment agreements should be prepared to support the roles and responsibilities of management personnel subject to hire by the Board of Directors. Payment terms should be included within each agreement to support periodic wages provided throughout the term of the agreement.

Action Taken: At the February 21, 2023 Board Meeting, the Board of Directors agreed to prepare employment agreements for the Director and Finance Manager by the end of the current fiscal year ending June 30, 2023.

Current Status: The Organization agrees with the finding and the recommended procedures will be implemented. Contracts were created by the Board of Directors, presented to the Executive Director and Finance Manager, and signed for employment beginning July 1, 2023.

COMMUNITY CHILD CARE SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023 , CONTINUED

FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Human Services

2022-004 Assistance Listing 93.575 Child Care and Development Block Grant, Years Ended September 30, 2021 and 2022.
Significant Deficiency: See Finding 2022-001.

Department of Agriculture

2022-004 Assistance Listing 10.558 Child and Adult Care Food Program, Years Ended September 30, 2021 and 2022.
Significant Deficiency: See Finding 2022-001 and 2022-004.

2022-006 Assistance Listing 10.558 Child and Adult Care Food Program, Year Ended September 30, 2022.
Significant Deficiency

Recommendation: An individual knowledgeable of the Federal program requirements should be assigned the responsibility of reviewing the periodic request for payment prior to submission.

Action Taken: The Director and the Finance Manager will attend the CACFP conference in April 2023 to become more knowledgeable in the program's requirements. The Finance Manager will review the monthly reimbursement claim and sign off on its accuracy before the Director finalizes the submission.

Current Status: Since returning from the CACFP conference in April, 2023, a new CACFP procedure manual has been written. There are 4 people assigned to different tasks and oversight of the CACFP program. The CACFP assistant prepares the monthly claims and the supervisor reviews the claims for accuracy before submitting for reimbursement. This process is being followed.

2022-007 Assistance Listing 10.558 Child and Adult Care Food Program, Year Ended September 30, 2022.
Compliance

Recommendation: The Organization should implement a policy of requesting secondary review of payment requests for meals served by a responsible individual as a means of reducing the likelihood of error.

Action Taken: The CACFP administrator will process the eligibility status of the families based on the CACFP intake forms. The Finance Manager will review the categorization of the families for accuracy. The Director will use the categorization of families, Free Meals, Reduced Meals and Paid Meals, to process the monthly reimbursement claim.

COMMUNITY CHILD CARE SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023 , CONTINUED

FINDINGS AND QUESTIONED COSTS -
MAJOR FEDERAL AWARD PROGRAMS AUDIT, CONTINUED

2022-007 Continued:

Current Status: Since returning from the CACFP conference in April, 2023, a new CACFP procedure manual has been written. There are 4 people assigned to different tasks and oversight of the CACFP program. Eligibility forms are now reviewed for accuracy by the CACFP manager, assistant, and supervisor. This process is being followed with continued emphasis to be placed on this area to insure accuracy of payment requests.



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J. Mark Allen, CPA
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Michael T. Holland, CPA, ABV, CFF
M. Todd Maggart, CPA, ABV, CFF
P. Jason Ricciardi, CPA, CGMA
David B. von Dohlen, CPA

***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***

To the Board of Directors of
Community Child Care Services, Inc.

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 Community Child Care Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, 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 March 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Community Child Care Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Community Child Care Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Community Child Care Services, Inc.'s internal control.

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

Report on Internal Control Over Financial Reporting, Continued

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-003 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Child Care Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Item 2023-004.

Government Auditing Standards requires the auditor to perform limited procedures on Community Child Care Services, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Community Child Care Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Maggart & Associates, P.C.

Nashville, Tennessee
March 4, 2024



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

To the Board of Directors
Community Child Care Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Community Child Care Services, 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 Community Child Care Services, Inc.'s major federal programs for the year ended June 30, 2023. Community Child Care Services, 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, Community Child Care Services, 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 June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations 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 Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, 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 Community Child Care Services, 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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Item 2023-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Community Child Care Services, Inc.'s response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Community Child Care Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Item 2023-003 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Community Child Care Services, Inc.'s response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Community Child Care Services, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

To the Board of Directors
Community Child Care Services, Inc.
Page Four

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.

Maggart & Associates, P.C.

Nashville, Tennessee
March 4, 2024

COMMUNITY CHILD CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2023

Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Community Child Care Services, Inc. were prepared in accordance with GAAP.
2. Two other deficiencies disclosed during the audit of the financial statements are reported in the 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. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Community Child Care Services, Inc. were disclosed during the audit.
4. One significant deficiency in internal control over federal award programs disclosed during the audit is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Community Child Care Services, Inc. expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2CFR Section 200.516(a) are reported in this Schedule.
7. The programs tested as major programs were:

93.575	U.S. Department of Health and Human Services Child Care and Development Block Grant - Child Care Certificate Program
10.558	U.S. Department of Agriculture Child and Adult Care Food Program.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Community Child Care Services, Inc. did not qualify as a low-risk auditee.

COMMUNITY CHILD CARE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2023

Findings - Financial

Other

2023-001 Payroll

Condition: No employment agreement exists between the Organization and Executive Director and Finance Manager.

Criteria: Documentation should be in place to support the level of compensation afforded the Executive Director and Finance Manager.

Cause: There is no documentation in place to support the level of compensation provided to the Executive Director and Finance Manager.

Effect: Without documentation to support the level of compensation provided to those individuals hired by the Board of Directors, there is a lack of information available as a measure of performance.

Recommendation: Employment agreements should be prepared to support the roles and responsibilities of management personnel subject to hire by the Board of Directors. Payment terms should be included within each agreement to support periodic wages provided throughout the term of the agreement.

Views of Responsible Officials and Planned Corrective Action: The Organization agrees with the finding and the recommended procedures will be implemented. Contracts were created by the Board of Directors, presented to the Executive Director and Finance Manager and signed for employment beginning July 1, 2023.

COMMUNITY CHILD CARE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2023

Findings - Financial, Continued

Other, Continued

2023-002

Fees

Condition: Instances noted where calculating income form used in fee determination did not reflect support for income update between periods.

Criteria: Documentation should indicate date and rationale for income determination for each fiscal period.

Cause: No documentation in place to support income determination and related fee calculation as updated from one period to the next.

Effect: Fee calculation may be in error based on any revision to income determination from period to period.

Recommendation: Fee calculation should be updated on an annual basis with interim adjustments made should circumstances merit a change.

Views of Responsible Officials and Planned Corrective Action: The Organization agrees with the finding and the recommended procedures will be implemented. At a minimum, calculating income forms to be updated on an annual basis.

COMMUNITY CHILD CARE SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
Year Ended June 30, 2023

Findings and Questioned Costs - Major Federal Award Programs Audit

Department of Agriculture
Significant Deficiency

2023-003 Assistance Listing 10.558 Child and Adult Care Food Program; Grant Questioned Costs
Period - Year Ended September 30, 2023

Statement of Condition: Instances were noted where there was no additional review of the calculation of payment for meals provided based on the income as provided by the family.

Criteria: Eligibility for program payment for meals provided to be based on Federal poverty income guidelines regarding household size and income levels.

Cause: There is no requirement for additional review of periodic payment request for accuracy.

Effect: Without additional review of the payment requests, there is a greater likelihood of errors not being subject to correction.

Recommendation: An individual knowledgeable of the Federal program requirements should be assigned the responsibility of reviewing the periodic request for payment prior to submission.

Views of Responsible Officials and Planned Corrective Action: The Organization agrees with the finding and the recommended procedure will be implemented.

\$ -

COMMUNITY CHILD CARE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2023

Findings and Questioned Costs - Major Federal Award Programs Audit, Continued

*Department of Agriculture
Compliance*

2023-004 Assistance Listing 10.558 Child and Adult Care Food Program; Grant Questioned Costs
Period - Year Ended September 30, 2023

Statement of Condition: Three instances noted in a monthly period where the amount claimed for meals was incorrectly calculated based on the household size and income provided by the household.

Criteria: Eligibility for payment of meals served is based in part on household size and income levels of the affected households as established by Federal guidelines.

Cause: Incorrect calculations for payment associated with meals served was submitted without additional review.

Effect: The lack of additional review of the payment request for meals served resulted in incorrect payment request.

Context: The State of Tennessee Department of Human Services conducted tests of CACFP Meal Benefit Eligibility forms out of a population of 109 participants during February, 2023 that were selected for testing. The test found that 3 of the files indicated incorrect classification between Paid, Reduced, and Free categories. The questioned costs from the sample for the month resulted in an overpayment of \$254 for the period which extended for the year results in a potential overpayment of \$3,048. In connection with the audit, additional tests were performed on a period subsequent to February, 2023 with no exceptions noted. \$ 3,048

COMMUNITY CHILD CARE SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

Year Ended June 30, 2023

Findings and Questioned Costs - Major Federal Award Programs Audit, Continued

*Department of Agriculture
Compliance, Continued*

2023-004	Continued:	<u>Questioned Costs</u>
	Recommendation:	
	The Organization should implement a policy of requiring additional review of payment requests for meals served by a responsible individual as a means of reducing the likelihood of error.	
	Views of Responsible Officials and Planned Corrective Action:	
	The Organization agrees with the finding and the recommended procedure will be implemented.	
	Total - Department of Agriculture	\$ 3,048
	Total	\$ 3,048

