

# Child Care Associates

## FINANCIAL STATEMENTS

For the Years Ended  
December 31, 2018 and 2017



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Child Care Associates  
Fort Worth, Texas

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Child Care Associates (a nonprofit organization) ("CCA"), which comprise the statements of financial position as of December 31, 2018 and 2017 and the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCA as of December 31, 2018 and 2017, 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.

## **Emphasis of Matter – New Accounting Standards**

As discussed in Note 1 to the financial statements, management has adopted Financial Accounting Standards Board ASU 2016-14, Not-for-Profit Entities (Topic 958). This new standard requires changes to be made in how net assets are classified based on donor restrictions, and has added multiple new disclosures. Our opinion is not modified with respect to this matter.

## **Other Matters**

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 and state of Texas awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Single Audit Circular is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2019 on our consideration of CCA'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 CCA'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 CCA's internal control over financial reporting and compliance.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

September 13, 2019

**Child Care Associates**  
**Statements of Financial Position**

<i>December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,641,655	\$ 1,894,693
Grants receivable	815,307	1,339,423
Other receivables	96,810	20,391
Prepaid expenses	86,683	115,800
Property and equipment, net	4,832,290	4,938,197
<b>Total assets</b>	<b>\$ 8,472,745</b>	<b>\$ 8,308,504</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 1,018,072	\$ 1,079,803
Accrued salaries and benefits	400,028	551,064
Note payable	162,166	270,133
Due to grantor	2,077,604	2,188,183
<b>Total liabilities</b>	<b>3,657,870</b>	<b>4,089,183</b>
Net assets		
Without donor restrictions	4,134,845	4,219,321
With donor restrictions	680,030	-
<b>Total net assets</b>	<b>4,814,875</b>	<b>4,219,321</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,472,745</b>	<b>\$ 8,308,504</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**Child Care Associates**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Support and Revenue</b>			
Grant income	\$ 77,155,060	\$ -	\$ 77,155,060
Misc Income	68,228	-	68,228
Contributions	422,618	870,918	1,293,536
Program service fees	92,796	-	92,796
Interest income	20,101	-	20,101
In-kind	3,415,395	-	3,415,395
Net assets released from restrictions	190,888	(190,888)	-
<b>Total support and revenue</b>	<b>81,365,086</b>	<b>680,030</b>	<b>82,045,116</b>
<b>Expenses</b>			
Program services			
Early Education Program Services	136,614	-	136,614
Special Nutrition	1,173,412	-	1,173,412
Head Start/Early Head Start	25,001,461	-	25,001,461
Texas School Ready	275,170	-	275,170
Child Care Management Services			
Tarrant County	45,111,015	-	45,111,015
West Central Texas	6,365,903	-	6,365,903
Other Programs	340,649	-	340,649
Support services			
General and administration	3,045,338	-	3,045,338
<b>Total expenses</b>	<b>81,449,562</b>	<b>-</b>	<b>81,449,562</b>
Change in net assets	(84,476)	680,030	595,554
<b>Net Assets, beginning</b>	<b>4,219,321</b>	<b>-</b>	<b>4,219,321</b>
<b>Net Assets, ending</b>	<b>\$ 4,134,845</b>	<b>\$ 680,030</b>	<b>\$ 4,814,875</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**Child Care Associates**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Support and Revenue</b>			
Grant income	\$ 75,519,459	\$ -	\$ 75,519,459
Miscellaneous income	13,746	-	13,746
Contributions	383,520	-	383,520
Program service fees	109,979	-	109,979
Interest income	7,180	-	7,180
In-kind	4,570,044	-	4,570,044
<b>Total support and revenue</b>	<b>80,603,928</b>	<b>-</b>	<b>80,603,928</b>
<b>Expenses</b>			
Program services			
Early Education Program Services	246,527	-	246,527
Special Nutrition	1,216,545	-	1,216,545
Head Start/Early Head Start	26,142,805	-	26,142,805
Texas School Ready	141,659	-	141,659
Child Care Management Services			
Tarrant County	44,042,454	-	44,042,454
West Central Texas	6,119,132	-	6,119,132
Other programs	318,669	-	318,669
Support services			
General and administration	2,849,722	-	2,849,722
<b>Total expenses</b>	<b>81,077,513</b>	<b>-</b>	<b>81,077,513</b>
Change in net assets	(473,585)	-	(473,585)
<b>Net Assets, beginning</b>	<b>4,692,906</b>	<b>-</b>	<b>4,692,906</b>
<b>Net Assets, ending</b>	<b>\$ 4,219,321</b>	<b>\$ -</b>	<b>\$ 4,219,321</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**Child Care Associates**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	Early Education Program Services	Special Nutrition	Head Start/ Early Head Start
Salary and fringe benefits	\$ 91,767	\$ 506,621	\$ 13,058,985
Employee health benefits	2,930	164,306	2,751,059
Payroll taxes and other fringe	8,511	72,556	1,659,113
Professional fees	1,097	18	2,706,966
Educational supplies	48	-	277,624
Food	93	270,505	523,301
Household supplies	1,246	159,299	78,580
Office supplies	1,187	-	121,882
Other supplies	490	-	518,646
Telephone	2,240	-	156,064
Postage	11	21	6,055
Occupancy	15,213	-	2,341,862
Rental and equipment maintenance	2,921	-	151,658
Travel	328	29	96,802
Conferences, conventions and meetings	8	-	80,511
Provider payments	-	-	-
Insurance	2,177	-	106,981
Miscellaneous	2,705	16	123,668
Printing	267	-	5,431
Community relations and public contributions	-	41	-
Interest expense	-	-	-
<b>Total expenses before depreciation and amortization</b>	<b>133,239</b>	<b>1,173,412</b>	<b>24,765,188</b>
<b>Depreciation and amortization</b>	<b>3,375</b>	<b>-</b>	<b>236,273</b>
<b>Total expenses</b>	<b>\$ 136,614</b>	<b>\$ 1,173,412</b>	<b>\$ 25,001,461</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*



Texas School Ready	Child Care Management Services		Other Programs	Total Program Services	General and Administration	Total 2018
	Tarrant County	West Central Texas				
\$ 158,835	\$ 1,871,255	\$ 475,692	\$ 134,003	\$ 16,297,158	\$ 1,381,615	\$ 17,678,773
20,159	313,005	70,690	17,808	3,339,957	153,412	3,493,369
19,645	234,297	64,241	23,015	2,081,378	188,300	2,269,678
32,505	194,334	1,800	137,633	3,074,353	246,648	3,321,001
16,293	-	-	2,406	296,371	2,981	299,352
-	1,951	-	10,263	806,113	1,221	807,334
-	-	-	697	239,822	373	240,195
6,164	44,573	-	805	174,611	38,079	212,690
8,668	485,582	436	124	1,013,946	198,545	1,212,491
1,479	45,392	1,072	547	206,794	31,070	237,864
-	52,497	-	-	58,584	8,377	66,961
11	212,140	-	68	2,569,294	161,822	2,731,116
2,810	26,666	-	643	184,698	17,355	202,053
7,876	46,005	11,652	587	163,279	6,866	170,145
-	55,632	1,500	2,141	139,792	41,912	181,704
-	41,437,211	5,737,018	-	47,174,229	-	47,174,229
393	4,752	1,020	314	115,637	191,256	306,893
93	55,765	591	7,100	189,938	222,951	412,889
239	11,372	-	2,495	19,804	10,373	30,177
-	-	-	-	41	221	262
-	-	-	-	-	32,536	32,536
275,170	45,092,429	6,365,712	340,649	78,145,799	2,935,913	81,081,712
-	18,586	191	-	258,425	109,425	367,850
<u>\$ 275,170</u>	<u>\$ 45,111,015</u>	<u>\$ 6,365,903</u>	<u>\$ 340,649</u>	<u>\$ 78,404,224</u>	<u>\$ 3,045,338</u>	<u>\$ 81,449,562</u>

**Child Care Associates**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

	Early Education Program Services	Special Nutrition	Head Start/ Early Head Start
Salary and fringe benefits	\$ 150,020	\$ 471,616	\$ 12,193,868
Employee health benefits	26,400	154,936	2,672,025
Payroll taxes and other fringe	16,209	53,893	1,494,760
Professional fees	1,154	13	3,900,255
Educational supplies	2,745	-	782,874
Food	168	367,048	384,918
Household supplies	1,261	167,603	71,372
Office supplies	1,801	-	170,505
Other supplies	2,731	-	906,706
Telephone	4,244	401	193,724
Postage	-	-	2,650
Occupancy	22,868	-	2,185,671
Rental and equipment maintenance	3,228	-	132,712
Travel	454	227	91,396
Conferences, conventions and meetings	46	20	128,483
Provider payments	-	-	-
Insurance	1,554	-	94,975
Miscellaneous	8,241	272	503,768
Printing	4	-	4,155
Community relations and public contributions	24	516	-
Interest expense	-	-	-
<b>Total expenses before depreciation and amortization</b>	<b>243,152</b>	<b>1,216,545</b>	<b>25,914,817</b>
<b>Depreciation and amortization</b>	<b>3,375</b>	<b>-</b>	<b>227,988</b>
<b>Total expenses</b>	<b>\$ 246,527</b>	<b>\$ 1,216,545</b>	<b>\$ 26,142,805</b>

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

Texas School Ready	Child Care Management Services		Other Programs	Total Program Services	General and Administration	Total 2017
	Tarrant County	West Central Texas				
\$ 98,177	\$ 1,739,383	\$ 492,057	\$ 132,300	\$ 15,277,421	\$ 1,319,356	\$ 16,596,777
15,066	268,847	77,356	21,806	3,236,436	125,032	3,361,468
11,604	200,961	56,850	13,208	1,847,485	149,448	1,996,933
195	129,457	11,179	85,642	4,127,895	439,794	4,567,689
-	-	-	1,498	787,117	-	787,117
-	1,085	-	-	753,219	1,348	754,567
-	807	-	163	241,206	-	241,206
3,725	49,086	2,399	374	227,890	33,205	261,095
89	835,873	45,155	1,319	1,791,873	149,582	1,941,455
3,270	44,118	1,426	823	248,006	23,416	271,422
58	40,982	41	16	43,747	10,574	54,321
3,453	187,854	-	-	2,399,846	65,251	2,465,097
866	20,636	-	768	158,210	19,387	177,597
5,050	37,331	15,541	2,784	152,783	13,164	165,947
-	146	242	1,162	130,099	17,660	147,759
-	40,400,967	5,415,310	-	45,816,277	-	45,816,277
104	3,847	1,153	345	101,978	189,001	290,979
-	50,979	150	56,461	619,871	135,399	755,270
-	11,181	-	-	15,340	5,316	20,656
2	-	82	-	624	-	624
-	-	-	-	-	35,420	35,420
141,659	44,023,540	6,118,941	318,669	77,977,323	2,732,352	80,709,675
-	18,914	191	-	250,468	117,370	367,838
<u>\$ 141,659</u>	<u>\$ 44,042,454</u>	<u>\$ 6,119,132</u>	<u>\$ 318,669</u>	<u>\$ 78,227,791</u>	<u>\$ 2,849,722</u>	<u>\$ 81,077,513</u>

## Child Care Associates Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2018</b>	<b>2017</b>
<b>Cash Flows From Operating Activities</b>		
Net increase (decrease) in net assets	\$ 595,554	\$ (473,585)
Adjustments to reconcile increase in net assets to cash provided by operations		
Depreciation and amortization	367,850	367,838
(Increase) decrease in operating assets		
Grants receivable	524,116	(64,190)
Other receivables	(76,419)	209,031
Prepaid expenses	29,117	(65,029)
Increase (decrease) in operating liabilities		
Accounts payable	(61,731)	504,722
Accrued salaries and benefits	(151,036)	2,257
<b>Net cash provided by operating activities</b>	<b>1,227,451</b>	<b>481,044</b>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(261,943)	(137,490)
<b>Cash Flows From Financing Activities</b>		
Principal payments on note payable - grantor	(110,579)	(91,018)
Principal payments on note payable - bank	(107,967)	(102,643)
<b>Net cash used in financing activities</b>	<b>(218,546)</b>	<b>(193,661)</b>
Net increase in cash	746,962	149,893
<b>Cash and Cash Equivalents - beginning</b>	<b>1,894,693</b>	<b>1,744,800</b>
<b>Cash and Cash Equivalents - ending</b>	<b>\$ 2,641,655</b>	<b>\$ 1,894,693</b>
<b>Supplemental Disclose of Cash Flow Information</b>		
Interest Paid	\$ 32,536	\$ 32,420

*The accompanying "Notes to Financial Statements" form an integral part of this statement.*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Organization***

Child Care Associates (“CCA”) is a multi-funded, private, not-for-profit organization that provides comprehensive childcare and development services in North Texas. CCA’s mission is to assist family successes through excellence in comprehensive early education and development services.

***Basis of Presentation***

The financial statements of CCA have been prepared on the accrual basis of accounting. Liquidity is presented on the statements of financial position through the sequencing of assets according to their nearness of conversion to cash and sequencing liabilities according to their nearness of their maturity and resulting use of cash.

***New Accounting Pronouncement***

In 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. The Organization adopted the provisions of this new standard during the year ended December 31, 2018. The Organization has adjusted the presentation of its financial statements accordingly, applying changes retrospectively to the comparative period presented. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and availability of resources and related to functional allocation of expenses.

***Recently Issued Accounting Standards***

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 supersedes existing revenue recognition standards with a single model unless those contracts are within the scope of other standards. The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Companies can adopt the new standard either using the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon adoption approach. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective dates of ASU 2014-09 by one year. As such, the Organization is currently evaluating the potential impact of this guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires a lessee to recognize a right-of-use asset and a lease liability for operating leases, initially measured at the present value of the lease payments in its balance sheet. This standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. This guidance is effective for the Organization beginning January 1, 2020. Early adoption is permitted. The adoption of this guidance is not expected to have

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

a material effect on the Organization's operating results or cash flows. The Organization is evaluating the impact of adopting ASU 2016-02 on its consolidated financial position and will base the evaluation on leases outstanding at the time of adoption.

***Tax Exempt Status***

CCA has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a non-profit corporation. As required by Internal Revenue Service regulations, CCA annually files Form 990, "Return of Agency Exempt from Income Tax" with the Internal Revenue Service.

CCA's policy is to record interest and penalties related to taxes in interest expense on the financial statements; however, CCA did not have any interest or penalties related to taxes in fiscal year 2018.

CCA applies the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions initially and subsequently need to be measured as the largest amount of tax benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and relevant facts. CCA believes that it has appropriate support for the income tax positions taken and to be taken on its tax returns and that its accruals for tax liabilities are adequate for all open tax years (after 2015 for federal and state) based on an assessment of many factors including experience and interpretations of tax laws applied to the facts of each matter. CCA has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits as of December 31, 2018 and 2017.

***Cash and Cash Equivalents***

For purposes of the statements of cash flows, CCA considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

***Grants and Other Receivable***

Grants and other receivable represent pending reimbursements of program expenses incurred as of December 31, 2018 and 2017, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers receivables at December 31, 2018 and 2017 to be fully collectible. Accordingly, no allowance for delinquent grants and other receivables was made in the accompanying financial statements.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Property and Equipment***

It is CCA's policy to capitalize all expenditures for property and equipment costing in excess of \$5,000 and having a useful life of one year or more. Donations of land, buildings, and equipment are similarly capitalized and recorded as support at their fair rental value. Such donations are reported as net assets without donor restrictions unless explicit donor stipulations specify how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, CCA reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Depreciation using the straight-line method is provided over the estimated useful lives of the assets. Estimated lives of major property categories are as follows:

Buildings	10-50 Years
Equipment	3-5 Years
Leasehold improvements	Shorter of useful life of the asset or life of the lease

***Contributions***

In accordance with FASB ASC 958-605, Revenue Recognition, as amended by ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities* contributions received are recorded as net asset with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the fiscal year in which the contributions are recognized. Net assets with donor restrictions totaled \$680,030 and \$-0- at December 31, 2018 and 2017, respectively.

***Donated Services, Materials and Facilities***

In accordance with FASB ASC 958-605, Revenue Recognition, CCA recognizes donated services as contributions in the financial statements if such services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CCA. Donated services, materials and facilities are recorded at their estimated fair values.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Net Assets***

In accordance with ASU 2016-14, the Organization's net assets are classified as follows:

Net assets without donor restrictions – represent net assets whose use is not restricted by donors, even though their use may be limited in other respects (such as by contract or board designation). Changes in net asset arising from exchange transactions are included, as well as resources derived from gifts. These resources are used at the discretion of the board of directors to meet current expenses for any purpose.

Net assets with donor restrictions – represent net assets that are subject to donor-imposed stipulations. When a restriction expires, either by actions of the organization or the passage of time, net asset with donor restrictions are reclassified to net asset without restrictions and reported in the statement of activities as net assets released from restrictions.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Organization's policy is to first apply the expense towards restricted resources.

***Functional Expenses***

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited in accordance with CCA's cost allocation plan. General and administrative expenses include those expenses that provide for the overall support and direction of CCA. Allocable salaries and wages, fringe benefits, travel costs, training/conferences/seminars, contractual expenses, and occupancy/facilities expenses of program centers are allocated proportionate to the number of children enrolled in each program. Occupancy/facilities expenses for administrative buildings are allocated based on ratio of square footage utilization by staff. Costs incurred for administration related to equipment rental and repairs, phones and internet, office expenses and supplies, and insurance are allocated based on ratio of square footage utilization by staff while similar costs incurred at program centers is allocated proportionate to the number of children enrolled in each program. Public relations and depreciation are allocated based on a ratio of each programs expense as a percentage of total expenses. Unallowable costs are allocated directly to unrestricted funds.

***Grant and Contract Support***

CCA recognizes support from the Local Workforce Development Boards, under a direct reimbursement contract, as services are provided. CCA recognizes support from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture in accordance with the conditions specified by their individual grant and contract provisions. A receivable is recognized to the extent costs have been incurred and not reimbursed under such grants and contracts. Revenue is deferred when funds are received in advance of costs being incurred.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CCA participates in numerous federal and state grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that CCA has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2018, may be impaired. In the opinion of management, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants that are considered to be probable and can be reasonably estimated; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Differences between the estimated amounts accrued and interim and final settlements are reported in the year of settlement.

The funding for CCA's operations is significantly dependent on the receipt of federal and state grants. For the years ended December 31, 2018 and 2017, approximately 77% and 77%, respectively, of CCA's total revenues and other support was derived from the U.S. Department of Health and Human Services (inclusive of amounts received from pass-through entities). It is always considered reasonably possible that a customer, grantor, or contributor will be lost in the near term.

***Management Estimates and Assumptions***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Advertising***

Advertising costs are expensed as incurred.

***Subsequent Events***

*Management has evaluated subsequent events through September 13, 2019 which is the date the financial statements were available to be issued.*

***Reclassifications***

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

## Child Care Associates Notes to Financial Statements

### NOTE 2 - CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject CCA to concentrations of credit risk consist principally of cash and receivables.

As of December 31, 2018, deposits in financial institutions totaled \$2,441,023, which exceeded the collateral thereon and the amounts insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protection Corporation (SIPC) by \$2,112,656. CCA's deposits have exceeded collateralized and insured amounts at other various times during the year as well; however, CCA monitors credit worthiness of each financial institution with which it conducts business and has not experienced any losses in its accounts. CCA believes it is not exposed to any significant risk on cash.

Credit risk with respect to receivables is limited because the amounts are receivable from state and local governmental agencies. CCA believes it is not exposed to any significant risk on receivables.

### NOTE 3 - GRANTS RECEIVABLE

Grants receivable consists of the following:

<i>December 31,</i>	<b>2018</b>	2017
U.S. Department of Health and Human Services		
Head Start	\$ 468,910	\$ 569,913
Child Care Management System Program	213,505	646,032
U.S. Department of Agriculture		
Child and Adult Care Food Program	100,711	99,425
Texas School Readiness Program	32,181	24,053
<b>Total</b>	<b>\$ 815,307</b>	<b>\$ 1,339,423</b>

### NOTE 4 - OTHER RECEIVABLES

Other receivables consisted of the following:

<i>December 31,</i>	<b>2018</b>	2017
Miscellaneous funding sources	\$ 96,810	\$ 20,391

**Child Care Associates  
Notes to Financial Statements**

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

<i>December 31,</i>	<b>2018</b>	2017
Land	\$ 1,121,027	\$ 972,527
Buildings	5,630,622	5,630,622
Equipment	4,460,116	4,468,173
Construction in process	-	8,232
Leasehold improvements	3,993,877	4,008,514
Total property and equipment, at cost	<b>15,205,642</b>	15,088,068
Less: accumulated depreciation	<b>(10,373,352)</b>	(10,149,871)
Net book value	<b>\$ 4,832,290</b>	\$ 4,938,197

Depreciation expense for the years ended December 31, 2018 and 2017 was \$367,850 and \$367,838, respectively.

**NOTE 6 – ACCRUED SALARIES AND BENEFITS**

Accrued salaries and benefits consist of the following:

<i>December 31,</i>	<b>2018</b>	2017
Accrued salaries, payroll taxes and related fringe	\$ 324,477	\$ 519,249
Accrued vacation leave	75,551	31,815
Total	<b>\$ 400,028</b>	\$ 551,064

**NOTE 7 – NOTE PAYABLE**

Note payable consists of the following:

<i>December 31,</i>	<b>2018</b>	2017
Note payable to a bank, due in monthly payments of \$9,923 and bearing interest at 4.99% through June 2020, secured by corporate offices land and buildings.	<b>\$ 162,166</b>	\$ 270,133

**Child Care Associates  
Notes to Financial Statements**

**NOTE 7 – NOTE PAYABLE (Continued)**

The principal amounts of note payable maturing December 31 is as follows:

2019	\$	113,625
2020		48,541
		\$ 162,166

**NOTE 8 – DUE TO GRANTOR**

Due to grantor represents an amount owed back to the U.S. Department of Health and Human Services for disallowed costs. The disallowed funds are a result of CCA not properly allocating joint costs and indirect program costs to its Head Start and Early Head Start programs during a prior period.

Due to grantor consists of the following:

<i>December 31,</i>	<b>2018</b>	2017
Due to grantor payable is due to U.S. Department of Health and Human Services in monthly installments of \$11,000 bearing interest at 1.00% annually, maturing February 2036.	<b>\$ 2,077,604</b>	\$ 2,188,183

The principal amounts of note payable maturing subsequent to December 31, 2018 is as follows:

2019	\$	111,739
2020		112,862
2021		113,995
2022		115,140
2023		116,297
Thereafter		1,507,571
		\$ 2,077,604

**NOTE 9 – DONATED SERVICES, MATERIALS, AND FACILITIES**

Significant services, materials, and facilities are donated to CCA by various individuals and organizations as part of its Head Start program. Donated materials and facilities were recorded at fair market value at the date of donation, and have been included in revenue and expenses for the year. Donated professional services are valued based on the fair market value of the services donated. Donated non-professional services have not been recognized in the Statement of Activities in accordance with FASB ASC 958-605. The non-professional services reported below are based on time sheets maintained on the volunteers, using reasonable rates.

**Child Care Associates**  
**Notes to Financial Statements**

**NOTE 9 – DONATED SERVICES, MATERIALS, AND FACILITIES (Continued)**

Donated materials, facilities, and services are as follows:

<i>For the year ended December 31,</i>	<b>Head Start</b>	<b>Child Care</b>	<b>Corporate Services</b>	<b>2018</b>	<b>2017</b>
Program supplies	\$ 375,816	\$ -	\$ -	<b>\$ 375,816</b>	\$ 443,173
Professional services	1,962,378	-	18,786	<b>1,981,164</b>	3,113,031
Facilities	1,058,415	-	-	<b>1,058,415</b>	1,013,840
In-kind contributions reflected in statements of activities	3,396,609	-	18,786	<b>3,415,395</b>	4,570,044
Nonprofessional services	2,915,934	846	-	<b>2,916,780</b>	2,014,210
<b>Total in-kind contributions</b>	<b>\$ 6,312,543</b>	<b>\$ 846</b>	<b>\$ 18,786</b>	<b>\$ 6,332,175</b>	<b>\$ 6,584,254</b>

**NOTE 10 – RISK MANAGEMENT**

CCA is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, injuries to employees, employee's health insurance and life, and natural disasters. CCA manages these risks of loss through the purchase of various insurance policies.

**NOTE 11 – OPERATING LEASES**

Operating lease agreements are generally for periods of up to five years. However, certain of the lease agreements allow for termination of the lease prior to completion of the lease term in the event that a federal agency declines to provide continued funding of CCA's programs. A schedule of future minimum rental payments by year required under operating leases that have remaining lease terms in excess of one year is as follows:

<i>Year ending December 31,</i>	
2019	\$ 549,414
2020	292,200
2021	127,660
2022	73,176
2023	72,882
Thereafter	330,000
<b>Total minimum payments required</b>	<b>\$ 1,445,332</b>

Rent expense for the years ended December 31, 2018 and 2017 totaled \$692,983 and \$660,663, respectively.

## Child Care Associates Notes to Financial Statements

### NOTE 12 – LIQUIDITY

The Agency has structured its financial assets to be available for its general expenditures and other obligations as they come due. Management invests cash in excess of daily requirements in highly liquid money market funds. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use within one year of the statement of financial position date, comprise the following:

Decemer 31,	2018	2017
Cash and cash equivalents	\$ 1,961,625	\$ 1,894,693
Grants receivable	815,307	1,339,423
Other receivables	96,810	20,391
	<b>\$ 2,873,742</b>	<b>\$ 3,254,507</b>

### NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS

During 2018, the Agency received certain contributions which were limited as to use. The portions of these contributions which had not been expended for donor-designated purposes are included in net assets with donor restrictions on the statements of activities. A summary of the activity in net assets with donor restrictions is summarized by donor-designated purposes as follows:

	Innovation Studio	TRS Boost and Class	Class Pre-K	ECE Shared	Total
Net assets with donor restrictionis at January 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	24,450	525,468	210,000	111,000	870,918
Assets released from restrictions through qualifying expenses	-	(129,845)	-	(61,043)	(190,888)
Net assets with donor restrictionis at December 31, 2018	<b>\$ 24,450</b>	<b>\$ 395,623</b>	<b>\$ 210,000</b>	<b>\$ 49,957</b>	<b>\$ 680,030</b>

A description of each project or program for which restricted contributions were made follows:

**Innovation Studio** - Donor imposed restrictions require expenditure of related contributions for establishing an Innovation Studio with child studios, adult studios and relate infrastructure.

**TRS Boost Program** - Donor imposed restrictions require expenditure of related contributions for enhancing the Texas Rising Start Program by coaching and supporting TRS and to utilize the class tool and coaching support at childcare programs.

**NOTE 13 – NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

**Class Pre-K** - Donor imposed restrictions require expenditure of related contributions to utilize the Class tool and provide coaching support to Pre-K classrooms in schools.

**ECE Shared** - Donor imposed restrictions require expenditure of related contributions in support of the TX Childcare Tools platform and to provide related support across the State of Texas.

**NOTE 14 – RETIREMENT PLAN**

CCA provides an employee benefit retirement plan established pursuant to Section 403(b) of the Internal Revenue Code which covers substantially all employees. An employee is eligible to participate and receive employer matching contributions immediately upon employment. Employees may elect to contribute up to the maximum amount allowed in accordance with Section 403(b) of the Internal Revenue Code. The Organization makes base annual contributions to each participant in the amount of 4% of eligible compensation and matches employee contributions equal to 50% of the first 4% of compensation. Contributions totaled \$742,748 and \$604,542 for 2018 and 2017, respectively.

**Child Care Associates**

**Schedule of Expenditures of Federal and State of Texas Awards  
For the Year Ended December 31, 2018**

Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Funds Provided to Subrecipients	Expenditures
<b>U.S. Department of Health and Human Services</b>				
Direct Award:				
Head Start	93.600	06CH10093-03-00	\$ -	\$ 10,688
Head Start	93.600	06CH10093-04-00	-	19,890,042
Head Start	93.600	06CH10093-05-00	-	3,780,550
			-	23,681,280
Pass-through from West Central Texas Workforce Development Board				
Child Care Management Services				
Child Care and Development Fund Cluster				
West Central Texas CCPO Master Contract #20097234				
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund*	93.596	CCS2018	-	2,707,045
Child Care and Development Block Grant*	93.575	CCS2018	-	3,312,319
Pass-through from Tarrant County Workforce Development Board				
Child Care Management Services				
Child Care and Development Fund Cluster				
Tarrant County CCMS Master Contract #20097221				
Child Care Mandatory and Matching Funds of the				
Child Care and Development Fund*	93.596	03090Y00	-	10,967,865
Child Care and Development Block Grant*	93.575	03090Y00	-	22,579,586
<b>Total Child Care and Development Fund Cluster</b>				
			-	39,566,815
Pass-through from West Central Texas Workforce Development Board				
Social Services Block Grant	93.667	CCS2018	-	12,116
Pass-through from Tarrant County Workforce Development Board				
Social Services Block Grant	93.667	CCS2018	-	137,663
<b>Total U.S. Department of Health and Human Services</b>				
			-	63,397,874
<b>U. S. Department of Agriculture</b>				
Pass-through from Texas Department of Agriculture				
Child and Adult Care Food Program	10.558	02048	-	1,271,322
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 64,669,196

\* Child Care and Development Fund Cluster

*See independent auditors' report and the accompanying notes to the schedule of expenditures of federal and state of Texas awards.*



**Child Care Associates**

**Schedule of Expenditures of Federal and State of Texas Awards (Continued)**  
**For the Year Ended December 31, 2018**

Grantor/Pass-through Grantor/ Program Title	Agency or Pass-through Number	Funds Provided to Subrecipients	Expenditures
<b>Texas Department of Family and Protective Services</b>			
Pass-through from West Central Texas Workforce Development Board			
Child Care Management Services			
West Central Texas CCPO Master Contract #20097234			
State General Revenue	CCS2018	\$ -	\$ 406,601
Pass-through from Tarrant County Workforce Development Board			
Child Care Management Services			
Tarrant County CCMS Master Contract #20097221			
State General Revenue	03090Y00	-	11,540,712
<b>Total Expenditures of State of Texas Awards</b>		<b>\$ -</b>	<b>\$ 11,947,313</b>

*See independent auditors' report and the accompanying notes to the schedule of expenditures of federal and state of Texas awards.*

**Notes to Schedule of Expenditures of Federal and State of Texas Awards****NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal and State of Texas Awards (the “Schedule”) summarizes the federal and state expenditures of CCA under programs of the federal government and state of Texas for the year ended December 31, 2018. The amounts reported as federal and state grant expenditures were obtained from CCA’s general ledger. Because the Schedule presents only a selected portion of the operations of CCA, it is not intended to and does not present the financial position, changes in net assets and cash flows of CCA.

For purposes of the Schedule, federal and state awards include all grants, contracts, and similar agreements entered into directly with the federal government, State of Texas, and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. CCA has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the Schedule.

**Clusters**

Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. Child Care and Development Block Grant (CFDA 93.575) and Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA 93.596) are reported as clusters in the Schedule.

**NOTE 2 – BASIS OF ACCOUNTING**

This Schedule was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred, rather than being applied to reduce the outstanding principal portion of debt, which conforms to the basis of reporting to grantors for reimbursement under the terms of the CCA’s federal and state grants.

**NOTE 3 – RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS**

The amounts reflected in the financial reports submitted to the awarding federal, state and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

- CCA’s fiscal year end may differ from the program’s year end.
- Accruals recognized in the Schedule, because of year end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges are recognized as fixed assets in CCA’s financial statements and as expenditures in the program financial reports and the Schedule.

**Notes to Schedule of Expenditures of Federal and State of Texas Awards**

**NOTE 4 – FEDERAL PASS-THROUGH FUNDS**

CCA is also the sub-recipient of federal funds that have been subjected to testing and are reported as expenditures and listed as federal pass-through funds. Federal awards other than those indicated as pass-through funds are considered to be direct.

**NOTE 5 – CONTINGENCIES**

Grant monies received and disbursed by CCA are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Management does not believe that such disallowance, if any, would have a material effect on the financial position of CCA. Except for the item discussed in Note 8 to the financial statements, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**NOTE 6 – NONCASH ASSISTANCE**

CCA did not receive any federal noncash assistance for the fiscal year ended December 31, 2018.

**NOTE 7 – INDIRECT COST RATE**

The accompanying Schedule includes indirect costs charged utilizing CCA's authorized federal indirect cost rate of 13.23%. Due to this, CCA did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 8 – LOANS AND LOAN GUARANTEES**

CCA did not receive any loans or loan guarantees for the year ended December 31, 2018.

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

Board of Directors  
Child Care Associates  
Fort Worth, Texas

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 Associates (a nonprofit organization), ("CCA"), which comprise the statement of financial position as of December 31, 2018, 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 September 13, 2019.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether CCA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of CCA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama

September 13, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND STATE OF TEXAS SINGLE AUDIT CIRCULAR**

Board of Directors  
Child Care Associates  
Fort Worth, Texas

***Report on Compliance for Each Major Federal and State of Texas Program***

We have audited Child Care Associates (“CCA”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and State of Texas Single Audit Circular that could have a direct and material effect on each of CCA’s major federal and state programs for the year ended December 31, 2018. CCA’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

***Management’s Responsibility***

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

***Auditors’ Responsibility***

Our responsibility is to express an opinion on compliance for each of CCA’s major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and State of Texas Single Audit Circular. Those standards, the Uniform Guidance and State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about CCA’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of CCA’s compliance.

### ***Opinion on Each Major Federal and State Program***

In our opinion, CCA 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 and state programs for the year ended December 31, 2018.

### ***Report on Internal Control Over Compliance***

Management of CCA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CCA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCA's internal control over compliance.

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

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

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

*Carr, Riggs & Ingram, L.L.C.*

CARR, RIGGS & INGRAM, L.L.C.  
Enterprise, Alabama  
September 13, 2019

**Child Care Associates**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2018**

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

Type of auditor’s report issued on compliance for major Federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR Part 200.516(a)? \_\_\_\_\_ yes   X   no

**State of Texas Awards**

Internal control over major projects:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   X   none reported

Type of auditor’s report issued on compliance for major State projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance State of Texas Single Audit Circular Sec. \_\_.510? \_\_\_\_\_ yes   X   no

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Program</b>
93.596	<u><b>Federal Program</b></u> Child Care and Development Fund Cluster
93.575	
N/A	<u><b>State Program</b></u> Child Care Management Services



**Child Care Associates  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018**

	Federal Programs	State Programs
Dollar threshold used to distinguish between type A and type B programs/projects?	\$ 1,940,076	\$ 358,419
Auditee qualified as low-risk auditee?	<u>  X  </u> yes	<u>      </u> no

**Section II – Financial Statement Findings**

No such findings noted.

**Section III – Federal Award Findings and Questioned Costs**

No such findings noted.

**Section IV – State Award Findings and Questioned Costs**

No such findings noted.