

# Child Care Associates

## FINANCIAL STATEMENTS


For the Years Ended  
December 31, 2019 and 2018



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

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**Child Care Associates  
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December 31, 2019 and 2018**

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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, 2019 and 2018 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCA as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state 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* and the State of Texas 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 November 25, 2020 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

November 25, 2020

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

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,656,767	\$ 2,641,655
Grants receivable	1,636,392	815,307
Other receivables	283,158	96,810
Prepaid expenses	149,903	86,683
Property and equipment, net	4,435,759	4,832,290
<b>Total assets</b>	<b>\$ 8,161,979</b>	<b>\$ 8,472,745</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable	\$ 659,821	\$ 1,018,072
Accrued salaries and benefits	690,156	400,028
Note payable	48,585	162,166
Due to grantor	1,965,920	2,077,604
<b>Total liabilities</b>	<b>3,364,482</b>	<b>3,657,870</b>
Net assets		
Without donor restrictions	3,898,016	4,134,845
With donor restrictions	899,481	680,030
<b>Total net assets</b>	<b>4,797,497</b>	<b>4,814,875</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,161,979</b>	<b>\$ 8,472,745</b>

*The accompanying notes are an integral part of these financial statements.*

**Child Care Associates**  
**Statement of Activities**  
**For the Year Ended December 31, 2019**

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
<b>Support and Revenue</b>			
Grant income	\$ 84,682,557	\$ -	\$ 84,682,557
Misc Income	49,065	-	49,065
Contributions	409,205	948,759	1,357,964
Program service fees	73,446	-	73,446
Interest income	27,892	-	27,892
In-kind	2,822,420	-	2,822,420
Net assets released from restrictions	729,308	(729,308)	-
<b>Total support and revenue</b>	<b>88,793,893</b>	<b>219,451</b>	<b>89,013,344</b>
<b>Expenses</b>			
Program services			
Early Education Program Services	149,422	-	149,422
Special Nutrition	1,253,129	-	1,253,129
Head Start/Early Head Start	26,025,295	-	26,025,295
Texas School Ready	464,204	-	464,204
Child Care Management Services			
Tarrant County	49,241,128	-	49,241,128
West Central Texas	8,011,650	-	8,011,650
Other Programs	357,202	-	357,202
Support services			
General and administration	3,528,692	-	3,528,692
<b>Total expenses</b>	<b>89,030,722</b>	<b>-</b>	<b>89,030,722</b>
Change in net assets	(236,829)	219,451	(17,378)
<b>Net Assets, beginning</b>	<b>4,134,845</b>	<b>680,030</b>	<b>4,814,875</b>
<b>Net Assets, ending</b>	<b>\$ 3,898,016</b>	<b>\$ 899,481</b>	<b>\$ 4,797,497</b>

*The accompanying notes are an integral part of these financial statements.*

**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
Miscellaneous 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 are an integral part of these financial statements.*

**Child Care Associates**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2019**

	Early Education Program Services	Special Nutrition	Head Start/ Early Head Start
Salary and fringe benefits	\$ 89,375	\$ 515,429	\$ 13,832,488
Employee health benefits	4,271	125,574	2,600,883
Payroll taxes and other fringe	10,606	77,501	1,787,047
Professional fees	3,684	826	2,293,161
Educational supplies	17,461	-	967,668
Food	34	374,821	442,775
Household supplies	1,299	158,495	149,991
Office supplies	412	-	187,097
Other supplies	73	-	326,656
Telephone	1,871	-	162,478
Postage	10	-	2,418
Occupancy	10,977	-	2,232,442
Rental and equipment maintenance	1,683	-	200,451
Travel	367	14	125,704
Conferences, conventions and meetings	8	-	44,097
Provider payments	-	-	-
Insurance	1,197	-	115,011
Miscellaneous	2,737	469	330,829
Printing	16	-	7,997
Interest expense	-	-	-
<b>Total expenses before depreciation and amortization</b>	<b>146,081</b>	<b>1,253,129</b>	<b>25,809,193</b>
<b>Depreciation and amortization</b>	<b>3,341</b>	<b>-</b>	<b>216,102</b>
<b>Total expenses</b>	<b>\$ 149,422</b>	<b>\$ 1,253,129</b>	<b>\$ 26,025,295</b>

*The accompanying notes are an integral part of these financial statements.*



Texas School Ready	Child Care Management Services		Other Programs	Total Program Services	General and Administration	Total 2019
	Tarrant County	West Central Texas				
\$ 283,816	\$ 2,315,521	\$ 559,989	\$ 155,198	\$ 17,751,816	\$ 1,690,741	\$ 19,442,557
40,206	373,223	74,923	17,428	3,236,508	142,220	3,378,728
38,038	329,706	69,201	19,987	2,332,086	217,710	2,549,796
20,807	202,598	1,125	131,680	2,653,881	293,878	2,947,759
9,210	-	-	1,860	996,199	1,902	998,101
-	-	-	-	817,630	2,917	820,547
-	-	-	204	309,989	2,719	312,708
38,227	51,761	-	507	278,004	79,846	357,850
5,156	589,587	112	1,481	923,065	209,975	1,133,040
2,530	42,394	1,011	581	210,865	25,552	236,417
-	59,374	211	-	62,013	4,451	66,464
72	209,202	-	381	2,453,074	101,305	2,554,379
6,945	20,545	-	707	230,331	9,904	240,235
14,853	40,762	9,092	301	191,093	38,788	229,881
2,544	10,213	900	956	58,718	80,539	139,257
-	44,951,474	7,292,666	-	52,244,140	-	52,244,140
516	6,006	1,415	405	124,550	195,695	320,245
768	13,453	773	24,984	374,013	287,318	661,331
516	14,406	41	542	23,518	7,291	30,809
-	-	-	-	-	25,817	25,817
464,204	49,230,225	8,011,459	357,202	85,271,493	3,418,568	88,690,061
-	10,903	191	-	230,537	110,124	340,661
<b>\$ 464,204</b>	<b>\$ 49,241,128</b>	<b>\$ 8,011,650</b>	<b>\$ 357,202</b>	<b>\$ 85,502,030</b>	<b>\$ 3,528,692</b>	<b>\$ 89,030,722</b>

**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 are an integral part of these financial statements.*

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 Statements of Cash Flows

<i>For the years ended December 31,</i>	<b>2019</b>	<b>2018</b>
<b>Cash Flows From Operating Activities</b>		
Net increase (decrease) in net assets	\$ (17,378)	\$ 595,554
Adjustments to reconcile increase in net assets to cash provided by (used in) operations		
Depreciation and amortization	340,661	367,850
Loss on disposal of assets	220,695	-
(Increase) decrease in operating assets		
Grants receivable	(821,085)	524,116
Other receivables	(186,348)	(76,419)
Prepaid expenses	(63,220)	29,117
Increase (decrease) in operating liabilities		
Accounts payable	(358,251)	(61,731)
Accrued salaries and benefits	290,128	(151,036)
Net cash provided by (used in) operating activities	(594,798)	1,227,451
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(164,825)	(261,943)
<b>Cash Flows From Financing Activities</b>		
Principal payments on note payable - grantor	(111,684)	(110,579)
Principal payments on note payable - bank	(113,581)	(107,967)
Net cash used in financing activities	(225,265)	(218,546)
Net increase (decrease) in cash	(984,888)	746,962
Cash and Cash Equivalents - beginning	2,641,655	1,894,693
Cash and Cash Equivalents - ending	\$ 1,656,767	\$ 2,641,655
<b>Supplemental Disclose of Cash Flow Information</b>		
Interest Paid	\$ 25,817	\$ 32,536

*The accompanying notes are an integral part of these financial statements.*

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

### **Note 1: DESCRIPTION OF THE 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.

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### ***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 (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

#### ***Use of Estimates***

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***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, 2019 and 2018, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers receivables at December 31, 2019 and 2018 to be fully collectible. Accordingly, no allowance for delinquent grants and other receivables was made in the accompanying financial statements.

## Child Care Associates Notes to Financial Statements

### Note 2: 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

#### *Net Assets*

CCA reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of CCA, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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

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

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***Contributions***

CCA recognizes contributions when cash, other assets, or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions received are recorded as increases in net assets with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. When restrictions expire (that is, when a stipulated time restriction ends or purposes restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions totaled \$899,481 and \$680,030 at December 31, 2019 and 2018, respectively.

#### ***Grant and Contract Support***

CCA also receives funding from federal, state and local grants and contracts, which are conditioned upon certain performance requirements and/or occurrence of allowable qualifying expenses. Revenues are recognized when CCA performs the contracted services or incurs expenditures in compliance with specific contract or grant provisions. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

The funding for CCA's operations is significantly dependent on the receipt of federal and state grants. For the years ended December 31, 2019 and 2018, approximately 81% 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.

#### ***Donated Assets***

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

#### ***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.

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

### **Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### ***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. Directly identifiable expenses are charged to programs and supporting services that benefited directly from the expense. Certain other 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.

#### ***Advertising***

CCA uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2019 and 2018, advertising costs were immaterial.

#### ***Income Taxes***

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 2019.

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 2016 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, 2019 and 2018.



## Child Care Associates Notes to Financial Statements

### Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Subsequent Events***

Management has evaluated subsequent events through November 25, 2020, the date of issuance of these financial statements. See Note 15 for the relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements, except as noted.

#### ***Newly Adopted Financial Accounting Pronouncement***

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional.

This new guidance is effective for transactions in which an organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Effective January 1, 2019, CCA applied the provisions of this ASU on a modified prospective basis, which did not result in material impact to the financial statements.

#### ***Recently Issued Accounting Standards***

The Financial Accounting Standards Board (FASB) issued an Accounting Standard Update that will affect CCA's revenue recognition. Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* affects contracts with customers to transfer goods or services and contracts for the transfer of non-financial assets (unless those contracts are within the scope of other standards). The core principle of this Update 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 the good or services. This Update requires entities to make new judgements and estimates and provide expanded disclosures about revenue. Topic 606 is effective for CCA's coming fiscal year. CCA is currently evaluating the impact of the adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled *Leases*. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted. CCA is currently evaluating the impact of the guidance on its financial statements.

**Child Care Associates  
Notes to Financial Statements**

**Note 3: LIQUIDITY**

CCA maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as CCA's expenditures come due. CCA's liquidity goal is generally to maintain current financial assets at a minimum of 90 days of operating expenses, exclusive of certain grant expenses which are funded immediately upon disbursement. The following reflects CCA's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	<b>2019</b>	2018
Financial assets, at year end	\$ 3,576,317	\$ 3,553,772
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	<b>(899,481)</b>	(680,030)
Financial assets available to meet cash needs for general expenditures within one year	<b>\$ 2,676,836</b>	\$ 2,873,742

Financial assets at year-end as noted in the above schedule exclude property and equipment and prepaid expenses.

**Note 4: 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, 2019, deposits in financial institutions totaled \$1,691,730, which exceeded the collateral thereon and the amounts insured by the Federal Deposit Insurance Corporation (FDIC) and Securities Investors Protection Corporation (SIPC) by \$1,361,637. 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.

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

**Note 5: GRANTS RECEIVABLE**

Grants receivable consists of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
U.S. Department of Health and Human Services		
Head Start	\$ 1,013,945	\$ 468,910
Child Care Management System Program	489,357	213,505
U.S. Department of Agriculture		
Child and Adult Care Food Program	109,635	100,711
Texas School Readiness Program	23,455	32,181
<b>Total</b>	<b>\$ 1,636,392</b>	<b>\$ 815,307</b>

**Note 6: PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Land	\$ 1,133,742	\$ 1,121,027
Buildings	5,260,639	5,630,622
Equipment	3,085,445	4,460,116
Leasehold improvements	3,930,636	3,993,878
<b>Total property and equipment, at cost</b>	<b>13,410,462</b>	<b>15,205,643</b>
Less: accumulated depreciation	<b>(8,974,703)</b>	<b>(10,373,353)</b>
<b>Net book value</b>	<b>\$ 4,435,759</b>	<b>\$ 4,832,290</b>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$340,661 and \$367,850, respectively.

**Note 7: ACCRUED SALARIES AND BENEFITS**

Accrued salaries and benefits consist of the following:

<i>December 31,</i>	<b>2019</b>	<b>2018</b>
Accrued salaries, payroll taxes and related fringe	\$ 607,883	\$ 324,477
Accrued vacation leave	82,273	75,551
<b>Total</b>	<b>\$ 690,156</b>	<b>\$ 400,028</b>

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

**Note 8: NOTE PAYABLE**

Note payable consists of the following:

<i>December 31,</i>	<b>2019</b>	2018
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>\$ 48,585</b>	\$ 162,166

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

2020	\$ 48,585
------	-----------

**Note 9: 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>2019</b>	2018
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>\$ 1,965,920</b>	\$ 2,077,604

The principal amounts of note payable maturing subsequent to December 31, 2019 are as follows:

2020	\$ 112,862
2021	113,995
2022	115,140
2023	116,297
2024	117,466
Thereafter	1,390,160
	<b>\$ 1,965,920</b>

## Child Care Associates Notes to Financial Statements

### Note 10: 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.

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>2019</b>	<b>2018</b>
Program supplies	\$ 26,171	\$ -	\$ -	\$ 26,171	\$ 375,816
Professional services	1,796,157	-	19,047	<b>1,815,204</b>	1,981,164
Facilities	981,045	-	-	<b>981,045</b>	1,058,415
In-kind contributions reflected					
in statements of activities	2,803,373	-	19,047	<b>2,822,420</b>	3,415,395
Nonprofessional services	3,386,401	-	-	<b>3,386,401</b>	2,916,780
<b>Total in-kind contributions</b>	<b>\$ 6,189,774</b>	<b>\$ -</b>	<b>\$ 19,047</b>	<b>\$ 6,208,821</b>	<b>\$ 6,332,175</b>

### Note 11: 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 12: 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>	
2020	\$ 730,769
2021	505,883
2022	412,412
2023	358,143
2024	174,000
Thereafter	563,400
<b>Total minimum payments required</b>	<b>\$ 2,744,607</b>

**Child Care Associates  
Notes to Financial Statements**

**Note 12: OPERATING LEASES (Continued)**

Rent expense for the years ended December 31, 2019 and 2018 totaled \$749,489 and \$692,983, respectively.

**Note 13: NET ASSETS WITH DONOR RESTRICTIONS**

During 2019, CCA 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	Early Education Leadership	
Net assets with donor restrictions at January 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	
Contributions	24,450	525,468	210,000	111,000	-	
Assets released from restrictions through qualifying expenses	-	(129,845)	-	(61,043)	-	
Net assets with donor restrictions at December 31, 2018	24,450	395,623	210,000	49,957	-	
Contributions	25,000	344,531	-	24,000	30,000	
Assets released from restrictions through qualifying expenses	(7,325)	(470,529)	(28,283)	(46,255)	(30,000)	
Net assets with donor restrictions at December 31, 2019	\$ 42,125	\$ 269,625	\$ 181,717	\$ 27,702	\$ -	

	Class					
	Early Ed Essentials	Instructional Quality Initiative	Nature Filled Classrooms	Happy Bagget Fund	Feasibility Study	Total
Net assets with donor restrictions at January 1, 2018	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions	-	-	-	-	-	870,918
Assets released from restrictions through qualifying expenses	-	-	-	-	-	(190,888)
Net assets with donor restrictions at December 31, 2018	-	-	-	-	-	680,030
Contributions	148,693	188,042	45,000	83,493	60,000	948,759
Assets released from restrictions through qualifying expenses	(19,395)	(110,253)	(4,500)	(12,768)	-	(729,308)
Net assets with donor restrictions at December 31, 2019	\$ 129,298	\$ 77,789	\$ 40,500	\$ 70,725	\$ 60,000	\$ 899,481

## Child Care Associates Notes to Financial Statements

### **Note 13: NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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.

**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.

**Early Ed Essentials** - Donor imposed restrictions require expenditure related contributions in support of improving educational leadership in Early Education.

**Class Instructional Quality Initiative** - Donor imposed restrictions require expenditures related contributions to expand the ELA CLASS program for assessment, consultants, and coaches.

**Nature Filled Classrooms** - Donor imposed restrictions require expenditures related to natural play-based early learning through professional development training, coaching, and enrichment of nature support play based experiences.

**Happy Bagget Fund** - Fund established to improve the quality of early childhood campuses, play areas, furnishing. Board of Directors have after time restriction is release may redirect funds to meet any organizational needs.

**Feasibility Study** - Donor imposed restrictions require expenditures related to capital campaign feasibility analysis.

### **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. CCA 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 \$794,695 and \$742,748 for 2019 and 2018, respectively.

## Child Care Associates Notes to Financial Statements

### **Note 15: SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of CCA. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

### **Note 16: 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. Based upon our experience, CCA does not believe that such disallowance, if any, would have a material effect on the financial position of CCA.

From time to time, in the ordinary course of business, CCA may be party to various lawsuits, claims or assessments. In the opinion of management, is not party to any action that will have a material adverse effect on CCA's business, financial position, results of operations or cash flows.



**Child Care Associates**  
**Schedule of Expenditures of Federal and State of Texas Awards**  
**For the Year Ended December 31, 2019**

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	06HP000181-01-00	\$ -	\$ 760,750
Head Start	93.600	06CH10093-05-00	-	24,522,392
			-	25,283,142
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	CCS2019	-	1,588,621
Child Care and Development Block Grant*	93.575	CCS2019	-	5,031,541
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	-	9,717,071
Child Care and Development Block Grant*	93.575	03090Y00	-	30,747,860
Total Child Care and Development Fund Cluster			-	47,085,093
Pass-through from West Central Texas Workforce Development Board				
Social Services Block Grant	93.667	CCS2019	-	22,778
Pass-through from Tarrant County Workforce Development Board				
Social Services Block Grant	93.667	03090Y00	-	20,039
Total U.S. Department of Health and Human Services			-	72,411,052
<b>U. S. Department of Agriculture</b>				
Pass-through from Texas Department of Agriculture				
Child and Adult Care Food Program	10.558	02048	-	1,348,417
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 73,759,469

\* 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, 2019**

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	CCS2019	\$ -	\$ 1,454,372
Pass-through from Tarrant County Workforce Development Board			
Child Care Management Services			
Tarrant County CCMS Master Contract #20097221			
State General Revenue	03090Y00	-	8,852,735
<b>Total Expenditures of State of Texas Awards</b>		<b>\$ -</b>	<b>\$ 10,307,107</b>

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

**Child Care Associates**

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

**Note 1: 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 CCA's federal and state grants.

**Note 2: 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 3: 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, 2019. 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 a cluster in the Schedule.

**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.

**Child Care Associates**

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

**Note 5: 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.

**Note 6: 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. Based upon our experience, CCA does not believe that such disallowance, if any, would have a material effect on the financial position of CCA. As of December 31, 2019, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

**Note 7: NONCASH ASSISTANCE**

CCA did not receive any federal noncash assistance for the fiscal year ended December 31, 2019.

**Note 8: SUBRECIPIENTS**

CCA did not provide federal funds to subrecipients for the fiscal year ended December 31, 2019.

**Note 9: LOANS AND LOAN GUARANTEES**

CCA did not receive any loans or loan guarantees for the year ended December 31, 2019.

**Note 10: FEDERALLY FUNDED INSURANCE**

CCA did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ended December 31, 2019.



Carr, Riggs & Ingram, LLC

1117 Boll Weevil Circle  
Enterprise, AL 36330

Mailing Address:

PO Box 311070  
Enterprise, AL 36331

334.347.0088  
334.347.7650 (fax)  
CRIcpa.com

**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, 2019, 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 November 25, 2020.

***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 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.

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

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

Enterprise, Alabama

November 25, 2020

**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, 2019. 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, 2019.

### ***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 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 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

November 25, 2020



**Child Care Associates**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended December 31, 2019**

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

**Financial Statements**

- |  |            |
|--|------------|
| 1. Type of auditors' report issued   | Unmodified |
| 2. Internal control over financial reporting:                                    |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted?                     | No         |

**Federal Awards**

- |  |            |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs  | Unmodified |
| 2. Internal control over major programs:   |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?                             | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | None noted |
| 4. Identification of major programs  |            |

CFDA Number	Federal Program
93.600	Head Start

- |   |     |
|---|-----|
| 5. Dollar threshold used to distinguish between type A and type B programs: \$2,212,784 |     |
| 6. Auditee qualified as low-risk under 2CFR 200.520                                     | Yes |

**State Programs**

- |  |            |
|--|------------|
| 1. Type of auditors' report issued on compliance for major programs  | Unmodified |
| 2. Internal control over major programs:   |            |
| a. Material weaknesses identified?   | No         |
| b. Significant deficiencies identified not considered to be material weaknesses?   | None noted |
| 3. Any audit findings disclosed that are required to be reported in accordance with State of Texas Single Audit Circular Sec._510? | None noted |
| 4. Identification of major programs  |            |

CFSA Number	State Program
N/A	Child Care Management Services

- |  |           |
|--|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$309,213 |
|--|-----------|

**Child Care Associates  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019**

**Section II – Financial Statement Findings**

No such findings noted.

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

No such findings or questioned costs in the current year.

**Section IV – Major State Programs Findings and Questioned Costs**

No such findings or questioned costs in the current year.