

**DOUGLAS COUNTY CHILD DEVELOPMENT
ASSOCIATION**

Lawrence, Kansas

FINANCIAL STATEMENTS

For the year ended August 31, 2019 and 2018

And

INDEPENDENT AUDITOR'S REPORTS

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION

Lawrence, Kansas

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Karlin & Long, LLC
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT
ON FINANCIAL STATEMENTS**

To the Board of Directors
Douglas County Child Development Association
1900 Delaware Street
Lawrence, KS 66046

We have audited the accompanying financial statements of Douglas County Child Development Association (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows, 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Douglas County Child Development Association (a nonprofit organization), as of August 31, 2019 and 2018, and the respective changes in net assets and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Karlin & Long, LLC

Karlin & Long, LLC
Certified Public Accountants
Lawrence, Kansas

January 19, 2020

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION

Lawrence, KS

STATEMENTS OF FINANCIAL POSITION

As of August 31, 2019 and August 31, 2018

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents (Note 1)	\$ 58,045	\$ 53,377
Grants receivable	36,363	37,562
Other receivable	42,377	43,985
Total current assets	136,785	134,924
Property and Equipment		
Furniture and equipment	31,667	30,224
Less: Accumulated depreciation	(28,338)	(26,332)
Net Property and equipment	3,329	3,892
Other Assets		
Deposits	4,630	4,630
Total Assests	<u>\$ 144,744</u>	<u>\$ 143,446</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 3,488	\$ 2,761
Accrued payroll liabilities	756	1,268
Provider reimbursement payable	32,955	33,281
Tuition deposits	2,120	1,740
Unearned administrative funds advance - CACFP	-	-
Unearned revenue - other grants	19,736	25,365
Total current liabilities	59,055	64,415
Net Position		
Without restrictions	85,689	79,031
Total net assets	85,689	79,031
Total liabilities and net position	<u>\$ 144,744</u>	<u>\$ 143,446</u>

The accompanying notes to financial statements
are an integral part of this statement.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION

Lawrence, KS

STATEMENTS OF ACTIVITIES

For the years ended August 31, 2019 and August 31, 2018

	<u>2019</u>	<u>2018</u>
Net Assets Without Restrictions		
Public Support, Revenues, and Reclassifications		
CACFP Food Program	\$ 490,173	\$ 447,874
Classroom	181,347	160,924
ECBG Admin	75,023	63,476
ECBG Demo	111,675	111,746
ECBG FinAid	97,951	78,946
ECBG FRT	163,637	193,079
Therapeutic	2,865	25,991
Scholarship	80,358	76,253
United Way PBS	-	14,350
Support Revenue	<u>11,945</u>	<u>31,613</u>
 Total revenues	 <u>1,214,974</u>	 <u>1,204,252</u>
 Expenses		
CACFP Food Program	483,049	449,831
Classroom	167,874	153,264
ECBG Admin	75,022	63,476
ECBG Demo	111,675	111,746
ECBG FinAid	97,949	78,945
ECBG FRT	164,178	194,904
Scholarship	80,358	76,253
Therapeutic	3,331	22,676
United Way PBS	<u>-</u>	<u>14,988</u>
 Total Program Services	 1,183,436	 1,166,083
 Support Services	 <u>24,880</u>	 <u>39,598</u>
 Total Expenses	 1,208,316	 1,205,681
 Net Increase (Decrease) in Net Position	 6,658	 (1,429)
Net position, beginning of year	<u>79,031</u>	<u>80,460</u>
 Net position, end of year	 <u>\$ 85,689</u>	 <u>\$ 79,031</u>

The accompanying notes to financial statements
are an integral part of this statement.

Douglas County Child Development Association
Lawrence, Kansas

Statement of Functional Expenses

For the years ended August 31, 2019 and August 31, 2018

	2019					
	CAFCP	Classroom	ECBG Admin	ECGB Demo	ECGB FIAT	ECBG FRT
Salaries and Benefits	\$ 68,924	\$ 114,015	\$ 69,926	\$ 111,675	\$ 46,040	\$ 113,195
Claims processing	3,061	-	-	-	-	1,108
Provider claims expense	390,326	-	-	-	-	-
Equipment and computer	1,068	5,553	-	-	406	2,369
Advertising	-	93	-	-	14	260
Resources	340	23,265	-	-	100	509
Travel and training	5,337	1,763	-	-	930	4,009
Contract Labor	27	-	-	-	3,150	1,510
Insurance	196	545	2,596	-	-	569
Office expense	5,697	2,670	-	-	683	3,701
Depreciation	-	-	-	-	-	-
Facility	7,923	18,709	-	-	2,592	36,948
Dues, licenses & permits	150	1,222	-	-	-	-
Scholarship to families	-	-	-	-	44,034	-
Professional fees	-	-	2,500	-	-	-
Transfers	-	-	-	-	-	-
Miscellaneous	-	39	-	-	-	-
Total Expenditures	\$ 483,049	\$ 167,874	\$ 75,022	\$ 111,675	\$ 97,949	\$ 164,178

The accompanying notes to financial statements
are an integral part of this statement.

Douglas County Child Development Association
Lawrence, Kansas

Statement of Functional Expenses
For the years ended August 31, 2019 and August 31, 2018

	2019				Total	Support Activities	Total
	Scholarship	Therapeutic Services	United Way PBS	Program			
Salaries and Benefits	\$ -	\$ 3,684	\$ -	527,459	\$ 2,058		529,517
Claims processing	-	(152)	-	4,017	-		4,017
Provider claims expense	-	-	-	390,326	-		390,326
Equipment and computer	-	-	-	9,396	1,206		10,602
Advertising	-	-	-	367	660		1,027
Resources	-	(112)	-	24,102	72		24,174
Travel and training	-	-	-	12,039	280		12,319
Contract Labor	-	-	-	4,687	3,725		8,412
Insurance	-	-	-	3,906	(467)		3,439
Office expense	-	(5)	-	12,746	1,081		13,827
Depreciation	-	-	-	-	2,006		2,006
Facility	-	(84)	-	66,088	11,305		77,393
Dues, licenses & permits	-	-	-	1,372	40		1,412
Scholarship to families	80,358	-	-	124,392	-		124,392
Professional fees	-	-	-	2,500	2,000		4,500
Transfers	-	-	-	-	-		-
Miscellaneous	-	-	-	39	914		953
Total Expenditures	\$ 80,358	\$ 3,331	\$ -	\$ 1,183,436	\$ 24,880		\$ 1,208,316

The accompanying notes to financial statements
are an integral part of this statement.

Douglas County Child Development Association
Lawrence, Kansas

Statement of Functional Expenses

For the years ended August 31, 2019 and August 31, 2018

	2018				
	CAFCP	Classroom	ECBG Admin	ECBG Demo	ECBG FIAT
Salaries and Benefits	\$ 69,723	\$ 111,485	\$ 58,214	\$ 111,746	\$ 35,872
Claims processing	2,990	-	-	-	-
Provider claims expense	354,738	-	-	-	-
Equipment and computer	772	1,362	-	-	542
Advertising	-	45	-	-	-
Resources	380	24,152	-	-	-
Travel and training	4,517	424	50	-	1,293
Contract Labor	-	-	-	-	-
Insurance	603	231	2,712	-	-
Office expense	4,818	2,509	-	-	632
Depreciation	-	-	-	-	-
Facility	11,140	11,859	-	-	3,380
Dues, licenses & permits	150	1,197	-	-	-
Scholarship to families	-	-	-	-	37,226
Professional fees	-	-	2,500	-	-
Transfers	-	-	-	-	-
Miscellaneous	-	-	-	-	1,234
Total Expenditures	\$ 449,831	\$ 153,264	\$ 63,476	\$ 111,746	\$ 78,945
					\$ 194,904

The accompanying notes to financial statements
are an integral part of this statement.

Douglas County Child Development Association
Lawrence, Kansas

Statement of Functional Expenses
For the years ended August 31, 2019 and August 31, 2018

	2018			
	Scholarship	Therapeutic Services	United Way PBS	Total Program
	\$	\$	\$	\$
Salaries and Benefits	3,824	22,710	12,821	570,520
Claims processing	-	840	-	3,830
Provider claims expense	-	-	-	354,738
Equipment and computer	-	-	169	5,830
Advertising	-	-	-	45
Resources	-	(37)	-	25,462
Travel and training	-	616	116	9,428
Contract Labor	-	-	-	2,235
Insurance	-	(234)	-	3,752
Office expense	-	5	416	12,853
Depreciation	-	-	-	-
Facility	-	329	1,147	63,888
Dues, licenses & permits	-	-	-	1,347
Scholarship to families	72,429	-	-	109,655
Professional fees	-	-	-	2,500
Transfers	-	(1,553)	319	-
Miscellaneous	-	-	-	819
Total Expenditures	\$ 76,253	\$ 22,676	\$ 14,988	\$ 1,166,083
				\$ 39,598
				\$ 1,205,681

The accompanying notes to financial statements
are an integral part of this statement.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION

Lawrence, KS

STATEMENT OF CASH FLOWS

For the years ended August 31, 2019 and August 31, 2018

	2019	2018
Cash Flows From Operating Activities		
Net increase (decrease) in net assets	\$ 6,658	\$ (1,429)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	2,006	1,506
Change in assets and liabilities		
Grants and accounts receivable	2,807	356
Accounts payable	727	(358)
Accrued payroll liabilities	(512)	121
Provider reimbursement payable	(326)	(8,492)
Tuition deposits	380	310
Deferred admin funds advance-CACFP	-	(1,520)
Unearned grant funds	(5,629)	(19,698)
Net Cash Provided (Used) by Operating Activities	6,111	(29,204)
Net Cash Flows From Investing Activities		
Purchase of property and equipment	(1,443)	(646)
Deposits	-	3,030
Net Cash Provided (Used) by Investing Activities	(1,443)	2,384
Net Increase (Decrease) in Cash	4,668	(26,820)
Total Cash and Cash Equivalents as of Beginning of Year	53,377	80,197
Total Cash and Cash Equivalents as of End of Year	\$ 58,045	\$ 53,377
<u>Supplemental Information</u>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -

The accompanying notes to financial statements
are an integral part of this statement.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Description of Activities

Douglas County Child Development Association (DCCDA) is a nonprofit organization under section 501 (c) (3) of the Internal Revenue Code of 1986. DCCDA is both membership association and a multi-service agency dedicated to the well-being of families and children. DCCDA is an association of early educators and a Sponsoring Association under the Kansas State Department of Education's (KSDE) Child and Adult Food Program (CACFP) which is a program of the USDA Food and Nutrition Service. DCCDA administers childcare tuition scholarships, and Early Childhood Mental Health consulting services funded by the Kansas Children's Cabinet and Trust Fund and the United Way of Douglas County.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Douglas County Child Development Association has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from estimates that were used.

Cash

For the purpose of the Statement of Cash Flows, the Association considers unrestricted funds in the checking account as cash and cash equivalents and all highly liquid investments available for current use with an initial maturity of 90 days or less to be cash equivalents.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and support activities benefited.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Income Taxes Status

Douglas County Child Development Association is exempt from federal income taxes under section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Douglas County Child Development Association has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a) of the Internal Revenue Code. The organization has not been involved in any activities subject to the Unrelated Business Income Tax of nonprofit organizations.

The Organization’s tax returns for the years ending 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

Contributions

The Association has adopted Statement of Financial Accounting Standards SAFS No. 116, “Accounting for contributions Received and Contributions Made”, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and or nature of any donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the contribution is reports as unrestricted.

Property and Depreciation

It is the Association’s policy to capitalize property and equipment acquisitions that would provide a period of benefit in excess of one year. It is generally management’s position not to capitalized items purchased for less than \$500. Purchased property and equipment is capitalized at cost. Property and equipment are depreciated using the straight line method. All assets are depreciated over 3-10 years.

Advertising

The Association charges advertising costs to expense in the period incurred. Advertising costs aggregated \$1,027 and \$1,357 for the years ended August 31, 2019 and 2018, respectively.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Cash and Cash Equivalents

At August 31, 2019 and 2018, the carrying amounts of the Association deposits, including certificates of deposit, were \$58,045 and \$53,317, respectively. The bank balances were \$96,948 and \$88,735, respectively. The differences before the carrying amounts and the bank balances is due to outstanding checks as of August 31, 2019 and 2018, respectively. The entire bank balance was covered by FDIC insurance.

NOTE 3 – Depreciation

Depreciation expense is computed using the straight line method and totaled \$2,006 and \$1,506 for the years ended August 31, 2019 and 2018.

NOTE 4 – Compensated Absences

Paid Time Off (PTO) is given to permanent employees working at least 18.75 hours per week on the following basis:

# Hours per Week	1-5 Years of Service	5-10 Years of Service	> 10 Years of Service
37.50 - 40	15 days	20 days	25 days
33.75 - 37.49	13.5	18	22.5
30-33.74	12	16	20
26.25-29.99	7	10.5	14
22.50 - 26.24	6	9	12
18.75 - 22.49	5	7.5	15

Employees with less than one year of service will accrue PTO at the rate of one day per month. Calculation of PTO leave begins with the first day of employment. An employee is eligible to take earned PTO after the ninety day waiting period has ended. Unused PTO rolls over to an Extended Illness Bank (EIB), not to exceed 60 days. A staff member who resigns in good standing and gives proper notice of resignation is entitled to receive payment for accrued PTO, not taken. Employees who terminate with less than 6 months service are not eligible to be paid for accrued PTO. EIB is not payable to the employee upon resignation.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 5 – Changes in Deferred Public Support / Grant Receivables

	Grants Receiveable or (Unearned) September 1, 2017	Grant Receipts	2018 Grant Revenue	Grant Receivable or (unearned) August 31, 2018
United Way - Scholarship	\$ (13,423)	\$ 85,730	\$ 93,415	\$ (21,108)
United Way - PBS	(6,688)	20,413	13,725	-
ECBG	48	4,650	2,353	2,345
KSDE - KHF Funds	(25,000)	18,398	-	(6,602)
KSDE - Provider Funds	41,617	474,474	472,107	43,984
KSDE - Admin Funds	(1,520)	1,520	-	-
Unearned Revenue - MAPS	-	-	-	-
Other Unearned Revenue	-	-	-	-
	<u>\$ (4,966)</u>	<u>\$605,185</u>	<u>\$581,600</u>	<u>\$ 18,619</u>

	Grants Receiveable or (Unearned) September 1, 2018	Grant Receipts	2019 Grant Revenue	Grant Receivable or (unearned) August 31, 2019
United Way - Scholarship	\$ (21,108)	\$ 92,073	\$ 82,249	\$ (11,284)
United Way - PBS	-	-	-	-
ECBG	2,345	3,334	5,679	-
KSDE - KHF Funds	(6,602)	6,602	-	-
KSDE - Provider Funds	43,984	517,996	519,603	42,377
KSDE - Admin Funds	-	-	-	-
Unearned Revenue - MAPS	-	6,018	8,226	(2,208)
Other Unearned Revenue	-	3,200	9,443	(6,243)
	<u>\$ 18,619</u>	<u>\$629,223</u>	<u>\$625,200</u>	<u>\$ 22,642</u>

NOTE 6 – Contingencies

In the normal course of operations, the Association participates in various federal and state grant programs from year to year. The grant programs are often subject to additional audits by agents of the granting agency. The purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot reasonably be determined at this time, although it is believed the amount, if any, would not be material.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION
Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Provider Reimbursement Payable

Provider reimbursement payable represents the total of reimbursable menus under CACFP for the month of August as submitted by daycare home providers who are administered by DCCDA. The amount as of August 31, 2019 and 2018 is \$32,955 and \$33,281, respectively.

NOTE 8 - Availability and Liquidity

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at August 31, 2019:

Financial assets at year end:	
Cash and Cash Equivalents	\$ 58,045
Grants receivable	36,363
Other receivable	42,377
Financial assets available to meet general expenditures	
over the next twelve months	<u>\$ 136,785</u>

NOTE 9 – Related Party Transactions

A portion of the Association's leased building is being subleased by written agreement for the period of January 1, 2018 through December 31, 2018 to Success by 6 Coalition of Douglas County, Inc. (SB6) for \$450 per month plus incidental office expenses such as fax, long distance telephone, and copying. SB6 is the grantee for the Early Childhood Block Grant. The Association also has an interagency agreement with SB6 to implement the Financial Aide Scholarship and Mental Health programming and 2 preschool classrooms that the Association operates in collaboration with Lawrence Douglas County Housing Authority. The future minimum sublease income by year ending December 31, approximates \$5,400 in 2018.

NOTE 10 – Commitments

The Association has signed an office lease beginning August 25, 2017 for a period of 7 years at \$4,500 per month. Rent expense for August 31, 2019 and 2018 totaled \$48,601 and \$48,042, respectively. Future minimum lease payments for each year ending August 31, through 2024, will be \$54,000 per year.

DOUGLAS COUNTY CHILD DEVELOPMENT ASSOCIATION

Lawrence, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 11 – Operating Lease

The Association has signed an operating lease for office equipment beginning December 18, 2018 for a period of 5 years at \$567 per month. Lease expense for August 31, 2019 and 2018 totaled \$4,533 and \$0, respectively. Future minimum lease payments for each year ending August 31 will be \$6,800 per year.

NOTE 12 – Subsequent Events

Subsequent events for management's review have been evaluated through January 19, 2020. The date in the prior sentence is the date the financial statements were available to be issued.