

# **Child Start, Inc.**

Wichita, Kansas

Financial Statements and Supplementary Information  
Years Ended April 30, 2019 and 2018

# Child Start, Inc.

## Financial Statements and Supplementary Information Years Ended April 30, 2019 and 2018

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### Table of Contents

Independent Auditor's Report .....	1
Financial Statements	
Statements of Financial Position .....	3
Statements of Activities.....	4
Statement of Functional Expenses .....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7
Supplementary Information	
Schedule of Program Activity .....	16
Schedule of Expenditures of Federal Awards .....	20
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters .....	22
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance.....	24
Schedule of Federal Findings and Questioned Costs .....	26



## **Independent Auditor's Report**

Board of Directors  
Child Start, Inc.  
Wichita, Kansas

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

We have audited the accompanying financial statements of Child Start, Inc., which comprise the statements of financial position as of April 30, 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; 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 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 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 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 Child Start, Inc. as of April 30, 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.

## **Emphasis of Matters**

As discussed in Note 1 to the financial statements, Child Start, Inc. adopted the amendments in Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities – Presentation of Financial Statements for Not-for-Profit Entities*, as of and for the year ended April 30, 2019. The amendments have been applied on a retrospective basis with the exception of the omission of certain information as permitted by the ASU.

As discussed in Note 1 to the financial statements, Child Start, Inc. early adopted the amendments in Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The amendments have been applied modified retrospectively as of May 1, 2018, as permitted by the ASU. Accordingly, the financial statements for the year ended April 30, 2018 have not been modified for implementation of this standard and are reported pursuant to prior guidance.

## **Other Matters**

### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of program activity and the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis, and are 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 audits 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. 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 January 24, 2020, on our consideration of Child Start, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child Start, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Start, Inc.'s internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

January 24, 2020  
Madison, Wisconsin

# Child Start, Inc.

## Statements of Financial Position

April 30, 2019 and 2018

<i>Assets</i>	<b>2019</b>	<b>2018</b>
Current assets:		
Cash	\$ 836,505	\$ 752,970
Grants receivable	696,101	794,128
Accounts receivable	11,754	444
Prepaid expenses	66,158	123,450
Total current assets	1,610,518	1,670,992
Other assets:		
Operating lease assets, net	1,906,115	0
Financing lease assets, net	3,027,240	0
Property and equipment, net	606,327	661,909
Total other assets	5,539,682	661,909
<b>TOTAL ASSETS</b>	<b>\$ 7,150,200</b>	<b>\$ 2,332,901</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Current portion of operating lease obligations	\$ 594,782	\$ 0
Current portion of finance lease obligations	136,175	0
Current portion of rent obligation	0	20,032
Accounts payable	301,939	444,032
Accrued expenses	491,059	423,674
Total current liabilities	1,523,955	887,738
Long-term liabilities:		
Rent obligation	0	48,157
Operating lease obligations	1,309,747	0
Finance lease obligations	2,931,161	0
Total long-term liabilities	4,240,908	48,157
Total liabilities	5,764,863	935,895
Net assets without donor restrictions	1,385,337	1,397,006
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,150,200</b>	<b>\$ 2,332,901</b>

# Child Start, Inc.

## Statements of Activities

Years Ended April 30, 2019 and 2018

	2019	2018
Revenue:		
Grant revenue	\$ 11,755,291	\$ 11,676,530
Donations	46,611	55,183
Interest income	200	126
Other income	65,308	68,973
Gain (loss) on disposal of equipment	11,222 (	80,974)
In-kind contributions	1,592,858	1,512,589
Total revenue	13,471,490	13,232,427
Expenses:		
Federal and state program activities:		
Early childhood education	11,558,554	11,217,678
Early childhood connections program	288,426	333,457
Food programs	367,275	310,653
Other outreach	20,434	37,484
Total program services	12,234,689	11,899,272
Management and general and fundraising	1,248,470	1,186,022
Total expenses	13,483,159	13,085,294
Changes in net assets	( 11,669)	147,133
Net assets without donor restrictions - Beginning of year	1,397,006	1,249,873
Net assets without donor restrictions - End of year	\$ 1,385,337	\$ 1,397,006

See accompanying notes to financial statements.

# Child Start, Inc.

## Statement of Functional Expenses Year Ended April 30, 2019

	<b>Program Services</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total Expenses</b>
Salaries and benefits	\$ 7,161,436	\$ 840,937	\$ 0	\$ 8,002,373
Contractual	709,795	121,942	4,561	836,298
Repairs and maintenance	113,172	8,778	0	121,950
Rent and utilities	304,982	98,728	0	403,710
Travel and training	259,591	23,660	0	283,251
Supplies	403,208	61,046	0	464,254
Program activities	370,978	0	7,880	378,858
Other	165,853	41,813	2,792	210,458
Insurance	100,964	17,306	0	118,270
Printing and postage	29,223	8,844	120	38,187
Depreciation and amortization	273,562	10,063	0	283,625
Interest expense	67,116	0	0	67,116
Lease expense	681,951	0	0	681,951
In-kind expenses	1,592,858	0	0	1,592,858
<b>Total expenses</b>	<b>\$ 12,234,689</b>	<b>\$ 1,233,117</b>	<b>\$ 15,353</b>	<b>\$ 13,483,159</b>

# Child Start, Inc.

## Statements of Cash Flows

Years Ended April 30, 2019 and 2018

	2019	2018
Increase (decrease) in cash:		
Cash flows from operating activities:		
Changes in net assets	(\$ 11,669)	\$ 147,133
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	283,625	188,145
(Gain) loss on disposal of equipment	( 11,222)	80,974
Payments of operating lease obligations	( 552,667)	0
Amortization of operating lease assets included in lease expense	555,871	0
Rent obligation	( 3,538)	( 12,328)
Changes in operating assets and liabilities:		
Grants receivable	98,027	( 73,002)
Accounts receivable	( 11,310)	9,431
Prepaid expenses	( 6,561)	17,406
Accounts payable	( 126,044)	125,515
Accrued expenses	67,385	36,669
Grant funds received in advance	0	( 6,698)
Net cash provided by operating activities	281,897	513,245
Cash flows from investing activities:		
Purchase of property and equipment	( 156,173)	( 302,066)
Proceeds from sale of property and equipment	16,111	0
Net cash used in investing activities	( 140,062)	( 302,066)
Cash flows from financing activities:		
Payments of finance lease obligations	( 58,300)	0
Net cash used in financing activities	( 58,300)	0
Changes in cash	83,535	211,179
Cash - Beginning of year	752,970	541,791
Cash - End of year	\$ 836,505	\$ 752,970
<b>Supplemental schedule of other cash activity:</b>		
Interest paid on finance lease obligations	\$ 67,116	\$ 0
<b>Supplemental schedule of noncash operating and investing activity:</b>		
Equipment acquired and included in accounts payable	0	16,049
Assets acquired with operating lease obligations	189,282	0
Assets acquired with finance lease obligations	3,120,048	0

See accompanying notes to financial statements.



# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Operations**

Child Start, Inc. (the “Organization”) was organized as a nonprofit organization in 1958. The Organization’s mission is to provide early childhood development services that prepare children for lifelong success. Principal activities include such programs as Head Start and Early Head Start in Sedgwick, Harper, Butler, and Greenwood Counties and Child Care Aware Early Childhood Connections Program which covers 5 counties in the State of Kansas. The Organization’s revenues and other support are derived principally from contributions and federal and state grants.

The Organization received approximately 93% and 90% of its grant revenue for the years ended April 30, 2019 and 2018, from the U.S. Department of Health and Human Services (DHHS) under the Federal Head Start program.

#### **Basis of Presentation**

The financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. Currently, the Organization does not have any net assets with donor restrictions.

#### **Use of Estimates**

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

#### **Changes in Accounting Policies**

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU provides certain improvements in financial reporting for not-for-profit organizations and requires changes to net asset classification, enhancements to liquidity presentation and disclosures, presentation of an analysis of expenses by function and by nature, netting of investment expenses with return, among other changes. This guidance was adopted effective May 1, 2018, and was applied retrospectively with the exception of certain omissions permitted by the ASU.

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Changes in Accounting Policies (Continued)**

In 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which is intended to improve financial reporting on leasing transactions. ASU No. 2016-02 requires lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020. Early adoption of this amendment is permitted for all entities. The Organization chose to early adopt this standard as of May 1, 2018 because it entered into two new finance leases during the year ended April 30, 2019 and due to the significance of the Organization's leasing activities to its operations. ASU No. 2016-02 was applied modified retrospectively as of May 1, 2018. Accordingly, the financial statements for the year ended April 30, 2018 have not been modified for implementation of this standard and are reported pursuant to prior guidance.

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If a restriction is met in the year it is received, the contribution is recorded as without donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

#### **A. Grant Awards That Are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

#### **B. Grant Awards That Are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

#### **Accounts Receivable**

The Organization considers the accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts receivable is recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Lease Assets and Obligations**

As of May 1, 2018, the Organization adopted ASU No. 2016-02, *Leases (Topic 842)* for its existing leases and new leases entered into during the year ended April 30, 2019. ASU No. 2016-02 requires lessees to recognize right of use assets and lease obligations for operating and finance leases. The Organization has elected to apply the short-term lease exception to all leases of one year or less. In addition, the Organization does not record lease assets and liabilities for its leases with annual options to extend (year-to-year leases) since these leases are cancellable and without definite lease terms. Lease terms do not include renewal periods that management is not reasonably certain to exercise as of the lease effective date. The discount rate used for leases accounted for under ASC 842 is the Organization's incremental borrowing rate of 6% since the discount rate implicit in the leases cannot be readily determined. The Organization elected to apply the following practical expedients for transition to the new standard:

- A reassessment was not made regarding whether any expired or existing contracts are or contain leases.
- Lease classifications were not reassessed for any expired or existing leases at the time of implementation.
- Initial direct costs for existing leases were not reassessed.

#### **Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment purchased with a cost greater than \$5,000 and a useful life of more than one year. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds was \$575,739 and \$624,255 as of April 30, 2019 and 2018.

#### **Income Taxes**

The Organization is qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Kansas law.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Indirect Cost Rate**

To facilitate equitable distribution of common purpose costs benefiting more than one direct cost objective, the Organization has negotiated an indirect cost rate with DHHS. The rate is based upon a percentage of total direct salaries and wages, including all fringe benefits. A provisional rate of 14.80% was approved by DHHS effective until April 30, 2020.

#### **Functional Allocation**

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Personnel costs are allocated based on time and effort reporting. Occupancy and related costs are allocated based on square footage.

#### **In-Kind Contributions**

The Organization has recorded in-kind contributions for space, supplies, and professional services on the statements of activities in accordance with a financial accounting standard that requires that only contributions of service received that create or enhance a nonfinancial asset or required specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of this standard are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions during the years ended April 30, 2019 and 2018, with a value of \$1,355,475 and \$1,672,316, primarily for its Head Start program, which are not recorded in the statements of activities.

#### **New Accounting Pronouncements**

In 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard replaces the current revenue recognition requirements and most industry-specific guidance. When adopted, the amendments in this ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018.

On June 21, 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 will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, for transactions in which the entity serves as the resource recipient, and for fiscal years beginning after December 15, 2019, for transactions in which the entity services as the resource provider. Early application of the amendments in this update is permitted.

The Organization is currently evaluating the effects of these ASUs.

# Child Start, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Subsequent Events

Subsequent events have been evaluated through **January 24, 2020**, which is the date the financial statements were available to be issued.

#### Note 2: Concentration of Credit Risk

The Organization maintains their cash balance in one financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institution has a strong credit rating and credit risk related to these deposits is minimal.

#### Note 3: Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statement of financial position date, comprise the following as of April 30, 2019:

Cash	\$	836,505
Grants receivable		696,101
Accounts receivable		11,754
<hr/>		
Total financial assets		1,544,360
Less: Accounts payable		301,937
Less: Accrued payroll and related		491,059
<hr/>		
Total available financial assets	\$	751,364

The Organization has no formal liquidity policy and relies on available grant funding that is requested and received shortly thereafter to ensure it has cash available to meet its current obligations to vendors and employees.

#### Note 4: Grants Receivable

Grants receivable consist of:

	2019	2018
Federal Head Start/Early Head Start	\$ 598,538	\$ 694,203
Early Childhood Block Grant	11,226	22,318
Child & Adult Care Food Program	41,629	35,423
Early Childhood Connections	44,708	11,899
Other programs	0	30,285
<hr/>		
Total grants receivable	\$ 696,101	\$ 794,128

# Child Start, Inc.

## Notes to Financial Statements

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### Note 5: Property and Equipment

Property and equipment are as follows:

	2019	2018
Land	\$ 70,782	\$ 70,782
Buildings and leasehold improvements	761,015	741,472
Equipment	1,956,303	1,941,221
Subtotals	2,788,100	2,753,475
Less accumulated depreciation	( 2,181,773)	( 2,091,566)
<b>Totals</b>	<b>\$ 606,327</b>	<b>\$ 661,909</b>

Depreciation expense for the year ended April 30, 2019, was \$190,817.

### Note 6: Lease Assets and Obligations

The Organization leases properties for operation of its programs. The leases are reported as finance leases, operating leases, or short-term leases.

#### Finance Lease Assets and Obligations

The Organization classifies two of its leases as finance leases since the present value of the lease payments equals or exceeds substantially all of the fair value of the assets. The finance lease assets are initially measured at cost, which is comprised of the sum of the initial amount of the finance lease liability, initial direct costs incurred, and lease payments made before or at lease commencement, reduced for any lease incentives received. The Organization amortizes the finance lease assets on a straight-line basis over the period from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The finance lease liability is initially measured at the present value of the lease payments, discounted using the discount rate determined at commencement. Subsequent to commencement, the finance lease liability is measured on an amortized cost basis using the effective interest method. The lease liability is remeasured if the Organization changes its assessment of whether it will exercise a purchase, extension, or termination option.

Beginning with the year ended April 30, 2019, the Organization recognizes the following amounts on the statements of activities during each period of the leases: amortization of the finance lease asset, interest on the lease liability, any variable lease payments in the period in which the obligation is incurred, and any impairment of the finance lease asset. Amortization of the finance lease assets is included in depreciation and amortization expense and finance lease interest costs are included in interest expense on the statement of functional expenses. There was no impairment of the finance lease assets during the year ended April 30, 2019. Amortization and interest expenses for the finance leases were \$92,808 and \$67,116, respectively, for the year ended April 30, 2019.

# Child Start, Inc.

## Notes to Financial Statements

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### Note 6: Lease Assets and Obligations (Continued)

#### Finance Lease Assets and Obligations (Continued)

The following is a schedule of future minimum payments required under finance lease obligations as of April 30, 2019:

2020	\$ 293,406
2021	296,330
2022	299,320
2023	302,379
2024	305,507
Thereafter	3,125,304
<hr/>	
Total minimum lease payments	4,622,246
<u>Amount representing interest</u>	<u>( 1,554,910)</u>
<hr/>	
Present value of net minimum lease payments	3,067,336
Less – Current portion	136,175
<hr/>	
<u>Total long-term portion</u>	<u>\$ 2,931,161</u>

The weighted-average remaining lease term for finance leases was 14.56 years at April 30, 2019. The weighted-average discount rate was 6.00% at April 30, 2019.

#### Operating Lease Assets and Liabilities

The Organization classifies leases as operating leases if they are not short-term leases (see below) or finance leases. For operating leases, the Organization recognizes a right-of-use asset and a lease liability at lease commencement. The initial liability and asset are calculated the same for operating leases as described above for finance leases.

The Organization recognizes a single lease expense on the statement of functional expenses, calculated so that the remaining cost of the lease is allocated over the remaining lease term on a straight-line basis. The lease cost equals the total lease payments for the lease term, plus total initial direct costs incurred, less the periodic lease cost previously recognized. Any variations in lease payments dependent on a rate or index are expensed in the period in which they are incurred. There were no other variable payments outside of those based on an index or rate. Lease expense for the year ended April 30, 2019 was \$681,951.

# Child Start, Inc.

## Notes to Financial Statements

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### Note 6: Lease Assets and Obligations (Continued)

#### Operating Lease Assets and Obligations (Continued)

The following is a schedule of future minimum payments required under operating lease obligations as of April 30, 2019:

2020	\$	686,454
2021		687,758
2022		476,322
2023		73,291
2024		55,281
Thereafter		178,894
Total minimum lease payments		2,158,000
<u>Amount representing interest</u>		<u>( 253,471)</u>
Present value of net minimum lease payments		1,904,529
<u>Less – Current portion</u>		<u>594,782</u>
<u>Total long-term portion</u>		<u>\$ 1,309,747</u>

The weighted-average remaining lease term for operating leases was 4.04 years at April 30, 2019. The weighted-average discount rate was 6.00% at April 30, 2019.

Rental expense for operating leases reported in accordance with prior lease standards totaled \$913,845 for the year ended April 30, 2018.

Future minimum lease payments under operating leases reported in accordance with prior lease standards as of April 30, 2018 were:

2019	\$	908,421
2020		958,273
2021		764,859
2022		571,851
2023		176,748
Thereafter		1,316,146
<u>Total</u>	<u>\$</u>	<u>4,696,298</u>

#### Short-term leases

Short-term leases include leases that at the commencement date have a lease term of 12 months or less and cancellable leases with annual options to extend (year-to-year leases).

Rental expense under short-term leases was \$99,000 for the year ended April 30, 2019.



# Child Start, Inc.

## Notes to Financial Statements

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### **Note 7: Retirement Plan**

The Organization has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to substantially all employees. The Board of Directors annually determines the amount, if any, of the Organization's contribution to the plan. The Organization's contributions for the years ended April 30, 2019 and 2018, were \$160,760 and \$121,056.

### **Note 8: Grant Awards**

At April 30, 2019, the Organization had commitments under various grants of approximately \$60,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

# **Supplementary Information**

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# Child Start, Inc.

Schedule A-1  
 Schedule of Program Activity  
 Year Ended April 30, 2019

	FEDERAL PROGRAMS						
	Department of Agriculture			Department of Health and Human Services			
	10.558			93.575			
	Total	Child & Adult Care Food Program 2017/2018 (1)	Child & Adult Care Food Program 2018/2019 (2)	10.558 Subtotal	Child Care and Development Block Grant 2017/2018 (3)	Child Care and Development Block Grant 2018/2019 (4)	93.575 Subtotal
<b>REVENUE</b>							
Grant revenue	\$ 11,755,291	\$ 131,132	\$ 236,143	\$ 367,275	\$ 12,568	\$ 64,356	\$ 76,924
Donations	46,611	0	0	0	0	0	0
Interest income	200	0	0	0	0	0	0
Other income	65,308	0	0	0	0	0	0
Gain (loss) on disposal of equipment	11,222	0	0	0	0	0	0
In-kind contributions	1,592,858	0	0	0	0	0	0
<b>Total Revenue</b>	<b>13,471,490</b>	<b>131,132</b>	<b>236,143</b>	<b>367,275</b>	<b>12,568</b>	<b>64,356</b>	<b>76,924</b>
<b>EXPENSES</b>							
Salaries and benefits	8,002,373	0	0	0	10,923	46,254	57,177
Contractual	836,298	0	0	0	14	232	246
Repairs and maintenance	121,950	0	0	0	0	40	40
Rent and utilities	403,710	0	0	0	2	8,117	8,119
Travel and training	283,251	0	0	0	52	959	1,011
Supplies	464,254	0	0	0	27	1,160	1,187
Equipment	0	0	0	0	0	0	0
Program activities	378,858	131,132	236,143	367,275	0	0	0
Other	210,458	0	0	0	0	131	131
Insurance	118,270	0	0	0	0	0	0
Indirect	0	0	0	0	858	7,439	8,297
Printing and postage	38,187	0	0	0	692	24	716
Depreciation and amortization	283,625	0	0	0	0	0	0
Interest expense	67,116	0	0	0	0	0	0
Lease expense	681,951	0	0	0	0	0	0
In-kind expenses	1,592,858	0	0	0	0	0	0
<b>Total Expenses</b>	<b>13,483,159</b>	<b>131,132</b>	<b>236,143</b>	<b>367,275</b>	<b>12,568</b>	<b>64,356</b>	<b>76,924</b>
<b>Change in Net Assets</b>	<b>( 11,669)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers	0	0	0	0	0	0	0
Net assets - Beginning of year	1,397,006	0	0	0	0	0	0
<b>NET ASSETS - End of year</b>	<b>\$ 1,385,337</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

See Independent Auditor's Report.

# Child Start, Inc.

Schedule A-2

Schedule of Program Activity

Year Ended April 30, 2019

<b>FEDERAL PROGRAMS</b>							
<b>Department of Health and Human Services</b>							
<b>93.600</b>							
	<b>Head Start Head Start 07CH010338-03 (5)</b>	<b>Head Start Training and Tech. Assist. 07CH010338-03 (6)</b>	<b>Early Head Start 07CH010338-03 (7)</b>	<b>Early Head Start T&amp;TA 07CH010338-03 (8)</b>	<b>07CH010338-03 Subtotal</b>	<b>Butler/Greenwood Head Start 07CH010483-02 (9)</b>	<b>Butler/Greenwood Head Start T&amp;TA 07CH010483-02 (10)</b>
<b>REVENUE</b>							
Grant revenue	\$ 6,515,368	\$ 78,126	\$ 3,124,920	\$ 72,050	\$ 9,790,464	\$ 1,095,015	\$ 13,488
Donations	250	0	0	0	250	0	0
Interest income	2	0	0	0	2	0	0
Other income	1,144	0	0	0	1,144	4,701	0
Gain (loss) on disposal of equipment	0	0	16,111	0	16,111	0	0
In-kind contributions	1,962,743	0	636,506	0	2,599,249	313,970	0
<b>Total Revenue</b>	<b>8,479,507</b>	<b>78,126</b>	<b>3,777,537</b>	<b>72,050</b>	<b>12,407,220</b>	<b>1,413,686</b>	<b>13,488</b>
<b>EXPENSES</b>							
Salaries and benefits	4,027,274	0	2,071,123	0	6,098,397	767,244	0
Contractual	570,162	0	70,415	0	640,577	32,772	0
Repairs and maintenance	67,525	0	32,621	0	100,146	12,760	0
Rent and utilities	806,629	0	271,348	0	1,077,977	86,133	0
Travel and training	49,640	78,090	29,895	71,860	229,485	7,058	13,479
Supplies	163,970	36	196,703	190	360,899	26,540	9
Equipment	12,662	0	65,510	0	78,172	0	0
Program activities	1,849	0	9,734	0	11,583	0	0
Other	33,932	0	25,927	0	59,859	4,846	0
Insurance	56,233	0	31,865	0	88,098	11,728	0
Indirect	714,290	0	327,524	0	1,041,814	147,910	0
Printing and postage	12,598	0	8,366	0	20,964	2,725	0
Depreciation and amortization	0	0	0	0	0	0	0
Interest expense	0	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	0
In-kind expenses	1,962,743	0	636,506	0	2,599,249	313,970	0
<b>Total Expenses</b>	<b>8,479,507</b>	<b>78,126</b>	<b>3,777,537</b>	<b>72,050</b>	<b>12,407,220</b>	<b>1,413,686</b>	<b>13,488</b>
<b>Change in Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers	0	0	0	0	0	0	0
Net assets - Beginning of year	0	0	0	0	0	0	0
<b>NET ASSETS - End of year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

See Independent Auditor's Report.

# Child Start, Inc.

Schedule A-3

Schedule of Program Activity

Year Ended April 30, 2019

	FEDERAL PROGRAMS			STATE AND LOCAL PROGRAMS			
	DHHS						
	93.600						
	07CH010483-02 Subtotal	93.600 Subtotal	Total Federal Programs	Early Childhood Block Grant (11)	Early Childhood Connections (12)	Other (13)	Total State and Local Programs
<b>REVENUE</b>							
Grant revenue	\$ 1,108,503	\$ 10,898,967	\$ 11,343,166	\$ 107,711	\$ 244,984	\$ 0	\$ 352,695
Donations	0	250	250	0	0	4,250	4,250
Interest income	0	2	2	0	0	0	0
Other income	4,701	5,845	5,845	0	62	58,385	58,447
Gain (loss) on disposal of equipment	0	16,111	16,111	0	0	0	0
In-kind contributions	313,970	2,913,219	2,913,219	35,114	0	0	35,114
<b>Total Revenue</b>	<b>1,427,174</b>	<b>13,834,394</b>	<b>14,278,593</b>	<b>142,825</b>	<b>245,046</b>	<b>62,635</b>	<b>450,506</b>
<b>EXPENSES</b>							
Salaries and benefits	767,244	6,865,641	6,922,818	51,960	166,419	20,239	238,618
Contractual	32,772	673,349	673,595	34,702	3,382	2,677	40,761
Repairs and maintenance	12,760	112,906	112,946	0	222	4	226
Rent and utilities	86,133	1,164,110	1,172,229	4,245	38,366	1,164	43,775
Travel and training	20,537	250,022	251,033	1,378	5,452	1,728	8,558
Supplies	26,549	387,448	388,635	3,920	2,567	8,086	14,573
Equipment	0	78,172	78,172	0	0	0	0
Program activities	0	11,583	378,858	0	0	0	0
Other	4,846	64,705	64,836	19	1,585	250	1,854
Insurance	11,728	99,826	99,826	302	836	0	1,138
Indirect	147,910	1,189,724	1,198,021	10,372	21,789	2,935	35,096
Printing and postage	2,725	23,689	24,405	300	970	3,668	4,938
Depreciation and amortization	0	0	0	0	0	0	0
Interest expense	0	0	0	0	0	0	0
Lease expense	0	0	0	0	0	0	0
In-kind expenses	313,970	2,913,219	2,913,219	35,114	0	0	35,114
<b>Total Expenses</b>	<b>1,427,174</b>	<b>13,834,394</b>	<b>14,278,593</b>	<b>142,312</b>	<b>241,588</b>	<b>40,751</b>	<b>424,651</b>
<b>Change in Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>513</b>	<b>3,458</b>	<b>21,884</b>	<b>25,855</b>
Transfers	0	0	0	0	0	0	0
Net assets - Beginning of year	0	0	0	0	0	0	0
<b>NET ASSETS - End of year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 513</b>	<b>\$ 3,458</b>	<b>\$ 21,884</b>	<b>\$ 25,855</b>

# Child Start, Inc.

Schedule A-4  
 Schedule of Program Activity  
 Year Ended April 30, 2019

	DISCRETIONARY ACTIVITY				
	Total Programs	GAAP Adjustments (14)	Grant- Funded Equipment (15)	Corporate Activities (16)	Total Discretionary
<b>REVENUE</b>					
Grant revenue	\$ 11,695,861	\$ 55,764	\$ 0	\$ 3,666	\$ 59,430
Donations	4,500	0	0	42,111	42,111
Interest income	2	0	0	198	198
Other income	64,292	0	0	1,016	1,016
Gain (loss) on disposal of equipment	16,111	0	0	( 4,889)	( 4,889)
In-kind contributions	2,948,333	( 1,355,475)	0	0	( 1,355,475)
<b>Total Revenue</b>	<b>14,729,099</b>	<b>( 1,299,711)</b>	<b>0</b>	<b>42,102</b>	<b>( 1,257,609)</b>
<b>EXPENSES</b>					
Salaries and benefits	7,161,436	0	0	840,937	840,937
Contractual	714,356	0	0	121,942	121,942
Repairs and maintenance	113,172	0	0	8,778	8,778
Rent and utilities	1,216,004	( 911,022)	0	98,728	( 812,294)
Travel and training	259,591	0	0	23,660	23,660
Supplies	403,208	0	0	61,046	61,046
Equipment	78,172	61,950	( 140,122)	0	( 78,172)
Program activities	378,858	0	0	0	0
Other	66,690	103,984	0	39,784	143,768
Insurance	100,964	0	0	17,306	17,306
Indirect	1,233,117	0	0	( 1,233,117)	( 1,233,117)
Printing and postage	29,343	0	0	8,844	8,844
Depreciation and amortization	0	92,808	180,754	10,063	283,625
Interest expense	0	67,116	0	0	67,116
Lease expense	0	681,951	0	0	681,951
In-kind expenses	2,948,333	( 1,355,475)	0	0	( 1,355,475)
<b>Total Expenses</b>	<b>14,703,244</b>	<b>( 1,258,688)</b>	<b>40,632</b>	<b>( 2,029)</b>	<b>( 1,220,085)</b>
<b>Change in Net Assets</b>	<b>25,855</b>	<b>( 41,023)</b>	<b>( 40,632)</b>	<b>44,131</b>	<b>( 37,524)</b>
Transfers	0	41,023	( 7,438)	( 33,585)	0
Net assets - Beginning of year	0	0	623,809	773,197	1,397,006
<b>NET ASSETS - End of year</b>	<b>\$ 25,855</b>	<b>\$ 0</b>	<b>\$ 575,739</b>	<b>\$ 783,743</b>	<b>\$ 1,359,482</b>

See Independent Auditor's Report.

# Child Start, Inc.

## Schedule B-1 Schedule of Expenditures of Federal Awards Year Ended April 30, 2019

Federal Grantor/Program Title	CFDA Number	Pass-Through Entity Identifying	Funding Source/ Pass-Through Entity	Program Period	Grant Expenditures
<b>DEPARTMENT OF AGRICULTURE</b>					
(1) Child & Adult Care Food Program 2017/2018	10.558	N/A	Kansas State Department of Education	10/01/17 - 09/30/18	\$ 131,132
(2) Child & Adult Care Food Program 2018/2019		N/A	Kansas State Department of Education	10/01/18 - 09/30/19	236,143
<b>Total Federal Expenditures CFDA #10.558</b>					<b>367,275</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
CCDF Cluster:					
(3) Child Care Development Block Grant 2017/2018	93.575	N/A	Child Care Aware of Kansas	07/01/17 - 06/30/18	12,568
(4) Child Care Development Block Grant 2018/2019		N/A	Child Care Aware of Kansas	07/01/18 - 06/30/19	64,356
<b>Total Federal Expenditures CFDA #93.575 CCDF Cluster</b>					<b>76,924</b>
(5) Head Start	93.600	07CH010338-03	U.S. Department of Health and Human Services	05/01/18 - 04/30/19	6,515,368
(6) Head Start - Training and Technical Assistance		07CH010338-03	U.S. Department of Health and Human Services	05/01/18 - 04/30/19	78,126
(7) Early Head Start		07CH010338-03	U.S. Department of Health and Human Services	05/01/18 - 04/30/19	3,124,920
(8) Early Head Start - Training and Technical Assistance		07CH010338-03	U.S. Department of Health and Human Services	05/01/18 - 04/30/19	72,050
(9) Head Start		07CH010483-02	U.S. Department of Health and Human Services	05/01/18 - 04/30/19	1,095,015
(10) Head Start - Training and Technical Assistance		07CH010483-02	U.S. Department of Health and Human Services	05/01/18 - 04/30/19	13,488
<b>Total Federal Expenditures CFDA #93.600</b>					<b>10,898,967</b>
<b>TOTAL FEDERAL EXPENDITURES</b>					<b>\$ 11,343,166</b>

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

# Child Start, Inc.

Schedule B-2

Schedule of Expenditures of Federal Awards

Year Ended April 30, 2019

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## Notes to Schedule of Expenditures of Federal Awards

### Note 1 - Basis of Presentation

The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Child Start, Inc. under programs of the federal government for the year ended April 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Child Start, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Child Start, Inc.

### Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

### Note 3 - Indirect Cost Rate

Child Start, Inc. has an approved indirect cost rate, and therefore, did not use the 10% de minimis cost rate.

### Note 4 - Subrecipients

No federal grant awards were passed through to subrecipients during the year ended April 30, 2019.

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.





## **Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters**

Board of Directors  
Child Start, Inc.  
Wichita, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Start, Inc., which comprise the statement of financial position as of April 30, 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 January 24, 2020.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Child Start, Inc.’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 Child Start, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Child Start, Inc.’s internal control.

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Child Start, Inc.'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*.

Child Start Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Child Start, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **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 Child Start, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Start, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

January 24, 2020  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance**

Board of Directors  
Child Start, Inc.  
Wichita, Kansas

### **Report on Compliance for the Major Federal Program**

We have audited Child Start, Inc.'s compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended April 30, 2019. Child Start, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility for Compliance**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Child Start, Inc.'s major federal program 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program occurred. An audit includes examining, on a test basis, evidence about Child Start, Inc.'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 the major federal program. However, our audit does not provide a legal determination on Child Start, Inc.'s compliance.

### **Opinion**

In our opinion, Child Start, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended April 30, 2019.

## Report on Internal Control Over Compliance

Management of Child Start, Inc. 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 Child Start, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Start, Inc.'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 of this section 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 to be 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. Accordingly, this report is not suitable for any other purpose.

*Wipfli LLP*

Wipfli LLP

January 24, 2020  
Madison, Wisconsin

# Child Start, Inc.

## Schedule of Federal Findings and Questioned Costs Year Ended April 30, 2019

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### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to financial statements noted?	No

#### Federal Awards

Internal control over major federal programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	No
Identification of major federal programs:	
<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

# Child Start, Inc.

## Schedule of Federal Findings and Questioned Costs Year Ended April 30, 2019

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### Section II - Financial Statement Findings

#### Finding 2019-001: Audit Adjusting Journal Entry

**Condition:** During the year, Child Start, Inc. entered into two lease agreements that were classified as operating leases but should have been recorded as finance leases. Wipfli LLP proposed an adjusting journal entry to reclassify these leases that we deem to be significant to the financial statements. Since the internal controls of Child Start, Inc. did not detect and record the adjustment described above prior to the audit, a significant deficiency exists in the Organization's internal controls over financial reporting and the preparation of the financial statements in accordance with accounting principles generally accepted in the United States (GAAP).

**Criteria:** Child Start, Inc. did not maintain effective internal control over financial reporting related to recording new leases in accordance with GAAP.

**Cause:** The internal controls of Child Start, Inc. did not detect and correct the adjustment described above prior to the audit.

**Effect:** As a result of the financial reporting matter identified in the condition paragraph, a significant deficiency exists in Child Start, Inc.'s internal controls over financial reporting.

**Recommendation:** We recommend Child Start, Inc. implement procedures to provide sufficient internal control over lease accounting such that all transactions are recorded in accordance with GAAP.

**View of responsible officials:** Management respectfully takes a different point of view. Child Start was aware of the regulation change that dictates a need to make an adjustment to record capital leases long before the audit, and Child Start requested guidance from its auditors on making such an adjustment several months before the audit. No such guidance was forthcoming before the audit. Nevertheless, Child Start recognizes the need to make the adjustment to capital leases, and did so before the audit was finalized.

### Section III - Federal Award Findings and Questioned Costs

None

### Section IV – Summary Schedule of Prior Year Findings

None



P. 316-682-1853 ★ F. 316-689-8713

[www.childstart.org](http://www.childstart.org)

1002 S Oliver ★ Wichita, KS 67218

## Corrective Action Plan for Current Year Findings

Child Start, Inc. submits the following corrective action plan for the identified finding for the audit period May 1, 2018 through April 30, 2019.

### Finding 2019-001: Audit Adjusting Journal Entry

#### Corrective Action:

Child Start will conduct independent research into the proper procedure for recording capital leases and will make the adjusting entry required.

#### Person Responsible:

Tina Viramontez, CFO

#### Timing for Implementation:

The research was completed and the adjustment made by Child Start before the audit report was finalized.

[Teresa Rupp, Executive Director]

[Tina Viramontez, Finance Director]

**Summary Schedule of Prior Year Findings**

None