



Kids Central, Inc. Annual Report

2015-2016

TABLE OF CONTENTS

MISSION, VISION & VALUES.....	2
A MESSAGE FROM THE PRESIDENT & CEO.....	3
GOVERNANCE – BOARD OF DIRECTORS.....	4
GOVERNANCE – POLICY COUNCIL.....	5
WHO WE SERVE.....	6-7
HEAD START – EARLY HEAD START.....	8
AUDIT 2015-2016.....	9-28
EDUCATION PROGRAM.....	29
DISABILITIES PROGRAM.....	30
HEALTH AND DENTAL PROGRAM.....	31
TRANSITION.....	32

Kids Central, Inc.

Mission Statement

**"To embrace our children,
teach our children, and
inspire our children"**

Kids Central, Inc. Vision Statement

**We envision Kids Central, Inc.
as a leader in providing high
quality community based
educational services to meet
the needs of our children,
families, and community.**

Kids Central, Inc. Values

**Service, Integrity, Innovation,
Respect, Diversity, Stewardship**

A MESSAGE FROM THE PRESIDENT & CEO

Kids Central, Inc. is celebrating the 40th Anniversary of the Corporation. Incorporated in 1976 the Wise County, Norton Head Start began service to our area in 1974 with an enrollment of 120 children and families. Over the next 30 years the enrollment would grow to a high of 540 children served in Wise and Dickenson Counties and the City of Norton. The enrollment of Kids Central, Inc. for 2015-2016 is 420. In 1998 a new service was added to the options enjoyed by our company. Early Head Start was added to serve children from birth to 3. This new program has grown from 12 children to 100 children for 2015-2016.

Throughout this report you will find facts about our company and the rich history we have enjoyed for the past 40 years. Over the years literally thousands of children and their families have been served by a caring and dedicated staff of Head Start professionals. You may, or you may not, be surprised at some of the facts included in this report.

Our service area is Wise and Dickenson Counties and the City of Norton. The 108 members of the staff of Kids Central are trained to deliver a diverse program of services and activities aimed at school readiness for our children and improving parenting skills and resources for their parents. As you cruise through this report we hope you see that our past is filled with a rich history and our future is unlimited.

We hope you will take a look at our company and that you will see the impact we have had on our community over the past 40 years and that you will find a way to help us continue our success for the next 40 years. Kids Central, Inc. is a small part of a large community of caring people with a common goal to ensure our children come first. The future is for the only next generation we have and that is our youth. What kind of a future will it be?



Will Sturgill, President
Kids Central, Inc.



Darrell Edwards, CEO
Kids Central, Inc.



Kasey Kangaroo, Mascot
Kids Central, Inc.

GOVERNANCE BOARD OF DIRECTORS

Executive Committee of the Board 2015-2016



Will Sturgill
President



Thomas Williams
Secretary



Harry Childress
Treasurer



Karen Davis
Vice President

Members of the Board 2015-2016



Ed Hutchinson
243 Hamblen St.
Big Stone Gap, VA
24219



Sr. Bernie Kenney
194 Number 10 St.
Clinchco, VA 24226



David Belcher



Bill Dotson
5727 Rock Bar Rd.
Wise VA 24293
H: 328-8116
C: 393-0494



Paula Herron



Sherry Tabor
119 Hill St.
Jonesville Va.
24263



Ron Kendrick
P.O. Box 1408
Clintwood, VA
24288

The governing body for Kids Central, Inc. Head Start has the fiscal and legal responsibility for the agency. The Board is comprised of up to 32 members. The Board of Directors oversees all policies which are set for the program in accordance with Federal Regulation 1304.50. The members are elected for a one year term.

Kids Central, Inc. is fortunate to have board members that reflect the values adopted by the corporation. The Board of Directors meets monthly and has various committees that members may choose to serve or be appointed. The Committees are Executive, Financial, Personnel, Facilities, Program, Image Development and Long Range Planning.

GOVERNANCE POLICY COUNCIL

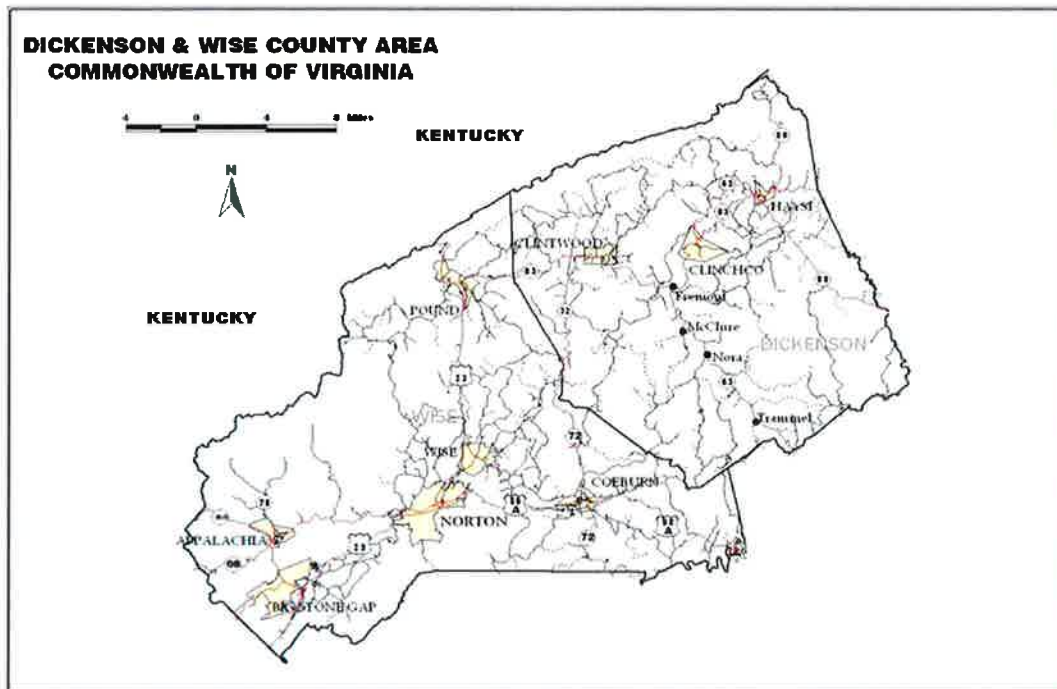
Policy council representatives and alternates are elected by the parent groups of each center during the month of September. During the Policy Council annual training event in October, all members are seated and the members elect officers. The training includes a lengthy day of training on the Policy Council's role and responsibilities as defined by the Performance Standards.

Kids Central, Inc. Policy Council is comprised of 38 members. Fifty-one percent of the Policy Council must be comprised of current Head Start parents. The remaining membership is comprised of community representatives. The Policy Council meets on the second Wednesday of each month.



WHO WE SERVE.....

The service area of Kids Central, Inc. includes Wise County, Dickenson County, and the City of Norton, Virginia – an area of approximately 740 square miles – located in the extreme southwest portion of Virginia, bordering the state of Kentucky. The service area is decidedly rural and mountainous with small towns and communities dotting the landscape with improving, but still challenging, transportation issues between localities.



<u>Locality</u>	<u>2000</u> <u>(Census)</u>	<u>2001</u> <u>(est.)</u>	<u>2003</u> <u>(est.)</u>	<u>2005</u> <u>(est.)</u>	<u>2011</u> <u>(est.)</u>	<u>% Change</u> <u>('00-'11)</u>
Wise County	2313	2277	2407	2485	2275	-1.6%
Dickenson Co.	875	830	811	829	889	+1.6%
Norton City	201	222	187	194	127	-36.8%
Total	3389	3329	3405	3508	3291	-2.9%

WHO WE SERVE...CON'T.



Haysi Center



Clintwood I & II Head Start Centers



Clinchco Head Start Center



Esserville Head Start Center
Esserville Early Head Start Centers



Monte Vista Head Start Center
Big Stone Gap



Dogwood Terrace Head Start Center
Big Stone Gap



Appalachia Head Start Center
Appalachia Early Head Start Centers



Esserville Part Year Center



Wise Head Start Center
UVA-Wise Campus



Coeburn 2 Center



Nita Bond Head Start Center
Coeburn



Pound Center

HEAD START & EARLY HEAD START

Head Start and Early Head Start are federally funded programs administered by the Office of Head Start (OHS), Administration for Children and Families (ACF), Department of Health and Human Services (HHS). Grants are awarded by one of the twelve ACF Regional Offices and the Office of Head Start including, American Indian-Alaska, Native American and Migrant and Seasonal Program branches. There are approximately 1600 local and private non-profit and for-profit agencies to provide Head Start and Early Head Start services. Kids Central, Inc. is a private non-profit corporation and holds a 501 (c), (3) IRS tax status.

Head Start was unveiled in 1965 during President Lyndon B. Johnson's administration as part of the "War on Poverty." It began as an eight-week program during the summer for low income preschoolers. Since its launch, Head Start promotes school readiness for three and four year old children in low-income families offering comprehensive early education, nutritional, health, social, and mental health services. Significant emphasis is placed on the engagement of parents and care givers in their child(ren)'s learning and administration (governance) of local Head Start programs. Head Start also offers parents support and opportunities for personal growth toward their education, literacy, and employment goals.

Established in 1995, Early Head Start provides support to low-income infants, toddlers, pregnant women and their families. According to the Early Childhood Learning and Knowledge Center website, this program enhances children's physical, social, emotional, and intellectual development: assist pregnant women to access comprehensive prenatal and postpartum care; support parent's efforts to fulfill their parental roles; and help parents move toward self-sufficiency.

A variety of service options are available for both Head Start and Early Head Start including home-based and part/day-part/year centers, and full/day-full/year center based (classroom) services.



AUDIT 2015-2016

KIDS CENTRAL, INC.

Norton, Virginia

AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

May 31, 2016

KIDS CENTRAL, INC.

Norton, Virginia

AUDITED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

TABLE OF CONTENTS

AUDITORS' REPORTS:

Independent Auditors' Report

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.

Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

FINANCIAL STATEMENTS:

Statement of Financial Position.....Exhibit 1

Statement of Activity.....Exhibit 2

Statement of Cash Flows.....Exhibit 3

Notes to Financial Statements

SUPPLEMENTARY INFORMATION:

Schedule of Federal Awards.....Schedule 1

Schedule of Findings and Questioned Costs.....Schedule 2

Hicok, Fern & Company

Certified Public Accountants

Thomas M. Hicok, CPA, CVA, MAFF^{I, IV}•
James H. Fern, CPA, CVA^{III}•
David B. Brown, CPA
Juan J. Garcia, CPA
Karen L. Jackson, CPA
Rodney P. Jackson, CPA^{II}

155 E. Valley Street
P.O. Box 821
Abingdon, Virginia 24212-0821
(276) 628-1123
Fax: (276) 676-3000
e-mail: hicokfern&co@firmcpa.com

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kids Central, Inc.
Norton, Virginia

Report on Financial Statements

We have audited the accompanying financial statements of Kids Central, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2016 and the related statements of activities and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Controller 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 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

Hicok, Fern & Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Central, Inc. as of May 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Federal Awards, is presented for purposes of additional analysis as is required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements of Kids Central, Inc. 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 other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report, dated November 20, 2016, on our consideration of Kids Central, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is 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 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 Kids Central, Inc.'s internal control over financial reporting and compliance.



HICOK, FERN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2016

Hicok, Fern & Company

Certified Public Accountants

Thomas M. Hicok ,CPA, CVA, MAFF ^{I, IV}•
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Kids Central, Inc.
Norton, Virginia

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 Standard* issued by the Comptroller General of the United States, of Kids Central, Inc., as of and for the year ended May 31, 2016, and the related notes to the financial statements, which collectively comprise Kids Central, Inc. basic financial statements, and have issued our report thereon dated November 20, 2016.

Internal Control Over Financial Reporting

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

Hicok, Fern & Company
Certified Public Accountants

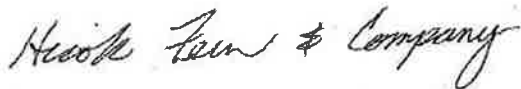
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Kids Central, Inc. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HICOK, FERN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

November 20, 2016

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

To the Board of Directors
Kids Central, Inc.
Norton, Virginia

Report on Compliance for Each Major Federal Program

We have audited Kids Central, Inc. compliance with the types of compliance requirements described in the Uniform Guidance that could have a direct and material effect on each of Kids Central, Inc. major federal program for the year ended May 31, 2016. Kids Central, Inc. 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

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Kids Central, Inc. major federal 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; 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 Kids Central, Inc. 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 program. However, our audit does not provide a legal determination of Kids Central, Inc. compliance.

Hicok, Fern & Company
Certified Public Accountants

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

Opinion on Each Major Federal Program

In our opinion, Kids Central, Inc., complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2016.

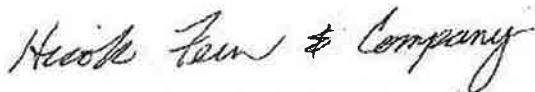
Report on Internal Control Over Compliance

Management of Kids Central, 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 Kids Central, Inc. internal control over compliance with the types of requirements that could have a direct and material effect on each major federal 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 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 Kids Central, Inc. 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 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.



HICOK, FERN & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
November 20, 2016

KIDS CENTRAL, INC.
 Norton, Virginia
 STATEMENT OF FINANCIAL POSITION
 May 31, 2016

EXHIBIT 1

<u>ASSETS</u>	<u>AMOUNT</u>
Cash & cash equivalents (Note A).....	\$ 99,085
Accounts receivable.....	11,808
Grants receivable (Note B).....	13,484
Prepaid expenses.....	24,106
Property, plant & equipment (Note C).....	3,031,518
Accumulated depreciation.....	<u>(2,118,054)</u>
 TOTAL ASSETS.....	 <u>\$ 1,061,947</u>
 <u>LIABILITIES & NET ASSETS</u>	
 LIABILITIES	
Accounts payable.....	\$ 22,679
Accrued payroll and payroll taxes.....	104,663
Accrued expenses.....	23,866
Notes payable (Note D).....	<u>704,562</u>
 TOTAL LIABILITIES.....	 <u>855,770</u>
 NET ASSETS	
Unrestricted.....	---
Temporarily restricted.....	<u>206,177</u>
 TOTAL NET ASSETS.....	 <u>206,177</u>
 TOTAL LIABILITIES & NET ASSETS.....	 <u>\$ 1,061,947</u>

The Notes to Financial Statements are an integral part of this statement.

KIDS CENTRAL, INC.
Norton, Virginia
STATEMENT OF ACTIVITIES
For the Year Ended May 31, 2016

EXHIBIT 2

	<u>UNRESTRICTED</u>	TEMPORARILY <u>RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
Grant Income.....	\$ ---	\$ 3,746,105	\$ 3,746,105
Interest.....	---	222	222
Other.....	---	3,487	3,487
In-Kind.....	---	78,298	78,298
Other federal revenue.....	---	203,260	203,260
Net assets released from restrictions:			
Satisfaction of program restrictions.....	<u>4,082,210</u>	<u>(4,082,210)</u>	<u>---</u>
TOTAL REVENUE.....	<u>4,082,210</u>	<u>(50,838)</u>	<u>4,031,372</u>
EXPENSES			
Advertising.....	9,684	---	9,684
Contract services.....	87,970	---	87,970
Cost of food and material.....	206,508	---	206,508
Depreciation.....	112,511	---	112,511
Fringe benefits.....	605,873	---	605,873
In-kind expenses.....	78,298	---	78,298
Insurance.....	61,150	---	61,150
Interest expense.....	32,514	---	35,514
Miscellaneous.....	14,038	---	14,038
Payroll taxes.....	216,779	---	216,779
Repairs and maintenance.....	39,591	---	39,591
Rent – space.....	33,750	---	33,750
Salaries and wages.....	2,282,174	---	2,282,174
Supplies and equipment.....	52,411	---	52,411
Support and parent services.....	400	---	400
Telephone.....	37,857	---	37,857
Transportation.....	29,559	---	29,559
Training and testing.....	28,844	---	28,844
Travel and meetings.....	31,885	---	31,885
Utilities.....	<u>120,414</u>	<u>---</u>	<u>120,414</u>
TOTAL EXPENSES.....	<u>4,082,210</u>	<u>---</u>	<u>4,082,210</u>
CHANGES IN NET ASSETS.....	---	(50,838)	(50,838)
NET ASSETS AT BEGINNING OF YEAR..	<u>---</u>	<u>257,015</u>	<u>257,015</u>
NET ASSETS AT END OF YEAR.....	<u>\$ ---</u>	<u>\$ 206,177</u>	<u>\$ 206,177</u>

The notes to Financial Statements are an integral part of this statement.

KIDS CENTRAL, INC.
 Norton, Virginia
 STATEMENT OF CASH FLOWS
 For the Year Ended May 31, 2016

EXHIBIT 3

	<u>AMOUNT</u>
OPERATING ACTIVITIES	
Change in net assets.....	\$ (50,838)
Adjustments to reconcile changes in net assets to net cash used by operating activities:	
Depreciation.....	112,511
Changes in:	
Receivables and prepaid expenses.....	13,846
Changes in:	
Accounts payable & accrued expenses.....	<u>(140,832)</u>
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES.....	<u>(65,313)</u>
INVESTMENT ACTIVITIES	
Purchase of property, plant & equipment.....	<u>(37,590)</u>
FINANCING ACTIVITIES	
Principle payments on bank loans.....	<u>(22,349)</u>
INCREASE (DECREASE) IN CASH.....	(125,252)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR.....	<u>224,337</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR.....	<u>\$ 99,085</u>
INTEREST EXPENSE FOR THE YEAR.....	<u>\$ 30,686</u>

The Notes to Financial Statements are an integral part of this statement.

KIDS CENTRAL, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

Kids Center, Inc. operates Head Start Programs within various localities of Southwest Virginia. The Head Start provides comprehensive early development for approximately 420 disadvantaged preschool children and their families.

Financial Statement Presentation

Kids Central, Inc.'s financial statements are presented in accordance with Financial Accounting Standards Board Codification 958-208 and 958-605. Net assets of the organization are reported based on the existence of donor or grantor imposed restrictions. The following classifications are used to report the net assets of the Head Start.

Temporarily Restricted - The part of the net assets of the organization resulting (a) from inflows of assets whose use by the organization is limited by donor or grantor imposed stipulations that either expires by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and from reclassification to or (c) from other classes of net assets as a consequence of donor or grantor imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.
Unrestricted - The part of net assets of the organization that is not temporarily restricted by donor or grantor imposed stipulations.

The Organization reports grants of cash and other assets as restricted support if they are received with grantor stipulations that limit the use of the grant assets. When grantor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounting Method

Kids Central, Inc. uses the accrual method of accounting for financial reporting. Under this method, revenues and expenses are reflected in the accounts in the period in which they are considered to have been earned or incurred.

(Continued)

KIDS CENTRAL, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (CONTINUED)

Income Taxes

Kids Central, Inc. is a non-profit corporation generally exempt from income taxes under Section 501 (c) (3) of the Internal Revenue Code. Also, the Organization's unrelated business income is exempt generally under Sections 511-515 of the Internal Revenue Code.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Donated Services and Materials

The Organization reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts or grants of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions starting in the year the asset is placed in service.

Estimates

Generally accepted accounting principles require the organization under certain circumstances to use accounting estimates. Actual results could differ from these estimates.

NOTE B - GRANTS RECEIVABLE

Receivables in the amount of \$13,484 represents revenue from governmental agencies for funds applicable to the year ended May 31, 2016, which had not been received at the balance sheet date.

Receivables at May 31, 2016 are as follows:

DHHS.....	\$ 13,484
TOTAL	<u>\$ 13,484</u>

KIDS CENTRAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 May 31, 2016

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment purchased is stated at cost or estimated cost. Donated property is recorded at market value prevailing at date of donation. Depreciation for fixed assets has been provided over the following estimated useful lives using the straight-line method.

Buildings.....39 years
 Equipment, vehicles and
 furniture and fixtures.....3-10 years

Depreciation expense for the year amounted to \$112,511

A summary of the changes in property, plant, and equipment is as follows:

	<u>Balance</u> <u>June 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>May 31, 2016</u>
Equipment.....	\$ 1,220,627	\$ 14,000	\$ ---	\$ 1,234,627
Furniture & equipment....	690,483	23,590	---	714,073
Building.....	864,509	---	(3,995)	860,514
Land.....	222,304	---	---	222,304
TOTAL.....	<u>\$ 2,997,923</u>	<u>\$ 37,590</u>	<u>\$ (3,995)</u>	<u>\$ 3,031,518</u>

NOTE D – NOTES PAYABLE

For the year ended May 31, 2016 the Organization’s long-term debt consisted of the following:

The principle balance of a 4.75% note payable to USDA,
 Rural Development, due in monthly installments
 of principle and interest of \$3,883.....\$ 684,643

The principle balance of a 3.75% note payable to USDA,
 Rural Development, due in monthly installments
 of principle and interest of \$678.....\$ 19,919

TOTAL \$ 704,562

(Continued)

KIDS CENTRAL, INC.
 NOTES TO FINANCIAL STATEMENTS
 May 31, 2016

NOTE D – NOTES PAYABLE (CONTINUED)

Future scheduled maturities of long-term debt are as follows:

Year Ended <u>May 31,</u>	<u>Amount</u>
2017.....	\$ 21,862
2018.....	22,845
2019.....	20,368
2020.....	16,537
2021.....	17,340
2022 - 2026.....	100,176
2027 - 2031.....	126,972
2032 - 2036.....	160,934
2037 – 2041.....	206,004
2042.....	<u>11,524</u>
Total.....	<u>\$ 704,562</u>

The above note is secured by essentially all of the assets and revenues that the Organization owns or hereinafter acquires until which time the loans are paid in full.

Total interest expense for the year ended May 31, 2016 amounted to \$32,514 on the above notes.

NOTE E - IN KIND

Kids Central, INC. is required by funding sources to contribute a percent of the cost of the program through cash or in-kind contributions. The contributions for the year ended May 31, 2016 for matching requirements are as follows:

<u>Funding Source</u>	<u>Matching Requirement</u>
Department of Health and Human Services:	
Head Start.....	\$ 1,004,341
Early head start.....	<u>334,780</u>
Total actual match.....	<u>\$ 1,339,121</u>

For financial statement reporting, only in-kind income for property, rent, and professional services is reflected. Total in-kind for financial statement reporting is \$78,298.

KIDS CENTRAL, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016

NOTE F - RETIREMENT PLAN

The Organization contributes to a 401-K retirement plan. Under this plan, qualifying employees contribute designated amounts toward the plan. The Organization will contribute matching amounts up to 5% of participating employee's wages.

During the year, the Organization's required and actual contributions amounted to \$44,713.

NOTE G – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 20, 2016, the date which the financial statements were available to be issued.

KIDS CENTRAL, INC.

Norton, Virginia

SUPPLEMENTARY INFORMATION

May 31, 2016

KIDS CENTRAL, INC
Norton, Virginia
SCHEDULE OF FEDERAL AWARDS
For the Year Ended May 31, 2016

SCHEDULE 1

	<u>Federal Catalog Number</u>	<u>Federal Expenditures</u>
Department of Health and Human Services:		
Direct Payments:		
Administration for Children, Youth, and Families Head Start	93.600*	\$ 3,746,105
Department of Agriculture:		
Direct Payments:		
Child and Adult Care Food Program	10.558	<u>203,260</u>
 Total Federal Assistance		 <u>\$ 3,949,365</u>

*Denotes Major Program

KIDS CENTRAL, INC.
 Norton, Virginia
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended May 31, 2016

SCHEDULE 2

I. SUMMARY OF AUDIT RESULTS

- A. The Auditors' report of Kids Central, Inc. expresses an unmodified opinion on the general purpose financial statements.
- B. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditors' Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
- C. There was no instance of noncompliance material to the general purpose financial statements of Kids Central, Inc which would be required to be reported in accordance with Government Standards.
- D. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance, in Accordance with the Uniform Guidance.
- E. The Auditors' Report on Compliance for the major federal awards programs for Kids Central, Inc. expresses an unmodified opinion.
- F. Audit findings relative to the major federal award programs for Kids Central, Inc. are reported.
- G. Major programs as identified on the Schedule of Expenditures of Federal Awards were tested as major.
- H. The dollar threshold for distinguishing Type A and B programs was \$750,000.
- I. Kids Central, Inc. was determined not to be a low risk auditee.

II. SCHEDULE OF FINDINGS AND QUESTIONED COST

<u>PROGRAM</u>	<u>CATALOG NUMBER</u>	<u>FINDINGS</u>	<u>QUESTIONED COST</u>
Head Start	93.600	None	None

III. FINANCIAL STATEMENT FINDINGS

None

IV. STATUS OF PRIOR AUDIT FINDINGS

Finding 2015-1 was resolved for fiscal year 2016.
 Finding 2015-2 was resolved for fiscal year 2016.

EDUCATION

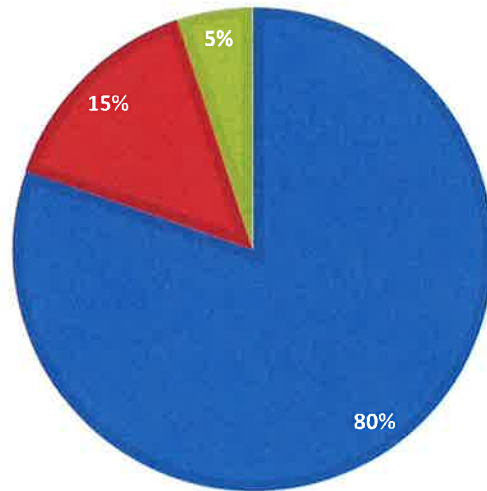
During the program year 2015-2016 children made continuous progress. The following chart demonstrates the percentage of children who met benchmarks during each assessment period. For example, the school readiness goal “Children will engage in and maintain age appropriate science skills...” at the beginning of the program year 17% of the children attending Kids Central met their benchmarks however, at the end of the program year 76% of children met the benchmarks.

Head Start Domain	Kindergarten Readiness Goals	P-1	P-2	P-3	P-4
Perceptual, Motor, and Physical Development	All children will demonstrate age appropriate development in fine motor skills.	16%	43%	68%	78%
Social & Emotional Development	Children will engage in and maintain age appropriate constructive social and emotional relationships with peers.	12%	35%	66%	75%
Approaches to Learning	Children will engage in and sustain age appropriate creative and imaginative expression skills.	14%	41%	65%	76%
Language & Literacy	All children will engage in and maintain age appropriate vocabulary development.	11%	34%	59%	64%
Language & Literacy	Children will engage in and maintain age appropriate phonological skills such as alphabet recognition, name writing, print and word awareness skills.	8%	25%	54%	53%
Cognition	Children will engage in and maintain age appropriate mathematical skills such as, number word and symbol recognition, counting including one-to-one correspondence, quantities, ordinal order and part-whole relationships, shapes, spatial awareness, measuring, and patterns.	10%	28%	59%	72%
Cognition	Children will engage in and maintain age appropriate science skills such as, classifying, experimenting, predicting outcomes, drawing conclusions and communicating their ideas about characteristics of things.	17%	40%	65%	76%
Assessment Period 1 (P-1) Assessment Period 2 (P-2) Assessment Period 3 (P-3) Assessment Period 4 (P-4)					

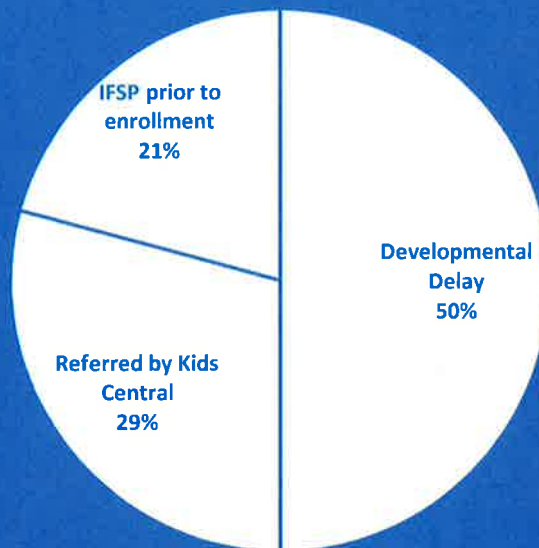
DISABILITIES PROGRAM

HEAD START ENROLLMENT BY DISABILITY

■ Speech Language Impairment ■ Autism ■ Developmental Delay



EARLY HEAD START



Enrollment and Attendance 2015-2016

Head Start		Early Head Start
320	Funded Enrollment	100
374	Cumulative Enrollment	154
90%	Enrolled as Eligible	99.4%
98.3%	Average Monthly Enrollment	98.3%
82.96%	Average Attendance 15-16	82.96%

Health & Dental Services

Head Start		Early Head Start	
Number of Children with Health Insurance at Enrollment	363	Number of Children with Health Insurance at Enrollment	144
Number of Children with Health Insurance at end of year	370	Number of Children with Health Insurance at end of year	148
Percentage of Children up to date on immunizations at end of year	100%	Percentage of Children up to date on immunizations at end of year	97.4%
Percentage of Children with Accessible Health Care	100%	Percentage of Children with Accessible Health Care	100%
Percentage of Children with Accessible Dental Care	100%	Percentage of Children with Accessible Dental Care	100%

Family Engagement

Kids Central, Inc. program uses a family centered approach to provide support services, partnering with parents to advance the Parent, Family and Community Engagement (PFCE) efforts. Family and community support services are designed to assist the family in developing skills necessary to identify their own goals and effectively utilize community resources to help achieve those goals.

In order to enhance our parent engagement efforts, Kids Central, Inc. adopted and implemented a Parent, Family & Community Engagement Framework (PFCE) Plan of Action. Head Start's PFCE Framework approach is designed to help programs achieve outcomes that lead to positive and long-lasting changes for children and families. Kids Central's PFCE Plan of Action identified specific outcomes, timeframes, action steps, resources, and measures of success, and aligns with the seven components of the PFCE Framework:

1. Family Well-Being
2. Positive Parent-Child Relationships
3. Families as Lifelong Educators
4. Families as Learners
5. Family Engagement in Transition
6. Family Connections to Peers and Community
7. Families as Advocates and Leaders

Recognizing the critical role of parents as the child's first teacher, the program provides a variety of opportunities for parent engagement and leadership. These activities promote parent engagement in their child's education, advocacy, and the development of relationships among peers and the community.

At Kids Central, Inc., parents are engaged in their child's education. Parents are given ideas to increase involvement with their children, such as:

- *Contributing to their child's individual goal development by completing of developmental screenings throughout the program year.
- *Following through on home activities designed with teaching staff to help children meet individual goals.
- *Providing ideas for implementation of curriculum goals throughout the program year.
- *Participating in the literacy goals through home activities.
- *Volunteering in the classroom.
- *Participating in home visits and parent/teacher conferences throughout the year.
- *Ensuring their child attends class on a regular basis.
- *Communicating with classroom staff regarding home events that may effect the child's classroom performance.
- *Participating in Family Day events and parent meetings.
- *Participating in parent and child activities in the classroom.
- *Visiting the classroom during mealtime.
- *Participating in the continuous self-assessment of the program.
- *Serving on the Policy Council.
- *Development of Kindergarten Readiness Goals
- *Nutrition Class for Healthy Cooking
- *Fatherhood Engagement Night
- *Book Fair Family Night
- *Drive-In Movie Night
- *Ripley's Aquarium Field Trip
- *Knoxville Zoo Field Trip



Family Engagement Cont..



Kasey's Academy attended the Aquarium of the Smokies to promote learning with family with all children transitioning to Kindergarten.



Families are encouraged to attend field trips.



Family Days allow families to learn about child development while participating in a fun activity with their child.

TRANSITION

Children experience many transitions, including from home to an early care and education setting, between age groups or program settings, and from preschool to kindergarten. Supporting these transitions is critically important. How the foundation for positive transitions is laid across all levels of the system can have far-reaching effects on children's well-being and academic success. Program staff consider the long-term process of building and maintaining the capacity to support children and families at all levels. They also look at ways to improve how they connect and communicate within systems during transitions.

Kids Central, Inc. collaborates with local education agencies to ensure each enrolled child and their family have an opportunity to prepare for Kindergarten transition. Children visit Kindergarten classrooms, participate in resource classes such as library, music or gym and eat lunch in the school cafeteria. Parents are encouraged to attend and meet the teachers and administrative staff of their child's school as well. Kids Central offers extra transition activities to those children going to Kindergarten by participating in a program called Kasey's Academy. Kasey's Academy was developed for 4 year olds to have extra transition time with their parent in this crucial yet often stressful time. The families have opportunities to participate in 2 field trips that encourage parents to continue to be their child's first and most important teacher and also give parents an opportunity to strengthen the bond with their child and prepare them for advocacy in the upcoming years.

Transitional activities also occur when children transition from infant to toddler classroom and when toddlers transition from the Early Head Start program to Head Start. Children and families have an opportunity to visit the classroom, enjoy lunch with their child's classmates and teaching staff and provide pictures or personal items to individualize the classroom and make it more welcoming for their child.

