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# Kids Central, Inc.

2020-2021 Annual Report

## **Kids Central, Inc. Annual Report 2020-2021**

This report has been prepared in order to comply with the Head Start Reauthorization Act of 2007. The Act states that:

“Each Head Start agency shall make available to the public a report published at least once in each fiscal year that discloses the following information from the recently concluded fiscal year, except that reporting such information shall not reveal personally identifiable information about an individual child or parent:

- (A) The total amount of public and private funds received and the amount from each source.
- (B) An explanation of budgetary expenditures and proposed budget for the fiscal year.
- (C) The total number of children and families served, the average monthly enrollment (as a percentage of funded enrollment), and the percentage of eligible children served.
- (D) The results of the most recent review by the Secretary and the financial audit.
- (E) The percentage of enrolled children that received medical and dental exams.
- (F) Information about parent involvement activities.
- (G) The agency’s efforts to prepare children for kindergarten.
- (H) Any other information required by the Secretary.”

### **Mission Statement**

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

### **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.

### **Values Statement**

**Service** - We are committed to the highest standards of quality in our programs and operations. We promote courtesy, and dedication in our classrooms and administrative community.

**Integrity** - We will maintain loyalty to our Mission and the highest standards of ethical and professional character within a supportive work community. We work honorably and justly in all pursuits.

**Innovation** - We provide leadership in the development of solutions to address problems for children and their families; and encourage creative visionary ideas from our staff, volunteers, and our community.

**Respect** - We will maintain respect for the worth and dignity of all persons with whom we work and serve.

**Diversity** - We will maintain employment policies and provide services that promote cultural diversity, inclusion, and that capitalize on the strength of our program, while pursuing our mission.

**Stewardship** - We will be diligent, responsible stewards of financial and human resources while maintaining resources to address the needs of our constituents.



Kids Central, Inc. (KCI) is a private, non-profit 501(c) (3) corporation and a grantee of the Head Start Bureau. KCI currently operates a Head Start grant, funded to serve 224 children and families in Wise County, Dickenson County, and the City of Norton, Virginia. KCI also operates an Early Head Start grant, funded to serve 116 pregnant women, infants, and toddlers in Wise County and the City of Norton.

Kids Central operates two program types; Early Head Start (EHS) and Head Start (HS). Early Head Start serves pregnant women and infants to 36 months of age. Head Start serves children 3 years old to school age.

We have two program options for each program type: Home base services and center base services. Home base services provide all the EHS and HS services in your home; 1 ½ hours during each week. Pregnant women are only served in the home base program option. 72 children and their families are served in our Early Head Start home base option and 72 children and their families are served through the Head Start home base option.

Center base services provide all the EHS and HS services to children ages one month to school age in a family friendly classroom environment. Kids Central serves 44 Early Head Start children in centers and 112 Head Start children in classrooms.

Early Head Start operates year round (full year) programs. In Head Start we offer both full year and part year (operate Aug – May) options. Waiting lists are maintained for all program options.





# KIDS CENTRAL, INC. BOARD OF DIRECTORS

	<b>Will Sturgill</b> President 150 Ridgefield Rd. Wise, VA 24293 W 276-328-8600		<b>Paula Herron</b> Vice President 5111 Kent Junction Rd. Norton, VA 24273 276-219-2355		<b>Thomas Williams</b> Secretary 1930 Main Ave. SW Norton VA 24273 276-337-4012
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Strong leadership and governance are critical to providing quality services in Head Start and Early Head Start programs. Head Start leaders must ensure the governing body/Tribal Council and Policy Council each has a membership that complies with [Sec. 642\(c\)\(1\)\(B\)](#) of the Head Start Act. Governing body and Policy Council members are required to obtain ongoing training and technical assistance (T/TA) so they can fully understand and fulfill their roles and responsibilities. Head Start leaders must also have processes in place to provide timely information to the Policy Council and governing body or Tribal Council.

Grantees who build strong leadership and governance systems and work to establish positive relationships among the three governing entities are better equipped to deliver high-quality Head Start services to children and families. Strong leadership and governance foster an environment that supports innovation and continuous program improvement.

# KIDS CENTRAL, INC. POLICY COUNCIL

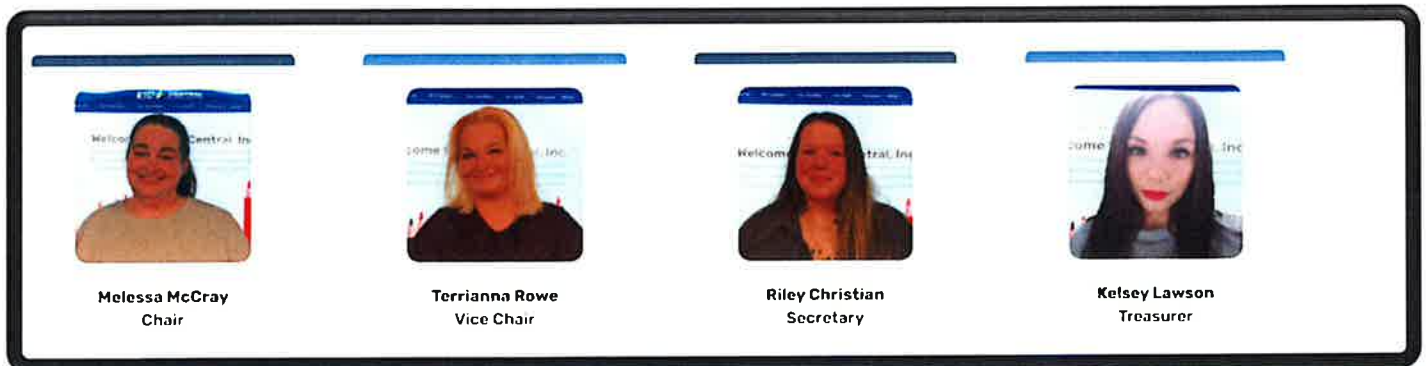
## PC Leadership 2020-2021

**Melissa McCray – Chairman**

**Kelsey Lawson– Treasurer**

**Riley Christian– Secretary**

**Terrianna Rowe – Vice Chairman**



Policy Council representatives and alternatives are elected by parent groups of each center and home base caseload 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 in the Policy Council's roles and responsibilities as defined by the Head Start Performance Standards.

The 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. New to the 2020-2021 program year Policy Council members were able to participate via zoom meetings. This method allowed Kids Central to continue implementing health and safety measures while still conducting the necessary business and maintaining communication with parents and community members of the policy council.

# Kids Central, Inc. Head Start & Early Head Start School Readiness Goals

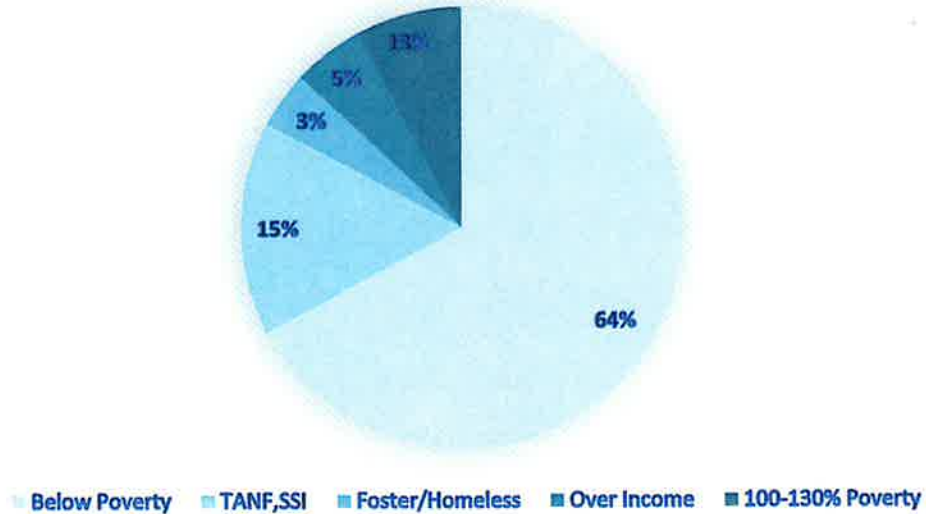
## **School Readiness Goals:**

- All children will demonstrate age appropriate development in fine motor skills.
- All children will obtain and maintain age appropriate preventive and primary health care.
- Children will engage in and maintain age appropriate constructive social and emotional relationships with peers.
- Children will engage in and sustain age appropriate creative and imaginative expression skills.
- All children will engage in and maintain age appropriate vocabulary development.
- Children will engage in and maintain age appropriate phonological skills such as alphabet recognition, name writing, print and word awareness skills.
- 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.
- 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.

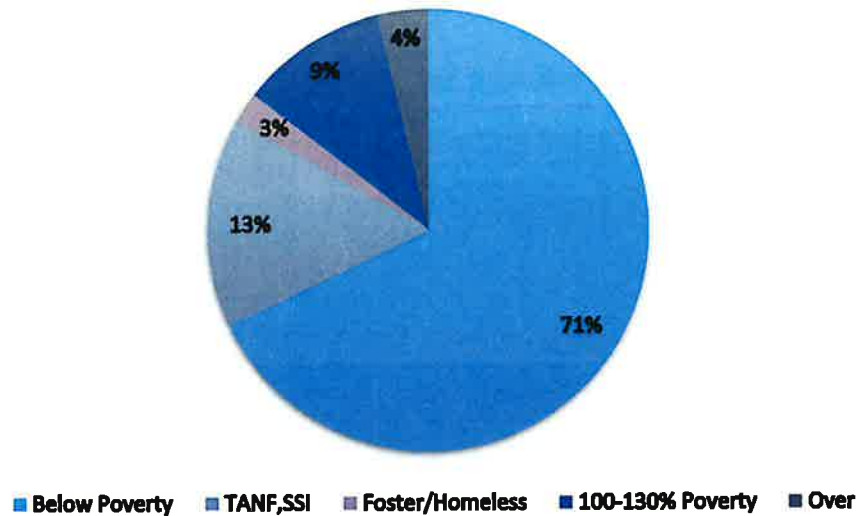
# '20-'21 ENROLLMENT

FUNDED ENROLLMENT: HS- 224 EHS- 116  
HEAD START CUMULATIVE ENROLLMENT: 203 (91%)  
EARLY HEAD START CUMULATIVE ENROLLMENT: 130

## Head Start Enrollment by Eligibility



## Early Head Start Enrollment by Eligibility





# **MEDICAL/DENTAL SERVICES**

**100% EHS RECEIVED ONGOING, CONTINUOUS  
HEALTH CARE DURING ENROLLMENT**

***10 PREGNANT WOMEN WERE ENROLLED IN EHS  
RESULTING IN 11 NEW BABIES***

**94% OF HS RECEIVED ONGOING, CONTINUOUS  
HEALTH CARE DURING ENROLLMENT**



**100% OF ALL EHS & HS CHILDREN HAD A DENTAL  
HOME DURING THE 2020-2021 PROGRAM YEAR.**

**64% OF HS CHILDREN AND 83% OF EHS CHILDREN  
RECEIVED A PREVENTATIVE DENTAL EXAM**

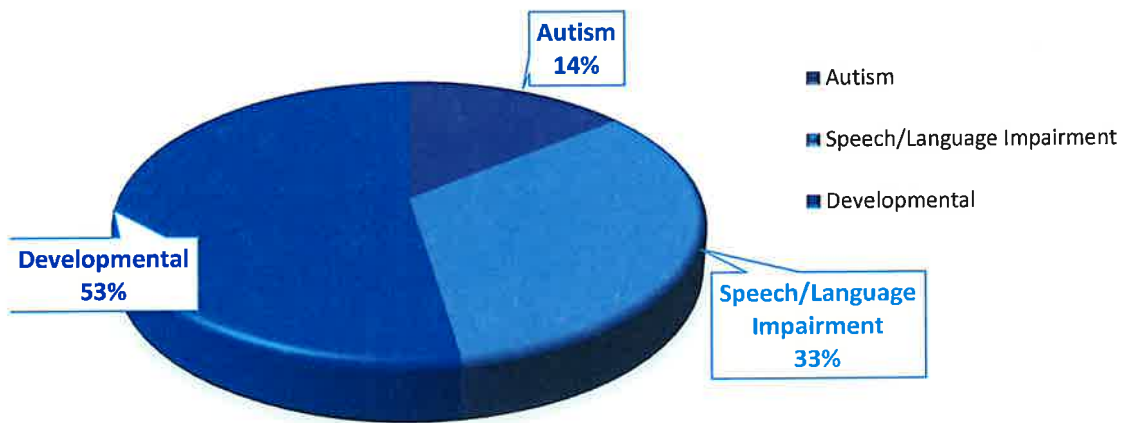
**12/20 CHILDREN (60%) OF THE CHILDREN  
REQUIRING DENTAL TREATMENT RECEIVED THE  
NECESSARY TREATMENT DURING THE 2020-2021  
PROGRAM YEAR.**



# DISABILITIES

***HS STUDENTS ENROLLED WITH DISABILITIES: 21(10%)***

## HEAD START ENROLLMENT BY DISABILITY



**13(11%) EARLY HEAD START CHILDREN AND FAMILIES RECEIVED EARLY INTERVENTION SERVICES FROM THE LOCAL PART C AGENCY, AS SPECIFIED IN THEIR INDIVIDUALED FAMILY SERVICE PLAN (IFSP).**

## EDUCATION

Kids Central, Inc. partners with Wise and Dickenson Counties and the City of Norton school districts to provide high quality Pre-Kindergarten educational services. Head Start parents and teachers work together to ensure each child receives individualized instruction that responds to his/her unique characteristics, strengths, and needs. Instruction is designed to develop the social-emotional, physical, language and cognitive skills of all children.

The 2020-2021 program year provided a unique challenge for educators: teach without children being physically present. Kids Central explored and implemented various methods of communication and teaching strategies in order to meet each families unique needs.

## CURRICULUM

**Curriculum:** Kids Central's governing bodies and parent representatives chose the following curriculums:

<b>Program Options</b>	<b>Curriculum Selected</b>
Early Head Start Center-Based	HighScope Infant-Toddler Curriculum (HS-ITC)
Early Head Start Home-Based	FSU Partners for a Health Baby Curriculum (FSU-PHB)
Head Start Center-Based	HighScope Preschool Curriculum (HS-PC)
Head Start Home-Based	Growing Great Kids for Preschoolers (GGK-P)

## PARENT CONFERENCE & HOME VISITS

Head Start teachers completed two home visits and two Parent/Teacher conferences for each enrolled child. Home Visits and Parent/Teacher conferences offer parents the opportunity to share concerns, enhance observational skills, knowledge, and understanding of the educational and developmental needs and activities of their child. The teacher discusses the child's strengths and needs and receives parent input.

## SCREENINGS

Kids Central, Inc. used Ages & Stages 3 (ASQ-3) and Ages & Stages - Social/Emotional (ASQ:SE-2) as well as Temperament and Atypical Behavior Scale (TABS) to ensure all children received developmental and social - emotional screenings. In addition, each child was given a hearing and vision screening during the first 45 days of enrollment. Kids Central is also able to screen for hemoglobin with the noninvasive PRONTO machine.

## **CHILD ASSESSMENT**

Head Start teachers use COR (Child Observation Record) Advantage to provide ongoing assessments to track children's development and progress throughout the year. Part Year enrolled children are assessed 3 times per year while full year enrolled children are assessed 4 times per year. Formal assessment tools are research based and in alignment with the Head Start Child Development and Early Learning Framework. Children were assessed in the following areas: language, literacy and communication, mathematics, science and technology, social studies, physical development and health, social and emotional development, approaches to learning, creative arts and language development for English Language Learners (ELL). The Child Observation Record (COR) Advantage is used to assess student's levels and progress during the course of the year. COR scores are measured from the simplest to the most complex skills on a scale of 0 to 7.

## **TRANSITION**

Planning for transitions begin immediately after enrollment in the Early Head Start or Head Start program option. All infants, toddlers, and preschoolers enrolled at Kids Central begins discussing enrollment options and the family's current plan for transition at the first home visit. Transition plans are reviewed and/or updated during each parent conference and the second home visit. A parent conference is completed at least 6 months prior to any child transitioning and a child transitioning from Early Head Start to Head Start meets with a Family Advocate to complete a Head Start application no later than three months prior to the anticipated transition. This meeting with the Family Advocate will inform the family of eligibility for Head Start and what program options and locations are available based on eligibility status. Once this determination has been made the Family Advocate will discuss with education staff the next steps for the transition plan.

Toddlers transitioning to Head Start will begin visiting their future classroom and meeting staff or scheduling times to meet their home-based teacher. Toddlers that are transitioning to another preschool option will be given support by the family services staff to arrange for visitation and assistance completing any required paperwork before the child transitions. Early Head Start classroom staff implement transition activities in the classroom based on the child's anticipated plan for transition. Every effort is made to ensure that Early Head Start families wanting to enroll in Head Start have the opportunity to do so.

When a preschool age child enrolls at Kids Central, they are given a transition backpack. Backpack include crayons, construction paper, drawing paper, pencils, glue, and child scissors. The items are replaced throughout the program year and as requested by the family. Teachers and home visitor encourage families to use the backpack items with their child to enhance learning. Kids Central has Memorandum of Understanding with each local public-school system that includes transition services. Kids Central offers a variety of transition activities for preschool children transitioning to a public preschool, Kindergarten or home setting. A parent conference is completed at least 6 months prior to any child transitioning and each child's transition plan is individualized upon the setting the child is transitioning to. Kids Central supports the 3-year olds that transition to a public pre-k classroom by informing the family of registration dates and requirements for enrollment. Kids Central gives the family any copies of documentation needed for a successful transition. Children transitioning to Kindergarten are offered additional activities

to prepare the family for transition from Head Start to a Kindergarten classroom setting. Kasey's Academy was developed by Kids Central in order to give parents and their child additional educational field trips to allow the family more bonding time and give the future Kindergartener more opportunity for developmental enhancement and independence. Classroom staff help prepare transitioning Kindergarten children by reading books and scheduling trips to the primary school the child will attend. This on-site visit allows the child to become familiar with the environment and introduces them to the new routine they will soon be following. Transition packets are developed for children going to kindergarten. The transition pack includes Virginia's kindergarten standards of learning (SOLS), along with many activities to continue learning during summer break before kindergarten.

## NUTRITION SERVICES

Providing nutritious meals to children is a fundamental Head Start service. Did you know that nutrition was one of the founding Head Start principles? According to the book *"Project Head Start, A Legacy on the War on Poverty,"* by Professor Edward Zigler, the effects of malnutrition on the intellectual development of mentally retarded children led those responsible for running the War on Poverty to theorize that perhaps there were similar effects on low-income children. Today family lives are more hectic and there is less time to get together for meal times. So meals served to children in Head Start are still as important now as they were when the program was founded.



The first guidelines of the Head Start nutrition program focused on the importance of providing children with nourishing food and opportunities to promote intellectual and social development. The important role of parents in their children's nutrition was also stressed. Over time the nutrition component evolved to include nutrition education to children, parents, and staff; nutrition staff qualifications; community nutrition problems and resources; and introducing a variety of foods to young children.

Today, providing nutrition services in Head Start is becoming increasingly more complex. We are constantly being presented with new and, at times, conflicting information about what constitutes a healthy diet and how best to achieve a healthy lifestyle.

***"Nutrition Services in Head Start... Then and Now." Brocato, Robin. Head Start Bulletin #48. DHHS/ACF/ACYF/HSB. 1993.***

Kids Central, Inc. assists families in meeting each child's nutritional needs while promoting the development of good-eating habits and a healthy lifestyle. Kids Central, Inc. provides food services year-round to all enrolled children. These services include breakfast, morning snacks, lunch and an afternoon snack. Also included is food for field trips, socialization activities and special events. The children are served "family style" meals where all children and the staff eat together as a family with the food placed in serving bowl and plates for the children to assist with the meal.



Kids Central Inc. participates in the U.S.D.A. Child and Adult Care Food Program providing a wide variety of wholesome foods on a 15 day cycle menu. These menus are developed by the Food Service Specialist and approved through the Virginia Department of Health by Karen Baker, R.D. All meals are served family style with the children serving themselves with the staff eating with the children. Kids Central, Inc. currently has 3 Full Year Head Start classrooms, 7 Part Year classrooms, 6 Early Head Start classrooms. We also serve children in their homes with 6 Head Start Home Base and 6 Early Home Base Programs. Parents receive Kids Central's Nutrition Nuggets monthly including nutritional information and helpful hints to provide them with the knowledge of healthier eating habits. The children also have Classroom Cooking experiences. These events are done as part of the ongoing curriculum to enhance the child's total all round growth and to broaden their sense of community and diversity.



## **PARENT, FAMILY & COMMUNITY 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.
- \*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.
- \*Participation in various training.
- \*The Nurturing Parenting Program (Parenting Curriculum)
- \*FUDGE night for fatherhood involvement
- \*GAME night for mommy and me time

**PARENT, FAMILY, AND COMMUNITY ENGAGEMENT FRAMEWORK**

When parent and family engagement activities are systemic and integrated across program foundations and program impact areas, family engagement outcomes are achieved, resulting in children who are healthy and ready for school. Parent and family engagement activities are grounded in positive, ongoing, and goal-oriented relationships with families.





# Transportation

Kids Central had a prosperous year in the transportation department by adding three new buses and four new cars, including AWD, to the KCI fleet. Also purchased were three trucks for the maintenance department. Kids Central provides transportation of children to all part year centers as well as all enrolled children to field trip designations, assigned locations for services such as dental and hearing/vision services and socializations for our home-based families.



Safety is ALWAYS a priority at Kids Central, Inc. All buses that transport children are equipped with 5 point harnesses as well as a bus monitor to assist the driver.





## Family Services and Engagement

Kids Central used innovative thoughts and ideas during 2020 and 2021 to support, recruit and engagement our current families and reach out to new ones through out the community.

### Recruitment events

Traditionally, recruitment events by design are set up to bring in large amounts of people to learn about what KCI offers and enroll children in to the program. KCI used strict safety protocol and creative incentives for families to participate in these events. See some examples below.

#### Kids Central Inc. is doing a drive by sign up day!

When: June 1, 2020

Time: 10 am - 3 pm

Where: Kids Central Inc. Main office in Norton, VA (5245 Esserville Road)

Come by and fill out an application for the next school year safely from your car!

Free handouts such as hand sanitizer and first aid kits!

Our nursing staff will be on site this day offering FREE vision and hearing tests for children who apply.

First 20 children who apply will receive a treat from a K&E Southern Sweets!



Social Media and the internet has always been an important resource in engaging families as well as telling the world about Kids Central Inc. and what head start has to offer. In 2020 and 2021 our goal was to reach continue to give our families the same level of engagement as pre pandemic and here is how we did it.

### Facebook

KCI posted daily activity packets for families to do at home focusing on creating family togetherness, school readiness, health, nutrition and community resources. Facebook was also used to connect families through common interactions such as a pumpkin decorating contest. KCI provided a pumpkin for each family to decorate and send pictures for an online gallery where families could then pick their favorite. KCI throughout 2020 and 2021 hosted activities like this help families feel more connected to the program and teachers. See more of how KCI connects with families by scanning the QR code.





## You Tube

During the pandemic KCI created a You Tube account. Via You Tube KCI has been able to publish videos to instruct families on policy changes, continue with parent meetings ( family days ) and share parent curriculum videos. To see what all of our You Tube videos scan the QR code below.



## Website:

KCI has always used our website ([www.kidscentralinc.com](http://www.kidscentralinc.com)) as a source of communication and education. During the pandemic with added the online enrollment application option to make the application process easier for families.



## Zoom and google classroom

Staff and families became acquainted with different ways of learning during 2020 and 2021. Thanks to COVID funds staff were able to utilize Microsoft surface pros to make virtual learning easier. Family services worked in collaboration with education staff to conduct family days via google from the classroom when children were unable to come to school due to safety as well as publishing videos to You Tube. KCI also offered Zoom meeting to families to make the parent policy council meetings virtual as well.



**2020-2021 ANNUAL AUDIT**

**KIDS CENTRAL, INC.**

**AUDITED FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**

**May 31, 2021**

KIDS CENTRAL, INC.  
FINANCIAL REPORT  
YEAR ENDED MAY 31, 2021

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the 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, 2021, and the related statements of activities, functional expenses, 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 Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Kids Central, Inc. as of May 31, 2021, 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***

***Supplementary and Other Information***

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

The additional supplementary information (Schedule of Findings, Responses, and Questioned Costs) is presented for purposes of additional analysis and is not a required part of the financial statements. We did not audit or apply limited procedures to such information, and accordingly we do not express an opinion or provide any assurance on such information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022, on our consideration of Kids Central, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, 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 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, Brown & Company*

Hicok, Brown & Company  
Certified Public Accountants

February 15, 2022

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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 Standards* issued by the Comptroller General of the United States, the financial statements of Kids Central, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2021, 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 February 15, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kids Central, 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 Kids Central Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Kids Central, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Kids Central, 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*.

**Purpose of this Report**

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



Hicok, Brown & Company  
Certified Public Accountants

February 15, 2022

Thomas M. Hicok, CPA, CVA, MAFF<sup>1</sup>  
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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.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kids Central, Inc.'s major federal programs for the year ended May 31, 2021. Kids Central, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings, responses and questioned costs.

**Management's Responsibility**

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 each of Kids Central, Inc.'s 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.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Kids Central, Inc.'s compliance.



### **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, 2021.

### **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.'s 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.'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 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, Brown & Company*

Hicok, Brown & Company  
Certified Public Accountants

February 15, 2022

Kids Central, Inc.  
 Norton, Virginia  
 Statement of Financial Position  
 Page 1 of 2  
 May 31, 2021

	<u>TOTAL</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents - unrestricted	\$ 36,909
Cash and cash equivalents - restricted	89,508
Grants receivable	280,051
Prepaid expenses	48,994
Total Current Assets	455,462
Long-term Assets:	
Property & equipment	2,955,832
Accumulated depreciation	(1,744,057)
Total Long-term Assets	1,211,775
Total Assets	\$ 1,667,237

LIABILITIES & NET ASSETS

<u>Liabilities</u>	
Current Liabilities:	
Current portion of notes payable	\$ 31,297
Accounts payable and accrued expenses	99,466
Accrued payroll	140,778
Due to head start	56,393
Total Current Liabilities	327,934
Long-term Liabilities:	
Long-term portion of notes payable	638,274
Total Long-term Liabilities	638,274
Total Liabilities	\$ 966,208

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, 2021

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL AGENCY</u>
<b>SUPPORT &amp; REVENUE:</b>			
Grant income	\$ -	\$ 4,648,666	\$ 4,648,666
Interest	-	476	476
Other income (expense)	-	2,237	2,237
In-kind	-	95,879	95,879
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>4,580,333</u>	<u>(4,580,333)</u>	<u>-</u>
<b>TOTAL SUPPORT &amp; REVENUE</b>	<u>4,580,333</u>	<u>166,925</u>	<u>4,747,258</u>
<b>EXPENSES:</b>			
Program expenses	4,119,603	-	4,119,603
General and administrative	460,730	-	460,730
Fundraising	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<u>4,580,333</u>	<u>-</u>	<u>4,580,333</u>
<b>CHANGE IN NET ASSETS</b>	<u>-</u>	<u>166,925</u>	<u>166,925</u>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>-</u>	<u>534,104</u>	<u>534,104</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ -</u>	<u>\$ 701,029</u>	<u>\$ 701,029</u>

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



Kids Central, Inc.  
Norton, Virginia  
Statement of Functional Expenses  
For the Year Ended May 31, 2021

Expense Classification	Management &			Totals
	Program Expenses	General	Fundraising	
Advertising	\$ 4,430	726	\$ -	5,156
Contract services	32,547	53,204	-	85,751
Cost of food and material	74,191	-	-	74,191
Depreciation	117,969	-	-	117,969
Disallowed cost	56,393	-	-	56,393
Fringe benefits	383,327	45,702	-	429,029
In-kind expenses	95,879	-	-	95,879
Insurance	1,438	62,110	-	63,548
Interest expense	-	25,769	-	25,769
Miscellaneous	15,643	898	-	16,541
Payroll taxes	237,551	14,752	-	252,303
Postage	(458)	-	-	(458)
Repairs and maintenance	99,888	12,122	-	112,010
Rent - space	48,850	-	-	48,850
Salaries and wages	2,363,516	230,182	-	2,593,698
Supplies and equipment	409,847	10,205	-	420,052
Support and parent services	724	-	-	724
Telephone	25,911	2,053	-	27,964
Transportation	14,480	-	-	14,480
Training and testing	39,116	-	-	39,116
Travel and meetings	2,323	50	-	2,373
Utilities	96,038	2,957	-	98,995
	\$ 4,119,603	\$ 460,730	\$ -	\$ 4,580,333

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, 2021

	<u>AMOUNT</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 166,925
Adjustment to reconcile changes in net cash used in operating activities:	
Depreciation	117,969
(Increase) decrease	
Grants receivable	34,715
Prepaid expenses	(36,070)
Increase (decrease)	
Accounts payable and accrued expenses	57,849
Due to Head Start	56,393
Accrued payroll	<u>5,684</u>
<b>NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES</b>	<u>403,465</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	<u>(423,604)</u>
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	<u>(423,604)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from Debt	68,000
Debt repayment	<u>(20,647)</u>
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<u>47,353</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	27,214
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>99,203</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<u>\$ 126,417</u>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Cash paid for interest	<u>\$ 29,539</u>

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

Kids Central, Inc.  
Norton, Virginia  
Notes to Financial Statements  
May 31, 2021

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Nature of Activities

Kids Central, Inc. (“the Organization”) is a nonprofit corporation operating Head Start Programs within various localities of Southwest Virginia. The Head Start program provides comprehensive early development for approximately 340 disadvantaged preschool children and their families.

### Basis of Accounting

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.

### Cash & Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less.

USDA requires one year of debt payments to be held in reserve, totaling \$61,176 for current debt amounts held by USDA. The Organization is conservative and has \$89,508 held in cash and cash equivalents – restricted to comply with this requirement.

### Accounts Receivable

Accounts receivables are stated at unpaid balances. The Organization provides for losses on accounts receivable using the allowance method. It is the Organization’s policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of May 31, 2021, management determined the allowance to be \$0.

### Grants Receivable

Receivables in the amount of \$280,051 represent revenue from governmental agencies for funds applicable to the year ended May 31, 2021, which had not been received as of the balance sheet date.

Receivables at May 31, 2021 are as follows:

Head Start	\$ 251,132
USDA	<u>28,919</u>
TOTAL	<u>\$ 280,051</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a single item cost over \$5,000. 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 contributions without donor restrictions 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 restricted contributions. Absent donor stipulations regarding how long these donated assets must be maintained, 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Donated Assets

The Organization recorded donations of items at the estimated fair market value of the items on the date received.

Advertising Costs

The advertising costs of the Organization are expensed as incurred.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly no provision for income taxes has been included in these financial statements.

Classification of Net Assets

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 Kids Central, Inc.

Net Assets With Donor Restrictions – 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.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (continued)

Net Assets Without Donor Restrictions – The part of net assets of the Organization that is not restricted by donor or grantor-imposed stipulations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management of the Organization to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of property, plant and equipment and intangibles; valuation allowances for receivables; and assets and obligations related to employee benefits. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation

The Organization allocates costs among program and support functions based on natural classification and budget allocations. The Organization bases its budget allocations on prior years' experience and future expectations.

Recent Accounting Pronouncements

In February 2016, the FASB issued Accounting Standard Update 2016-02, Leases, which requires recognition of lease assets and lease liabilities. The ASU is effective for the Organization for annual periods beginning after December 15, 2021 and is not expected to have a significant impact on the Organization's financial statements.

In May 2014, the FASB issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606). ASU 2013-03 clarified revenue recognition principles to depict the transfer of goods or services in amounts that reflect the consideration the Organization expects to receive in exchange for those good or services. The Organization implemented this update for its year ended May 31, 2021 financial statements; the update does not have a significant impact on the Organization's financial statements.

During the year, the Organization implemented Accounting Standards Update 2018-08, Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, which provides guidance on whether a transfer of assets is a contribution or an exchange transaction. The effect of ASU 2014-09 and ASU 2018-08 on the Organization's consolidated financial statements were examined in conjunction with one another. The Organization's revenues from government grants and contracts are considered contributions because the customer does not receive commensurate value for the consideration

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

received by the Organization; rather the purpose of these arrangements are for the benefit of the general public. Therefore, management concludes the agreements are conditional due to rights of return/release and barriers to entitlement of funds. Revenue is recognized when the condition is satisfied. Because the nature of conditions is either based on incurring qualifying expenses or satisfying a milestone or other deliverable, the pattern of revenue recognition remained consistent with previous years.

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization meets cash needs for expenditures with grants received throughout the year. The following table reflects the Organization’s financial assets as of May 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include a debt reserve fund that is to be used to pay current notes payable amounts and an additional board-designated reserve fund. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

Cash and cash equivalents	\$ 126,417
Grants receivable	<u>280,051</u>
Total financial assets	406,468
Cash and cash equivalents with donor imposed restrictions	(61,176)
Board-designated reserve fund	<u>(28,332)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 316,960</u></u>

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Kids Central, Inc.  
 Norton, Virginia  
 Notes to Financial Statements  
 May 31, 2021

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

	Balance June 1, 2020	Additions	Deletions	Balance May 31, 2021
Vehicles	\$ 1,091,989	\$ 402,582	\$ (300,590)	\$ 1,193,981
Furniture & equipment	755,711	38,669	(110,215)	684,165
Building	843,879	11,503	-	855,382
Land	222,304	-	-	222,304
Construction in Process	29,150	-	(29,150)	-
<b>TOTAL</b>	<u>\$ 2,943,033</u>	<u>\$ 452,754</u>	<u>\$ (439,955)</u>	<u>\$ 2,955,832</u>

Equipment, furniture, and fixtures have lives of 2-10 years. Buildings have lives of 39 years.

Depreciation for fixed assets has been provided over the estimated useful lives listed above using the straight-line method. For purchased fixed assets, the cost is used as the basis for depreciation. Donated fixed assets are depreciated using net book value as the basis and remaining useful life for the life of the asset. Depreciation and amortization for the period ended May 31, 2021 amounted to \$117,969.

NOTE 4 – NOTES PAYABLE

For the year ended May 31, 2021 the Organization's long-term debt consisted of the following:

The principal balance of a 4.75% note payable to USDA, Rural Development, due in monthly installments of principal and interest of \$3,883. This note matures on August 12, 2041.	\$ 604,806
The principal balance of a 2.125% note payable to USDA, Rural Development, due in monthly installments of principal and interest of \$1,197. This note matures on February 23, 2026.	<u>64,765</u>
Total notes payable	<u>669,571</u>
Less: Current maturities	<u>(31,297)</u>
Long-term debt	<u>\$ 638,274</u>

NOTE 4 – NOTES PAYABLE (CONTINUED)

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

Year Ended May 31,	Amount
2022	\$ 31,297
2023	32,461
2024	33,674
2025	34,939
2026-2030	131,683
2031-2035	153,484
2036-2040	194,537
2041-2042	<u>57,496</u>
Total	<u>\$ 669,571</u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purpose:

	<u>Amount</u>
Time or purpose restricted for period after May 31, 2021	\$ <u>701,029</u>
TOTAL	\$ <u>701,029</u>

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments under FASB Codification 825-10, *Disclosures About Fair Value of Financial Instruments*, as amended by FASB Codification 820-10, are determined based on relevant market information. These estimates involve uncertainty and cannot be determined with precision. The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

The carrying amounts of cash, receivables, prepaids, payables, and accrued expenses on the statement of financial position approximate fair value due to the short-term nature of these items.

The carrying amounts of debt on the statement of financial position approximate fair value, which is estimated on current market rates offered to or by the Organization for similar instruments.

NOTE 6 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

FASB Codification 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Codification 820-10 also establishes a fair value hierarchy which requires the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly through corroboration with observable market data. Level 2 inputs include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in markets that are not active, (c) inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates), and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Unobservable inputs used to measure fair value to the extent that observable inputs are not available and that are supported by little or no market activity for the asset or liability at the measurement date.

NOTE 7 – 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, 2021 for matching requirements are as follows:

<u>Funding Source</u>	<u>Matching Requirement</u>
Department of Health and Human Services:	
Head Start	\$ 596,204
Early head start	<u>522,708</u>
Total actual match	<u>\$ 1,118,912</u>



#### NOTE 7 – IN-KIND (CONTINUED)

For financial statement reporting, only in-kind income for property, rent, and professional services is reflected. Total in-kind for financial statement reporting is \$95,879. Total in-kind contributions for the year were \$1,118,912.

#### NOTE 8 – 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 3% of participating employee's wages. During the year, the Organization's required and actual contributions amounted to \$42,793.

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

It was noted that in February 2018, the Organization was notified of a \$56,393 disallowance decision from the Department of Health and Human Services board regarding grant monies disbursed outside of the grant year for unsubstantiated incentive compensation relating to fiscal year 2015. After several unsuccessful appeals, the decision from the Department of Health and Human Services was ultimately upheld on September 20, 2018 and no further appeal would be successful. The Organization filed a claim with them to cover this liability; however, the claim was denied. A liability for this amount has been recorded.

The Organization received a notice dated December 10, 2021 that also assesses an interest charge on the above mentioned penalty totaling \$21,255. As of the release of the financial statements, it is expected that the interest assessment will be forgiven. No liability for this amount has been recorded.

#### NOTE 10 – CONTINGENCIES, RISKS, AND UNCERTAINTIES

As a result of the continued spread of COVID-19 during 2021, economic uncertainties have arisen, which may negatively impact grant, donor, and other revenues of the Organization. Other financial impacts could occur, though such potential impact is unknown at this time.

#### NOTE 11 – SUBSEQUENT EVENTS

Subsequent events have been evaluated as of February 15, 2022, which is the date the financial statements were available to be issued. There were no events that would have an effect on these financial statements.

SUPPLEMENTARY INFORMATION

Kids Central, Inc.  
 Norton, Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended May 31, 2021

<u>Federal Grantor/Pass-through Grantor/ Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Total Federal Expenditures</u>
Department of Health and Human Services:		
Direct Payments:		
<i>Head Start Cluster:</i>		
Administration for Children, Youth, and Families Head Start	93.600*	\$ 4,171,202
Cares Act – Head Start	93.600*	<u>326,917</u>
<i>Total Head Start Cluster</i>		4,498,119
Cancer Prevention and Control Program	93.898	<u>26,571</u>
Total Department of Health and Human Services		<u>4,524,690</u>
Department of Agriculture:		
Direct Payments:		
Child and Adult Care Food Program	10.558	73,976
Community Facilities Loans and Grants	10.766	<u>50,000</u>
Total Department of Agriculture		<u>123,976</u>
Total Expenditures of Federal Awards		<u>\$ 4,648,666</u>

\*Denotes Major Program

Notes to the Schedule of Expenditures of Federal Awards

Note A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Kids Central, Inc. under programs of the federal government for the year ended May 31, 2021. The information in this Schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operations of Kids Central, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Kids Central, Inc.

Note B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 1) 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 Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 2) Pass-through entity identifying numbers are presented where available.
- 3) Kids Central, Inc. has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.

Note C - SUBRECIPIENTS

No subrecipients for the year ended May 31, 2021.

Kids Central, Inc.  
 Norton, Virginia  
 Schedule of Findings, Responses and Questioned Costs  
 For the Year Ended May 31, 2021

I. SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS

Type of Auditor's report issued:	Unmodified
Prepared in accordance with GAAP	Yes
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(es) identified?	No
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(es) identified?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516?	None
Dollar threshold used to distinguish between Type A and Type B programs?	\$750,000
Auditee qualified as low-risk auditee?	Yes
Identification of Federal Programs:	

<u>PROGRAM</u>	<u>CATALOG NUMBER</u>	<u>FINDINGS</u>	<u>QUESTIONED COST</u>
Head Start	93.600	None	No

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS

None

IV. STATUS OF PRIOR AUDIT FINDINGS

None

Kids Central, Inc.  
5345 Esserville Road  
P.O. Box 661  
Norton, VA 24273  
276-679-0514

Serving: Wise and Dickenson Counties and the City of  
Norton

**A SPECIAL THANKS TO THE FOLLOWING BUSINESSES AND INDIVIDUALS FOR THEIR SUPPORT  
OF OUR HEAD START AND EARLY HEAD START PROGRAM:**

**KNOXVILLE ZOO  
LOWES OF WISE  
CENTRAL DRIVE-IN  
CINEMA CITY OF NORTON  
WAL-MART SUPERCENTER NORTON  
PIZZA HUT  
PIZZA PLUS  
LAURA ROBINSON  
PETSENSE  
FOOD CITY  
NORTON FARMERS MARKET  
CITY OF NORTON PARKS & REC  
TOWN OF BIG STONE GAP PARKS & REC  
ANNA SPRIGGS  
TOWN OF CLINTWOOD  
WISE COUNTY DSS  
NORTON CITY DSS  
DICKENSON CO DSS  
FOOD BANKS IN THE KCI SERVICE AREA  
HEALTH WAGON  
WISE CO. & DICKENSON CO. HEALTH DEPARTMENT  
KIDS CENTRAL BOARD OF DIRECTORS AND POLICY COUNCIL**