

Central Texas 4C, Inc.
Temple, Texas

***REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION***

For the Year Ended December 31, 2019

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants

*630 East 17th Street
P. O. Box 1406
Ada, Oklahoma 74820
(580) 332-8548
FAX: (580) 332-2272
Website: www.saunderscpas.com*

CENTRAL TEXAS 4C, INC.
Temple, Texas

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December 31, 2019

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Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Central Texas 4C, Inc.

We have audited the accompanying financial statements of Central Texas 4C, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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 *Governmental 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 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 Central Texas 4C, Inc.'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 Central Texas 4C, Inc.'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 Central Texas 4C, Inc. as of December 31, 2019, 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

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

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020 on our consideration of Central Texas 4C, Inc.'s internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and 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 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 Central Texas 4C, Inc.'s internal control over financial reporting and compliance.

Saunders & Associates PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

July 14, 2020

FINANCIAL STATEMENTS

CENTRAL TEXAS 4C, INC.
Temple, Texas

STATEMENT OF FINANCIAL POSITION

December 31, 2019

ASSETS

Current Assets:

Cash & Cash Equivalents	\$ 1,131,677
Accounts Receivable	70,457
Prepaid Expenses	13
Total Current Assets	<u>1,202,147</u>

Fixed Assets:

Land	6,093
Buildings and Improvements	528,261
Leasehold Improvements	788,884
Furniture and Equipment	601,886
Playground Equipment	480,086
Buses and Vans	405,504
Construction in Progress	63,543
Total Fixed Assets	<u>2,874,257</u>
Less Accumulated Depreciation	<u>(1,879,467)</u>
Total Fixed Assets, Net	<u>994,790</u>

Other Assets:

Deposits	503
Accounts Receivable	11,896
Total Other Assets	<u>12,399</u>

TOTAL ASSETS \$ 2,209,336

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$ 20,765
Accrued Payroll Liabilities	(5,166)
Accrued Leave Liability	236,876
Intercompany	0
Total Current Liabilities	<u>252,475</u>

Net Assets:

Without Donor Restrictions	<u>1,956,861</u>
Total Net Assets	<u>1,956,861</u>

TOTAL LIABILITIES AND NET ASSETS \$ 2,209,336

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

CENTRAL TEXAS 4C, INC.
Temple, Texas

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Revenues and Support:</u>			
Head Start	\$ 3,399,628	\$ 0	\$ 3,399,628
Early Head Start	2,235,932	0	2,235,932
USDA	472,197	0	472,197
United Way	58,950	0	58,950
Contributions	1,407	0	1,407
Building Use and Maintenance	4,706	0	4,706
Interest Income	12,221	0	12,221
In-Kind Contributions	1,424,476	0	1,424,476
Net Assets Released From Restrictions:			
Satisfaction of Program Requirements	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues and Support	<u>7,609,517</u>	<u>0</u>	<u>7,609,517</u>
<u>Expenses:</u>			
Program Services:			
Head Start	3,802,253	0	3,802,253
Early Head Start	2,628,055	0	2,628,055
USDA	598,440	0	598,440
Local	83,429	0	83,429
Total Program Services	<u>7,112,177</u>	<u>0</u>	<u>7,112,177</u>
Supporting Services:			
General & Administrative	<u>773,682</u>	<u>0</u>	<u>773,682</u>
Total Expenses	<u>7,885,859</u>	<u>0</u>	<u>7,885,859</u>
Change in Net Assets	(276,342)	0	(276,342)
Net Assets, December 31, 2018	2,233,203	0	2,233,203
Acquisition (Disposition) of Fixed Assets	0	0	0
Gain on Disposal of Asset	<u>0</u>	<u>0</u>	<u>0</u>
Net Assets, December 31, 2019	<u>\$ 1,956,861</u>	<u>\$ 0</u>	<u>\$ 1,956,861</u>

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

CENTRAL TEXAS 4C, INC.
Temple, Texas

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

	Head Start	Early Head Start	USDA	Local
Salaries & Wages	\$ 1,946,733	\$ 1,435,404	\$ 208,799	\$ 77,872
Payroll Taxes	186,523	138,325	22,991	0
Employee Benefits	220,568	152,516	33,015	(357)
Advertising	4,898	3,365	0	0
Agency Activities	18,493	11,642	0	32
Audit & Accounting Services	19	1,879	0	0
Building Maintenance	135,657	65,777	489	(302)
Classroom Supplies	68,296	61,743	5,333	0
Depreciation	0	0	0	0
Equipment	0	0	0	0
Facility/Playground	9,814	2,170	0	0
Food	0	0	318,297	0
Food - Not Reimbursed	86,865	32,874	0	0
Insurance	2,551	1,776	0	0
In-Kind	857,334	567,142	0	0
Purchased Services	5,530	3,872	4,543	0
Medical/Dental Services	3,775	784	0	0
Medical/Dental Supplies	0	0	0	0
Non-Food	0	0	1,916	0
Office Expenses	20,310	9,738	0	0
Other Contract Services	37,870	26,589	900	6,021
Parent Activities	315	139	0	0
Supplies	2,456	1,230	0	0
Telephone	19,730	10,608	0	0
Training & Technical Assistance	58,272	36,806	0	0
Travel	8,262	3,816	0	150
Utilities	83,645	49,133	0	0
Vehicle Costs	24,337	10,727	2,157	0
Interest	0	0	0	13
Total Expenses	\$ <u>3,802,253</u>	\$ <u>2,628,055</u>	\$ <u>598,440</u>	\$ <u>83,429</u>

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

CENTRAL TEXAS 4C, INC.
Temple, Texas

STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

For the Year Ended December 31, 2019

	Total Program Services	General & Administrative	Total Expenses
Salaries & Wages	\$ 3,668,808	\$ 407,387	\$ 4,076,195
Payroll Taxes	347,839	34,192	382,031
Employee Benefits	405,742	35,634	441,376
Advertising	8,263	266	8,529
Agency Activities	30,167	14,721	44,888
Audit & Accounting Services	1,898	22,695	24,593
Building Maintenance	201,621	6,514	208,135
Classroom Supplies	135,372	1,262	136,634
Depreciation	0	143,955	143,955
Equipment	0	0	0
Facility/Playground	11,984	0	11,984
Food	318,297	0	318,297
Food - Not Reimbursed	119,739	0	119,739
Insurance	4,327	11,356	15,683
In-Kind	1,424,476	0	1,424,476
Purchased Services	13,945	226	14,171
Medical/Dental Services	4,559	10	4,569
Medical/Dental Supplies	0	0	0
Non-Food	1,916	0	1,916
Office Expenses	30,048	24,811	54,859
Other Contract Services	71,380	16,265	87,645
Parent Activities	454	0	454
Supplies	3,686	0	3,686
Telephone	30,338	6,808	37,146
Training & Technical Assistance	95,078	24,981	120,059
Travel	12,228	421	12,649
Utilities	132,778	1,375	134,153
Vehicle Costs	37,221	20,803	58,024
Interest	13	0	13
	<u>13</u>	<u>0</u>	<u>13</u>
Total Expenses	\$ <u>7,112,177</u>	\$ <u>773,682</u>	\$ <u>7,885,859</u>

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

CENTRAL TEXAS 4C, INC.
Temple, Texas

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2019

Cash Flows From Operating Activities	
Change in Net Assets	\$ (276,342)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided (Used) by Operating Activities:	
Depreciation	143,955
(Increase) Decrease In:	
Accounts Receivable	106,737
Intercompany	(11,896)
Prepaid Insurance	(13)
Deposits	0
Increase (Decrease) In:	
Accounts Payable	(33,520)
Accrued Payroll Liabilities	(139,416)
Accrued Leave Liability	<u>77,873</u>
Net Cash Provided (Used) by Operating Activities	<u>(132,622)</u>
Cash Flows From Investing Activities	
Asset Purchased	<u>(60,755)</u>
Net Cash Provided (Used) by Investing Activities	<u>(60,755)</u>
Cash Flows From Financing Activities	
Net Cash Provided (Used) by Financing Activities	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(193,377)
Cash and Cash Equivalents, Beginning of Year	<u>1,325,054</u>
Cash and Cash Equivalents, End of Year	\$ <u>1,131,677</u>

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

CENTRAL TEXAS 4C, INC.
Temple, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

NOTE 1: NATURE OF CORPORATION

Central Texas 4C, Inc. (the Organization) is a private, non-profit organization that administers child development centers and provides services that promote the education and well-being of socially and economically impoverished children. Central Texas 4C, Inc. services children within Bell and Coryell County, Texas through Head Start, Early Head Start, and Food Programs.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of Central Texas 4C, Inc. are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, grant and contract funds are recognized as revenues when expenses are incurred, and a receivable represents that portion of the grant, which the organization has earned and/or requested, but not received. Expenses are recorded when the liability is incurred. Grant funds received, but not yet earned, are recognized as deferred revenue on the statement of financial position. Net assets represent the cumulative excess of revenue recognized over expenses incurred for each grant or program fund. These amounts may be subject to recall or re-obligation at the discretion of the granting agencies, or may be carried over to the next program year.

Fund Accounting – In order to ensure observance of limitation and restrictions placed on the use of resources available to the organization, the accounts of the organization are maintained in accordance with the principles of “fund accounting.” This is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Accordingly, net assets of the organization and changes therein are classified as follows:

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).

CENTRAL TEXAS 4C, INC.
Temple, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Liquidity and Availability of Financial Assets – The following reflects the Organization’s financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Donor-restricted resources are available to support general expenditures to the extent that restrictions on those resources will be met by conducting the normal activities of the Organization’s programs in the coming year.

Financial Assets at year-end	\$ 1,202,134
Less those unavailable for general expenditures within one year, due to:	
Contractual or Donor-Imposed Restrictions	<u>0</u>
Financial Assets available to meet cash needs for general expenditures within one year	<u>\$ 1,202,134</u>

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

Restricted Contributions – Central Texas 4C, Inc. has elected to report restricted contributions whose restrictions are satisfied within the same reporting period as without donor restricted.

Accounts Receivable – At December 31, 2019, the Organization had accounts receivable in the amount of \$70,457 which consists of amounts due from grants and other contracts. The Organization has deemed all amounts fully collectible in less than one year and therefore no allowance for uncollectible accounts is deemed necessary.

Fixed Assets and Depreciation - Fixed assets with a useful life of more than one year, and an acquisition cost of more than \$5,000 are capitalized and carried on the statement of financial position. Depreciation of property and equipment has been calculated on the estimated useful lives, using the straight-line method. The general range of estimated useful lives is 5 to 39 years.

Income Tax Status and Uncertain Tax Positions – The Organization qualifies as exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and is subject to a tax on income from any unrelated business, as defined by Section 509(a)(1) of the Code. The Organization currently has no unrelated business income, accordingly, no provision for income taxes have been recorded.

The Organization has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more-likely-than-not be sustained upon examinations by taxing authorities. The Organization has analyzed tax positions taken for filings with the Internal Revenue Service and believes those positions will be sustained upon examination, and does not anticipate any adjustments that would result in a material adverse effect on the Organization’s financial condition, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2019.

Federal income tax statutes provide that tax returns filed in any of the previous three reporting periods remain open to examination. Returns filed for 2016, 2017, and 2018 are open to examination; the Organization currently has no open examinations with the Internal Revenue Service at this time.

CENTRAL TEXAS 4C, INC.
Temple, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accrued Leave Liability – Full time employees receive annual leave which is accumulated and paid upon termination of employment. The liability for accrued leave as of December 31, 2019 was \$236,876.

Donated Space and Services – Certain grants require in-kind or matching funds. The Organization has locations in two counties in central Texas. Free use of facilities (including buildings, playgrounds, utilities and parking spaces) is provided by numerous entities in the service area and is valued by independent appraisals. In addition, mentor teachers contributions are valued at average base pay per school and other volunteer time is contributed and is valued at the federal minimum wage rate. Supplies are valued at market value at the date of donation. In-kind and/or matching funds are included in both revenues and expenses. The value of donated space, goods, and services included in in-kind for fiscal year ended December 31, 2019 totaled \$1,424,476.

Date of Management's Evaluation - Management has evaluated subsequent events through July 14, 2020 which is the date the financial statements were available to be issued.

NOTE 3: ECONOMIC DEPENDENCE

Central Texas 4C, Inc. received approximately \$5,635,560 or 91% of its monetary support from the Department of Health and Human Services, by direct funding, for the year ended December 31, 2019.

NOTE 4: FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are based on slots filled per fund.

CENTRAL TEXAS 4C, INC.
Temple, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

NOTE 5: CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, cash and cash equivalents consist of on hand, savings and demand deposits maintained at financial institutions, and funds held in a repurchase agreement. Deposits are carried at cost, or actual value. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization.

<u>Category</u>	<u>Balance Per Bank</u>
1) Insured or collateralized with securities held by the organization or by its agent in the organization's name.	\$ 228,136
2) Collateralized with securities held by the pledging financial institution's trust department.**	944,836
3) Uncollateralized	<u>0</u>
TOTAL	<u>\$ 1,172,972</u>

** The balance of the Organization's funds held in the repurchase agreement at December 31, 2019 totaled \$944,836. The repurchase agreement and the funds held thereunder are not deposits, are not insured by the FDIC, and are not guaranteed by the U.S. Government. The repurchase agreement provides the Organization with a perfected security interest in U.S. Government or federal agency securities.

NOTE 6: BUILDING USE AND MAINTENANCE

Central Texas 4C, Inc. receives payments for depreciation for the buildings located at 206 S. 24th Street and 501 N. 5th Street, Temple, Texas from the Head Start and Early Head Start Programs. Approximately \$4,706 is included in revenues and expenditures for the year ended December 31, 2019 for the allowance.

CENTRAL TEXAS 4C, INC.
Temple, Texas

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2019

NOTE 7: FIXED ASSETS

Fixed assets are recorded as expenditures at the time of acquisition in accordance with terms of the various grantors. Those fixed assets with a useful life of more than one year, and an acquisition cost of more than \$5,000 are capitalized and carried on the statement of financial position. A detailed record of equipment is maintained. Depreciation expense for the fiscal year ended December 31, 2019 totaled \$143,955.

Fixed assets acquired with grant funds, which Central Texas 4C, Inc. maintains a fiduciary relationship with the grantor, are subject to a reversionary interest back to the grantor agency.

The Organizations investment in property and equipment at December 31, 2019 was as follows:

	Balance <u>12/31/18</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>12/31/19</u>
Land	\$ 6,093	\$ 0	\$ 0	\$ 6,093
Buildings & Improvements	528,261	0	0	528,261
Leasehold Improvements	788,884	0	0	788,884
Furniture and Equipment	601,886	0	0	601,886
Playground Equipment	480,086	0	0	480,086
Buses and Vans	441,359	0	(35,855)	405,504
Construction in Progress	<u>2,788</u>	<u>60,755</u>	<u>0</u>	<u>63,543</u>
	<u>2,849,357</u>	<u>60,755</u>	<u>(35,855)</u>	<u>2,874,257</u>
 Accumulated Depreciation	 <u>(1,771,366)</u>	 <u>\$(108,101)</u>	 <u>\$ 0</u>	 <u>(1,879,467)</u>
 Net Property and Equipment	 <u>\$ 1,077,991</u>			 <u>\$ 994,790</u>

NOTE 8: CONTINGENT LIABILITIES

The Organization participates in a number of federal assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), if applicable, in accordance with the required levels of federal financial assistance. Audits of prior years have not resulted in any significant disallowed costs; however, grantor agencies may provide for further examinations.

NOTE 9: SUBSEQUENT EVENTS

In early March 2020, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

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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

Board of Directors
Central Texas 4C, Inc.

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 Central Texas 4C, Inc. (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Central Texas 4C, 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 Central Texas 4C, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Central Texas 4C, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Central Texas 4C, Inc.'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 Central Texas 4C, Inc.'s financial statements are free of 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 Central Texas 4C, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Central Texas 4C, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders & Associates PLLC

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Certified Public Accountants
Ada, Oklahoma

July 14, 2020

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

Board of Directors
Central Texas 4C, Inc.

Report on Compliance for Each Major Program

We have audited Central Texas 4C, 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 Central Texas 4C, Inc.'s major federal programs for the year ended December 31, 2019. Central Texas 4C, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of 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 Central Texas 4C, 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 Central Texas 4C, 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 Central Texas 4C, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Central Texas 4C, 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 December 31, 2019.

Report on Internal Control Over Compliance

Management of Central Texas 4C, 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 Central Texas 4C, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for 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 Central Texas 4C, 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.

Saunders & Associates PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

July 14, 2020

SUPPLEMENTAL INFORMATION

CENTRAL TEXAS 4C, INC.
Temple, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/ Program Title	Pass-Thru Entity Identifying Number	Federal CFDA Number	Grant Number	Grant Period	Expenditures
<u>U.S. Dept of Health and Human Services</u>					
Direct Funding:					
Head Start		93.600	06CH010149/05	01/01/19-12/31/19	\$ 3,399,628
Early Head Start		93.600	06CH7189/05	01/01/19-12/31/19	<u>2,235,932</u>
Total U.S. Dept of Health and Human Services					<u>5,635,560</u>
 <u>U.S. Department of Agriculture</u>					
Passed Through Texas Dept of Agriculture					
Child and Adult Food Care Program	02036	10.558	14-0005	01/01/19-12/31/19	<u>472,197</u>
Total U.S. Department of Agriculture					<u>472,197</u>
Total Expenditures of Federal Awards					<u>\$ 6,107,757</u>

* See accompanying notes to the Schedule of Expenditures of Federal Awards.

CENTRAL TEXAS 4C, INC.
Temple, Texas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of Central Texas 4C, Inc., under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Central Texas 4C, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3: CONTINGENT LIABILITIES

Central Texas 4C, Inc. participates in federally assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the Single Audit Act Amendments of 1996, if applicable, in accordance with the required levels of Federal Financial Assistance. Audits of prior years have not resulted in any significant disallowed costs. Additionally, the grant programs are subject to audits by the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Management believes any liability for reimbursement which may arise as the result of audits of grant funds would not be material.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may differ with the amounts reported in the related federal financial reports filed with the grantor agencies due to accruals or adjustments posted to the books after the submission of the original reports.

NOTE 5: INDIRECT COSTS

Central Texas 4C, Inc. has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CENTRAL TEXAS 4C, INC.
Temple, Texas

SUPPLEMENTAL SCHEDULE OF EXPENDITURES
HEAD START

For the Year Ended December 31, 2019

	Program Services	Administrative	Total
Expenditures - Federal Portion			
Salaries & Wages	\$ 1,946,733	\$ 295,132	\$ 2,241,865
Payroll Taxes	140,891	21,935	162,826
TWC Taxes	45,632	2,837	48,469
Worker's Compensation	20,823	3,597	24,420
Health Insurance	199,745	22,173	221,918
Food Not Reimbursed	86,865	0	86,865
Classroom Supplies	68,296	896	69,192
Janitorial Services	81,010	1,424	82,434
Building Use & Maintenance	47,317	2,416	49,733
Utilities	83,645	1,004	84,649
Pest Control Services	5,571	531	6,102
Security Services	1,759	284	2,043
Training	58,272	17,953	76,225
Facility/Playground	9,814	0	9,814
Equipment	0	0	0
Advertising	4,898	188	5,086
Office Supplies	20,311	17,788	38,099
Postage	(1)	137	136
Telephone	19,730	4,872	24,602
Supplies	2,456	0	2,456
Van Operations	7,266	4,329	11,595
Van Maintenance & Repairs	3,949	4,666	8,615
Vehicle Insurance	13,122	5,983	19,105
Audit/Accounting	19	16,085	16,104
Contracted Services	37,870	11,645	49,515
Property & Liability Insurance	2,551	8,116	10,667
Agency Activities	18,493	10,242	28,735
Medical and Dental Supplies	0	0	0
Medical and Dental Services	3,775	7	3,782
Purchased Services	5,530	162	5,692
Parent Activities	315	0	315
Travel	8,262	305	8,567
Total Federal Portion	2,944,919	454,707	3,399,626
In-Kind			
Space Costs	640,576	0	640,576
Mentor Teachers	216,758	0	216,758
Total Non-Federal Portion	857,334	0	857,334
Total Expenditures	\$ 3,802,253	\$ 454,707	\$ 4,256,960

CENTRAL TEXAS 4C, INC.
Temple, Texas

**SUPPLEMENTAL SCHEDULE OF EXPENDITURES
EARLY HEAD START**

For the Year Ended December 31, 2019

	Program Services	Administrative	Total
Expenditures - Federal Portion			
Salaries & Wages	\$ 1,435,404	\$ 112,255	\$ 1,547,659
Payroll Taxes	105,088	8,342	113,430
TWC Taxes	33,237	1,078	34,315
Worker's Compensation	12,837	1,370	14,207
Health Insurance	139,679	8,494	148,173
Food Not Reimbursed	32,874	0	32,874
Classroom Supplies	61,743	366	62,109
Janitorial Services	38,866	564	39,430
Building Use & Maintenance	22,885	962	23,847
Utilities	49,133	371	49,504
Pest Control Services	3,058	220	3,278
Security Services	968	113	1,081
Training	36,806	7,028	43,834
Facility/Playground	2,170	0	2,170
Equipment	0	0	0
Advertising	3,365	78	3,443
Office Supplies	9,718	6,829	16,547
Postage	20	57	77
Telephone	10,608	1,936	12,544
Supplies	1,230	0	1,230
Van Operations	2,484	1,684	4,168
Van Maintenance & Repairs	1,449	1,814	3,263
Vehicle Insurance	6,794	2,327	9,121
Audit/Accounting	1,879	6,610	8,489
Contracted Services	26,589	4,620	31,209
Property & Liability Insurance	1,776	3,240	5,016
Agency Activities	11,642	4,479	16,121
Medical and Dental Supplies	0	0	0
Medical and Dental Services	784	3	787
Purchased Services	3,872	64	3,936
Parent Activities	139	0	139
Travel	3,816	116	3,932
Total Federal Portion	<u>2,060,913</u>	<u>175,020</u>	<u>2,235,933</u>
In-Kind			
Space Costs	567,142	0	567,142
Consultant	0	0	0
Total Non-Federal Portion	<u>567,142</u>	<u>0</u>	<u>567,142</u>
Total Expenditures	<u>\$ 2,628,055</u>	<u>\$ 175,020</u>	<u>\$ 2,803,075</u>

CENTRAL TEXAS 4C, INC.
Temple, Texas

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended December 31, 2019

Section II – Financial Statement Findings and Questioned Costs:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2019

Section I – Summary of Auditor’s Results

Financial Statements:

Type of Auditor’s Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material Weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards:

Internal Control Over Major Federal Programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None Reported

Type of auditor’s report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?
 Yes No

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start and Early Head Start
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings:

None reported.

Section III – Federal Awards Findings and Questioned Costs:

None reported.