

**TALLADEGA CLAY RANDOLPH CHILD CARE CORP.**

Request for Proposal for Audit Services

For the period

October 1, 2023 to September 30, 2024

Inquiries and proposals should be directed to:

Angela Thomas  
Chief Financial Officer  
Talladega Clay Randolph Child Care Corp.  
925 North St., East  
Talladega, AL 35160  
[athomas@tcrchildcare.org](mailto:athomas@tcrchildcare.org)

# Table of Contents

## **General Information**

- A. Purpose
- B. Who May Respond
- C. Instructions on Proposal Submissions
  - 1. Closing Submission Date
  - 2. Inquiries
  - 3. Conditions of Proposal
  - 4. Instructions to Prospective Contractors
  - 5. Electronic or Hard Copy Submissions
  - 6. Right to Reject
  - 7. Small and/or Minority-Owned Businesses
  - 8. Notification of Award
- D. Description of Entity and Records to Be Audited
- E. Options

## **Specification Schedule**

- A. Scope of a Financial and Compliance Audit
- B. Description of Programs/Contracts/Grants
- C. Performance
- D. Delivery Schedule
- E. Price
- F. Payment
- G. Audit Review
- H. Exit Conference
- I. Workpapers
- J. Confidentiality
- K. AICPA Professional Standards

## **Technical Qualifications**

- A. Understanding Our Needs
- B. Understanding the Scope of Work

- C. Understanding Our Industry
- D. Engagement Team
- E. Organization, Size and Structure
- F. Audit Approach to the Engagement
- G. Certifications

#### **Proposal Evaluation**

- A. Submission of Proposals
- B. Nonresponsive Proposals
- C. Proposal Evaluation
- D. Review Process

#### **Certifications**

## General Information

### A. Purpose

This Request for Proposal (RFP) is to contract for a financial and compliance audit for the year ending September 30, 2023. The proposal includes options for four additional years.

### B. Who May Respond

Only licensed certified public accountants may respond to this RFP.

### C. Instructions on Proposal Submission

1. Closing Submission Date: Proposals must be submitted no later than 4:30 p.m. on August 15th, 2023.
2. Inquiries: Inquiries concerning this RFP should be directed to Angela Thomas, [athomas@tcrchildcare.org](mailto:athomas@tcrchildcare.org), 256-362-3852.
3. Conditions of Proposal: All costs incurred in the preparation of a proposal responding to this RFP will be the responsibility of the Offeror and will not be reimbursed by Talladega Clay Randolph Child Care Corporation.
4. Instructions to Prospective Contractors:

Your proposal should be addressed as follows:

Angela Thomas, CFO  
Talladega Clay Randolph Child Care Corporation  
925 North St., East  
Talladega, AL 35160

5. Electronic or Hard Copy Submissions: Proposals can be submitted electronically to the following email address: [athomas@tcrchildcare.org](mailto:athomas@tcrchildcare.org), by the closing submission date noted above.

Proposals may also be submitted by hard copy to the mailing address: 925 North St., East, Talladega, AL 35160

It is the responsibility of the Offeror to ensure that the proposal is received by Talladega Clay Randolph Child Care Corporation by the date and time specified above.

Late proposals will not be considered.

6. Right to Reject: Talladega Clay Randolph Child Care Corporation reserves the right to reject any and all proposals received in response to this RFP. A contract for the accepted proposal will be based on the factors described in this RFP.
7. Small and/or Minority-Owned Businesses: Efforts will be made by Talladega Clay Randolph Child Care Corporation to utilize small businesses and minority-owned



businesses. An Offeror qualifies as a small business firm if it meets the definition of "small business" as established by the Small Business Administration (13 CFR 121.201).

9. Notification of Award:

- a. It is expected that a decision about selection of the successful audit firm will be made within two weeks of the closing date for the receipt of proposals.
- b. Upon conclusion of final negotiations with the successful audit firm, all Offerors submitting proposals in response to this Request for Proposal will be informed, in writing, of the name of the successful audit firm.

**D. Description of Entity and Records to Be Audited**

Talladega Clay Randolph Child Care Corporation (TCR) is a private, nonprofit corporation and has been determined to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is governed by an eleven-member volunteer board of directors. Administrative offices and all records are located at 925 North St., East, Talladega, Alabama.

TCR maintains five sets of books using Sage 100 accounting software and there is a corresponding bank account for each set of books. Payroll is prepared in-house using Kronos Workforce Ready HR and payroll systems.

A copy of the audit report for the period ended September 30, 2022 is included to provide additional information

**E. Options**

At the discretion of TCR, this audit contract can be extended for four additional one-year periods. The cost for the option periods will be agreed on by TCR and the Offeror.

## Specification Schedule

### **A. Scope of a Financial and Compliance Audit**

The purpose of this RFP is to obtain the services of a public accounting firm, whose principal officers are independent certified public accountants, certified or licensed by a regulatory authority of a state or other political subdivision of the United States, hereinafter referred to as the "Offeror," to perform a financial and compliance audit of Talladega Clay Randolph Child Care Corporation.

### **B. Description of Programs/Contracts/Grants**

TCR is a Head Start grantee with twelve Head Start Centers. TCR also contracts with the State of Alabama to provide Child Care Management and Quality services, and Case Aides to DHR offices throughout the state. TCR also has Pre-K grants, a Home Visitation Grant, a DHR/EHS Partnership grant and a Child Nutrition Program contract through the State of Alabama. TCR is currently administering the payment of federal Child Care Workforce Stabilization and Temporary Assistance to Child Care funds through contracts with the State of Alabama Department of Human Resources.

### **C. Performance**

TCR's records should be audited through September 30, 2023.

The Offeror is required to prepare audit reports in accordance with *Government Auditing Standards*, U.S. Office of Management and Budget Regulation *Part 200-Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and *Code of Federal Regulations Part 75—Uniform Administrative Requirements, Cost Principles, and Audit Requirements for HHS Awards*.

### **D. Delivery Schedule**

The Offeror is to transmit one copy of the draft audit report to TCR's Executive Director. The draft audit report is due on February 15, 2024.

The Offeror shall deliver ten final audit reports to TCR's Board of Directors no later than February 29, 2024.

Reports may be submitted earlier than the schedule above. However, if the Offeror fails to make delivery of the audit reports within the time schedule specified herein, or if the Offeror delivers audit reports that do not conform to all of the provisions of this contract, TCR may, by written notice of default to the Offeror, terminate the whole or any part of this contract. Under certain extenuating circumstances, the contracting agent may extend this schedule upon written request of the Offeror with sufficient justification.

#### **E. Price**

The Offeror's proposed price should include a not-to-exceed total fee. Any out-of-pocket expenses should also be indicated.

#### **F. Payment**

Payment will be made when TCR has determined that the total work effort has been satisfactorily completed. Should TCR reject a report, TCR's authorized representative will notify the Offeror in writing of such rejection, giving the reason(s). The right to reject a report shall extend throughout the term of this contract and for 90 days after the Offeror submits the final invoice for payment.

Upon delivery of the ten copies of the final reports to TCR and their acceptance and approval, the Offeror may submit a bill for the completion of the audit.

#### **G. Audit Review**

All audit reports prepared under this contract will be reviewed by TCR and its funding sources to ensure compliance with the General Accounting Office's (GAO) *Government Auditing Standards* and other appropriate audit guides.

#### **H. Exit Conference**

An exit conference with TCR's representatives and the Offeror's representatives will be held at the conclusion of the fieldwork. Observations and recommendations must be summarized in writing and discussed with TCR. It should include internal control and program compliance observations and recommendations.

#### **I. Workpapers**

1. Upon request, the Offeror will provide a copy of the workpapers pertaining to any questioned costs determined in the audit. The workpapers must be concise and provide the basis for the questioned costs as well as an analysis of the problem.
2. The workpapers will be retained for at least three years from the end of the audit period.
3. The workpapers will be available for examination by authorized representatives of the cognizant federal or state audit agency, the GAO, and TCR.

#### **J. Confidentiality**

The Offeror agrees to keep the information related to all contracts in strict confidence. Other than the reports submitted to TCR, the Offeror agrees not to publish, reproduce, or otherwise divulge such information in whole or in part, in any manner or form, or authorize or permit others to do so, taking such reasonable measures as are necessary to restrict access to the information, while in the Offeror's possession, to those employees on the Offeror's staff who must have the information on a "need to know" basis.

The Offeror agrees to immediately notify, in writing, TCR's authorized representative in the event the Offeror determines or has reason to suspect a breach of this requirement.

#### **K. AICPA Professional Standards**

The AICPA Professional Standards state:

Ethics Interpretation 501-3 – Failure to follow standards and/or procedures or other requirements in governmental audits.

Engagements for audits of government grants, government units or other recipients of government monies typically require that such audits be in compliance with government auditing standards, guides procedures, statutes, rules and regulations, in addition to generally accepted auditing standards. If a member has accepted such an engagement, and undertakes an obligation to follow specified government auditing standards, guides, procedures, statutes, rules and regulations, in addition to generally accepted auditing standards, he is obligated to follow such requirements.

Failure to do so is an act discreditable to the profession in violation of Rule 501, unless the member discloses in his report the fact that such requirements were not followed and the reasons therefor.

## Technical Qualifications

The Offeror, in its proposal, shall, as a minimum, include the following:

### **A. Understanding our needs**

The Offeror should describe the current challenges and opportunities specific to our organization. Describe how your firm is best suited to assist our organization in facing those challenges and opportunities moving forward.

### **B. Understanding the scope of work**

The offeror should clearly describe the scope of work to be performed in alignment with this RFP.

### **C. Understanding our industry**

1. Prior experience auditing non-profit organizations.
2. Prior experience auditing similar programs funded by the State of Alabama, such as Child Care Management Agencies.
3. Prior experience auditing similar programs funded by the Federal Government, such as Head Start programs.

### **D. Engagement Team**

The Offeror should describe the qualifications of staff to be assigned to the audits. Descriptions should include:

1. Audit team makeup.
2. Overall supervision to be exercised.
3. Prior experience of the individual audit team members. Audit team bios should include education, position in firm, years with the firm, industry-specific experience, and training on the recent Uniform Guidance.

### **E. Organization, Size, and Structure**

The Offeror should describe its organization, size (in relation to audits to be performed), and structure. Description should include:

1. Size of the Offeror, including number of employees and physical site locations.
2. Explanation of independence.
3. Any conflicts of interest that exist.
4. Results of peer review.
5. Explanation if the Offeror is a small or minority-owned business or women's business enterprise.

### **F. Audit Approach to the Engagement**

The Offeror should describe its approach of the work to be performed.

### **G. Certifications**

The Offeror must sign and include, as an attachment to its proposal, the Certifications enclosed with this RFP. The publications listed in the Certifications will not be provided to potential Offerors by TCR because TCR desires to contract only with an Offeror who is already familiar with these publications.

## Proposal Evaluation

### A. Submission of Proposals

If submitted by hard copy, or electronically, all proposals shall include a copy of the Offeror's technical qualifications, a copy of the pricing information and a copy of the signed Certifications. These documents will become part of the contract.

### B. Nonresponsive Proposals

Proposals may be judged nonresponsive and removed from further consideration if any of the following occur:

1. The proposal is not received in a timely manner in accordance with the terms of this RFP.
2. The proposal does not follow the specified format.
3. The proposal does not include the Certifications.
4. The proposal is not adequate to form a judgment by the reviewers that the proposed undertaking would comply with the *Government Auditing Standards* of the U.S. Comptroller General.

### C. Proposal Evaluation

Evaluation of each proposal will be evaluated on the following six factors.

1. Prior audit experience
  - a. Prior experience auditing 501(c)3 non-profit programs.
  - b. Prior experience auditing similar programs funded by the State of Alabama.
  - c. Prior experience auditing similar programs funded by the Federal Government such as Head Start programs.

TCR will contact prior audited organizations to verify the experience provided by the Offeror.

2. Organization, size, and structure of Offeror's firm (consider size in relation to audits to be performed)
  - a. Adequate size of the firm.
  - b. Proper independence
  - c. No conflicts of interest
  - d. Results of peer review

- e. Minority-owned/small business/women's business enterprise
4. Qualifications of staff to be assigned to the audits to be performed. This will be determined from résumés submitted. Include education, position in firm, and years and types of experience.
- a. Prior experience of the individual audit team members
  - b. Overall supervision to be exercised
5. Offeror's audit approach to the engagement
- a. Adequate coverage
  - b. Realistic time estimates of each audit step
6. Price

#### **D. Review Process**

In compliance with Uniform Guidance 2 CFR Part 200.319 – Competition, TCR has conducted this procurement in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable federal statutes expressly mandate or encourage geographic preference.

TCR may, at its discretion, request presentations by or meetings with any or all Offerors to clarify or negotiate modifications to the Offerors' proposals.

However, TCR reserves the right to make an award without further discussion of the proposals submitted. Therefore, proposals should be submitted initially on the most favorable terms, from both technical and price standpoints, that the Offeror can propose.



## Certifications

On behalf of the Offeror:

1. The individual signing certifies that he/she is authorized to contract on behalf of the Offeror.
2. The individual signing certifies that the Offeror is not involved in any agreement to pay money or other consideration for the execution of this agreement, other than to an employee of the Offeror.
3. The individual signing certifies that the prices in this proposal have been arrived at independently, without consultation, communication, or agreement, for the purpose of restricting competition.
4. The individual signing certifies that the prices quoted in this proposal have not been knowingly disclosed by the Offeror prior to an award to any other Offeror or potential Offeror.
5. The individual signing certifies that there has been no attempt by the Offeror to discourage any potential Offeror from submitting a proposal.
6. The individual signing certifies that the Offeror is a properly licensed certified public accountant or a public accountant licensed on or before (*date of licensing*).
7. The individual signing certifies that the Offeror meets the independence standards of the *Government Auditing Standards*.
8. The individual signing certifies that he/she is aware of and will comply with the GAO's continuing education requirement of 80 hours of continuing education every two years and that 24 hours of the 80 hours of education will be in subjects directly related to the government environment and to government auditing for individuals.
9. The individual signing certifies that he/she is aware of and will comply with the GAO requirement of an external quality control (peer) review at least once every three years.
10. The individual signing certifies that he/she has read and understands the following publications relative to the proposed audits:
  - a. *Government Auditing Standards* (Yellow Book)
  - b. *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* ("Uniform Guidance")
  - c. *Audits of Not-for-Profit Entities* (AICPA Audit Guide)
  - d. *Audits of State and Local Governments* (AICPA Audit Guide)
11. The individual signing certifies that he/she has read and understands all of the information in this Request for Proposal, including the information on the programs/grants/contracts to be audited.

12. The individual signing certifies that the Offeror, and any individuals to be assigned to the audit, does not have a record of substandard audit work and has not been debarred or suspended from doing work with any federal, state, or local government. (If the Offeror or any individual to be assigned to the audits has been found in violation of any state or AICPA professional standards, this information must be disclosed.)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
(Offeror's Firm Name)

\_\_\_\_\_  
(Signature of Offeror's Representative)

\_\_\_\_\_  
(Printed Name and Title of Individual Signing)

**TALLADEGA CLAY RANDOLPH CHILD  
CARE CORPORATION**

Financial Statements

September 30, 2022 and 2021

## TABLE OF CONTENTS

	Page
<b>INDEPENDENT AUDITORS' REPORT</b> .....	3
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position .....	6
Statements of Activities .....	7
Statements of Functional Expenses .....	8
Statements of Cash Flows .....	10
Notes to Financial Statements .....	11
<b>ADDITIONAL INFORMATION</b>	
Summary of Federal and State Awards Revenue .....	21
<b>FEDERAL AWARDS PROGRAMS</b>	
Schedule of Expenditures of Federal Awards .....	23
Notes to Schedule of Expenditures of Federal Awards .....	25
Schedule of Findings and Questioned Costs .....	26
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	28
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance .....	30

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Talladega Clay Randolph Child Care Corporation  
Talladega, Alabama

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Talladega Clay Randolph Child Care Corporation, which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Talladega Clay Randolph Child Care Corporation as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Talladega Clay Randolph Child Care Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Talladega Clay Randolph Child Care Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Talladega Clay Randolph Child Care Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Talladega Clay Randolph Child Care Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



### ***Supplementary 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*, 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 schedule of expenditures of federal awards 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 March 6, 2023, on our consideration of the Talladega Clay Randolph Child Care Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Talladega Clay Randolph Child Care Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Talladega Clay Randolph Child Care Corporation's internal control over financial reporting and compliance.

BMSS, LLC

Birmingham, Alabama  
March 6, 2023

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

## Statements of Financial Position

September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 25,676,007	\$ 4,231,010
Investments	1,615,235	553,432
Accounts receivable	13,863,956	977,799
Prepaid expenses	12,226	43,538
	<u>41,167,424</u>	<u>5,805,779</u>
Deposits	1,775	13,633
Property and equipment, net	<u>2,783,603</u>	<u>2,197,585</u>
	<u>\$ 43,952,802</u>	<u>\$ 8,016,997</u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	\$ 29,272,323	\$ 495,965
Accrued expenses	327,151	254,423
Grant advance	1,522,666	815,062
Unearned revenue	5,678	5,678
Capital leases payable	-	6,245
	<u>31,127,818</u>	<u>1,577,373</u>
Net assets		
Without donor restrictions	<u>12,824,984</u>	<u>6,439,624</u>
	<u>\$ 43,952,802</u>	<u>\$ 8,016,997</u>

See notes to financial statements.



**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

## Statements of Activities

Years ended September 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
<b>Support and Revenue</b>		
Federal awards	\$ 25,090,492	\$ 17,118,953
State awards	749,898	744,640
Local awards	149,132	11,750
Board of Education intervention	43,810	40,993
Non-cash donations		
Facilities	2,401,423	2,658,158
Materials	8,493	1,971
Services	3,900	1,753
Miscellaneous	26,845	72,055
Dividend and interest income	28,022	21,377
Unrealized loss on investments	(111,172)	-
Gain (loss) on disposal of assets	408	(370,546)
	<u>28,391,251</u>	<u>20,301,104</u>
<b>Functional Expenses</b>		
Program services	21,632,793	19,505,050
Supporting activities	373,098	337,065
	<u>22,005,891</u>	<u>19,842,115</u>
Increase in net assets	6,385,360	458,989
Net assets - beginning of year	<u>6,439,624</u>	<u>5,980,635</u>
Net assets - end of year	<u>\$ 12,824,984</u>	<u>\$ 6,439,624</u>

See notes to financial statements.

# TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION

Statement of Functional Expenses  
Year ended September 30, 2022

	Program Services					Total		
	TCRC	Head Start	USDA Program	Child Care Central	Team One	Program Services	Supporting Activities	Total Expenses
Accounting and legal	\$ 36,162	\$ 45,189	\$ -	\$ 6,454	\$ 7,629	\$ 95,434	\$ 1,803	\$ 97,237
Automobile	172	39,232	-	-	-	39,404	1,009	40,413
Computer	41,625	154,109	-	33,506	21,817	251,057	4,693	255,750
Depreciation	406,862	-	-	-	-	406,862	7,247	414,109
Donated facilities	-	2,341,385	-	-	-	2,341,385	60,036	2,401,421
Donated services and materials	-	12,084	-	-	-	12,084	310	12,394
Dues and subscriptions	5,792	12,733	-	82	-	18,607	429	19,036
Education and training	16,268	94,601	-	2,000	-	112,869	2,716	115,585
Employee benefits	89,336	717,879	1,403	203,237	74,318	1,086,173	19,998	1,106,171
Food	4,854	17,444	489,492	-	-	511,790	533	512,323
Insurance	27,999	219,289	130	37,398	40,959	325,775	6,122	331,897
Miscellaneous	28,319	29,732	-	13,304	16,713	88,068	1,266	89,334
Office supplies	18,205	40,522	-	184,071	10,229	253,027	1,363	254,390
Payroll taxes	92,770	523,948	994	130,304	164,935	912,951	15,087	928,038
Postage and shipping	14,727	2,881	-	66,136	1,092	84,836	336	85,172
Printing and publications	-	19,609	-	19,021	-	38,630	503	39,133
Program supplies	36,373	791,256	34,238	-	-	861,867	20,937	882,804
Rent	2,654	127,200	-	216,428	235	346,517	3,309	349,826
Repairs and maintenance	8,994	397,588	-	26,399	1,503	434,484	10,355	444,839
Salaries and wages	1,334,052	6,957,653	194,473	1,794,393	2,161,603	12,442,174	202,163	12,644,337
Small equipment purchases	164,770	97	-	-	-	164,867	2,938	167,805
Taxes and licenses	(59)	2,591	-	366	210	3,108	65	3,173
Telephone	9,338	44,776	-	17,038	722	71,874	1,314	73,188
Travel	59,793	37,241	-	54,293	295,306	446,633	2,020	448,653
Utilities	6,636	250,696	-	23,409	1,576	282,317	6,546	288,863
	\$ 2,405,642	\$12,879,735	\$ 720,730	\$ 2,827,839	\$ 2,798,847	\$ 21,632,793	\$ 373,098	\$ 22,005,891

See notes to financial statements.

# TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION

Statement of Functional Expenses  
Year ended September 30, 2021

	Program Services					Total		Supporting Activities	Total Expenses
	TCRC	Head Start	USDA Program	Child Care Central	Team One	Program Services			
Accounting and legal	\$ 2,809	\$ 31,091	\$ -	\$ 6,820	\$ 7,953	\$ 48,673	\$ 847	\$ 49,520	
Automobile	-	23,567	-	-	-	23,567	604	24,171	
Computer	16,246	203,223	-	41,044	19,956	280,469	5,500	285,969	
Depreciation	329,454	-	-	-	-	329,454	5,868	335,322	
Donated facilities	-	2,549,470	-	-	-	2,549,470	65,371	2,614,841	
Donated services and materials	-	3,631	-	-	-	3,631	93	3,724	
Dues and subscriptions	2,536	21,584	-	117	-	24,237	598	24,835	
Education and training	11,247	84,246	-	3,750	1,882	101,125	2,360	103,485	
Employee benefits	86,557	730,644	1,403	214,109	90,354	1,123,067	20,276	1,143,343	
Food	3,811	8,364	373,167	-	-	385,342	282	385,624	
Insurance	18,796	225,444	232	46,442	54,193	345,107	6,116	351,223	
Miscellaneous	31,107	30,134	30	752	4,553	66,576	1,327	67,903	
Motor skills	-	1,267	-	-	-	1,267	32	1,299	
Office supplies	25,679	40,631	-	120,304	11,364	197,978	1,499	199,477	
Payroll taxes	48,385	375,089	1,006	97,206	142,568	664,254	10,480	674,734	
Postage and shipping	9,590	2,635	-	66,546	753	79,524	239	79,763	
Printing and publications	-	8,880	-	17,947	-	26,827	228	27,055	
Program supplies	49,095	1,193,194	11,597	-	-	1,253,886	31,469	1,285,355	
Rent	(2,052)	74,105	-	216,292	813	289,158	1,863	291,021	
Repairs and maintenance	323	398,475	-	26,838	4,755	430,391	10,223	440,614	
Salaries and wages	862,254	5,731,180	259,982	1,686,349	1,946,449	10,486,214	162,311	10,648,525	
Small equipment purchases	65,182	4,895	-	16,917	1,072	88,066	1,287	89,353	
Taxes and licenses	167	4,205	-	108	-	4,480	111	4,591	
Telephone	5,134	48,434	-	28,277	782	82,627	1,333	83,960	
Travel	13,443	19,110	-	46,867	278,854	358,274	729	359,003	
Utilities	7,115	229,777	-	22,808	1,686	261,386	6,019	267,405	
	\$ 1,586,878	\$12,043,275	\$ 647,417	\$ 2,659,493	\$ 2,567,987	\$ 19,505,050	\$ 337,065	\$ 19,842,115	

See notes to financial statements.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Statements of Cash Flows  
Years ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Increase in net assets	\$ 6,385,360	\$ 458,989
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	414,109	335,322
Investment income	(9,443)	(113,373)
Unrealized loss on investments	111,172	-
(Gain) loss on disposal of assets	(408)	371,396
In-kind contribution of property	-	(43,320)
Changes in operating assets and liabilities		
Deposits	11,858	(69,241)
Accounts receivable	(12,886,157)	(224,128)
Prepaid expenses	31,312	(21,301)
Accounts payable	28,776,358	66,283
Accrued expenses	72,728	(143,611)
Grant advance	707,604	733,340
Net cash provided by operating activities	<u>23,614,493</u>	<u>1,350,356</u>
<b>Investing Activities</b>		
Purchases of property and equipment	(999,719)	(701,358)
Purchases of certificates of deposit and mutual funds	(1,375,971)	(105,614)
Proceeds from maturities of certificates of deposit	212,439	207,882
Net cash used in investing activities	<u>(2,163,251)</u>	<u>(599,090)</u>
<b>Financing Activities</b>		
Principal payments on capital leases	(6,245)	(9,957)
Net cash used in financing activities	<u>(6,245)</u>	<u>(9,957)</u>
Net increase in cash and cash equivalents	21,444,997	741,309
Cash and cash equivalents - beginning of year	<u>4,231,010</u>	<u>3,489,701</u>
Cash and cash equivalents - end of year	<u><u>\$ 25,676,007</u></u>	<u><u>\$ 4,231,010</u></u>

See notes to financial statements.

## **TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Nature of Activities**

Talladega Clay Randolph Child Care Corporation (the Organization) was incorporated as an Alabama not-for-profit corporation in September 1973 to provide child care services to eligible children residing in Talladega, Clay, Coosa, and Randolph counties in Alabama. The Organization has five major divisions (1) TCRC; (2) Head Start, which operates fifteen Head Start centers; (3) Child Nutrition Program, which provides breakfast, lunch and snacks for the eligible children participating in the programs; (4) Child Care Central, which is a Childcare Management program providing determination of eligibility and resource and referral services in subsidized daycare; and (5) Team One, which administers several fiscal contract programs for the State of Alabama providing payroll and mileage reimbursements for workers in various state programs.

The Organization receives the majority of its operating funds from federal, state, and local agencies and other not-for-profit organizations and state and county contract service revenue.

#### **Basis of Accounting**

The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America. In preparing the financial statements, management evaluated subsequent events through March 6, 2023, the date the financial statements were available to be issued.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Net Assets**

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

*Without donor restrictions* are those currently available at the direction of the Board of Directors for use in the Organization's operations.

*With donor restrictions* are those which are stipulated by donors for specific purposes.

## **TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Revenue Recognition**

The Organization recognizes contributions when cash, securities, or other assets are received.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position. The Organization received cost-reimbursable grants that have not been recognized because qualifying expenditures have not yet been incurred, with an advance payment of \$1,522,666 and \$815,062 at September 30, 2022 and 2021, respectively, recognized in the statements of financial position as a current liability. Contract revenue is reported at net realizable amounts.

#### **Cash and Cash Equivalents**

The Organization considers all instruments with an original maturity of three months or less to be cash and cash equivalents. Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. These amounts represent actual account balances held by financial institutions at the end of the period, and unlike the balances reported in the financial statements, the account balances do not reflect timing delays inherent in reconciling items such as outstanding checks and deposits in transit. The Organization has never experienced any losses related to these balances.

The Organization also participates in the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. The bank holding the Organization's deposits is a certified participant in the SAFE program. Through the SAFE program, all public funds are protected through a collateral pool administered by the Alabama State Treasury.

#### **Investments**

Investments consist of certificates of deposit which have original maturities of nine months each and available-for-sale securities. Certificates of deposit are interest-bearing debt instruments issued by various financial institutions. Those certificates of deposit issued by U.S. financial institutions are insured by the Federal Deposit Insurance Corporation or the SAFE program. Available-for-sale securities are reported at fair value with unrealized and realized gains and losses recognized in the statements of activities.



## **TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Accounts Receivable**

The Organization reports accounts receivable at net realizable value. Management determines the allowance for doubtful accounts based on historical losses and current economic conditions. On a continuing basis, management analyzes delinquent receivables and, once these receivables are determined to be uncollectible, they are written off through a charge against an existing allowance account or against current earnings. Based on management's review of current accounts receivable, no allowance for doubtful accounts was considered necessary at September 30, 2022 or 2021.

#### **Property and Equipment**

Property and equipment are carried at cost less accumulated depreciation and include expenditures that substantially increase the useful lives of existing property and equipment. Maintenance, repairs and minor renovations are charged to income as incurred. When property and equipment are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the respective accounts and any gain or loss on the disposition is credited or charged to income. The Organization provides for depreciation of property and equipment using the straight-line method designed to amortize costs over estimated useful lives as follows: buildings and improvements, 5 to 39 years; furniture and fixtures, 3 to 10 years; equipment, 3 to 7 years; and vehicles, 3 to 5 years.

#### **Compensated Absences**

Exempt and salaried non-exempt employees accrue eight hours of annual leave for each full month of service. Vacation is accrued on a monthly basis from the date of hire. An employee can carry over up to 160 hours of vacation to a subsequent year. Amounts accrued by employees as of September 30, 2022 and 2021 have been included in accrued expenses in the accompanying statements of financial position.

#### **Income Taxes**

The Organization is organized as a not-for-profit corporation under the Alabama Nonprofit Corporation Act. Additionally, the Organization has been granted tax-exempt status by the Internal Revenue Service for income tax purposes. The Organization is subject to unrelated business income tax (UBIT) only if it engages in activities subject to the UBIT regulations.

Tax positions are initially recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. The Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements as of September 30, 2022 or 2021, based on an assessment of many factors including experience and interpretations of applicable tax laws.

## **TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

#### **Fair Value**

The established framework for measuring fair value provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. Fair value is the price the Company would expect to receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

#### **Functional Expenses**

The costs of providing program and related supporting services have been summarized on the functional basis in the statements of activities. Accordingly, certain costs have been allocated to the appropriate function.



**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Donated Facilities and Services**

The Organization operates from several Head Start locations in which facilities are donated to the program by various local governmental entities for use in operations. The Organization used a certified real estate appraiser to calculate the fair market value of the non-cash donation and rental expense to be recorded in the statements of activities for the years ended September 30, 2022 and 2021. The non-cash donation and rental expense totaled \$2,401,423 and \$2,658,158 during the years ended September 30, 2022 and 2021, respectively, for these facilities.

The Organization operates from several Head Start locations in which materials are donated to the program by various local governmental and business entities for use in operations. The Organization calculated these donations at cost. The non-cash donation expense totaled \$8,494 and \$1,971 during the years ended September 30, 2022 and 2021, respectively.

Donated medical services in the amount of \$3,900 and \$1,753 have been reflected in the financial statements for the years ended September 30, 2022 and 2021, respectively, since these services require specialized skills which can only be performed by licensed specialists who have the necessary education and professional background to perform these functions.

**Concentrations**

Approximately 84% and 58% of the Organization's accounts receivable were derived from one and three grants as of the years ended September 30, 2022 and 2021, respectively. Approximately 75% and 76% of the Organization's support and revenue were derived from three grants during the years ended September 30, 2022 and 2021, respectively.

**Reclassifications**

Certain prior year balances have been reclassified to conform to the current year presentation. The reclassifications had no effect on net assets or changes in net assets as of and for the year ended September 30, 2021, as previously reported.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

**NOTE 2 - LIQUIDITY AND AVAILABILITY**

The Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments including certificates of deposit. At September 30, 2022 and 2021, the Organization had \$41,155,198 and \$5,762,241, respectively, of financial assets available within one year of the statements of financial position date to meet needs for general expenditures. These assets consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 25,676,007	\$ 4,231,010
Investments	1,615,235	553,432
Accounts receivable	13,863,956	977,799
	<u>\$ 41,155,198</u>	<u>\$ 5,762,241</u>

**NOTE 3 - INVESTMENTS**

Investments consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 1,264,863	\$ -
Certificates of deposit	350,372	553,432
	<u>\$ 1,615,235</u>	<u>\$ 553,432</u>

# TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

## NOTE 4 - FAIR VALUE MEASUREMENTS

The following table sets forth, by level within the fair value hierarchy, the Company's investments, measured at fair value on a recurring basis, as of September 30, 2022.

		Quoted Prices to Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
Mutual funds	\$ 1,264,863	\$ 1,264,863	\$ -	\$ -

The Organization's policy is to recognize transfers into and out of Level 3 as of the date the event or change in circumstances that caused the transfer. For the year ended September 30, 2022, there were no transfers into or out of Level 3.

The following is a description of the valuation methodologies used for assets measured at fair value. There were no changes in the methodologies used during the years ended September 30, 2022 and 2021.

- *Mutual funds*: Valued at quoted market prices.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 128,129	\$ 128,129
Buildings and improvements	2,656,683	2,394,336
Construction in progress	468,687	57,383
Furniture and fixtures	776,842	769,472
Equipment	1,356,492	1,113,820
Vehicles	380,943	347,530
	<u>5,767,776</u>	<u>4,810,670</u>
Less accumulated depreciation	2,984,173	2,613,085
	<u><u>\$ 2,783,603</u></u>	<u><u>\$ 2,197,585</u></u>

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Organization leases office equipment and facilities under several noncancelable operating lease agreements expiring at various intervals through August 2025. Rent expense attributed to noncancelable operating lease agreements totaled \$293,790 and \$252,007 for the years ended September 30, 2022 and 2021, respectively. At September 30, 2022, future minimum lease payments required under noncancelable operating lease agreements for the next three years consist of the following:

2023	\$ 236,464
2024	101,003
2025	88,565
	<u><u>\$ 426,032</u></u>

The Organization received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under the terms of the grant or appropriation.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Financial Statements

September 30, 2022 and 2021

(Continued)

**NOTE 7 - RETIREMENT PLAN**

The Organization has a tax-sheltered annuity/Internal Revenue Code Section 401(k) plan available to employees who meet eligibility requirements for the years ended September 30, 2022 and 2021. Eligible employees may contribute a portion of their salaries on a tax-deferred basis up to limits prescribed by the Internal Revenue Code. The Organization has the option to match up to five percent of employee contributions to the plan. Participants direct the investment of the contributions allocated to their accounts among a variety of mutual funds available in the plan. The Organization expects to continue the plan indefinitely, however, the right to modify, amend, or terminate the plan has been reserved. During the years ended September 30, 2022 and 2021, the Organization made contributions to the plan totaling \$132,734 and \$120,020, respectively.

**NOTE 8 - CAPITAL LEASE PAYABLE**

The Organization acquired office equipment under the provisions of long-term lease agreements. For financial reporting purposes, minimum lease payments relating to the office equipment have been capitalized. For the years ended September 30, 2022 and 2021, the office equipment under the capital lease had a capitalized cost of \$136,404 and \$136,404 and accumulated depreciation totaling \$136,404 and \$131,061 for a net book value of \$0 and \$5,343, respectively. Depreciation of the leased property is included in depreciation expense on the statements of functional expenses.

**NOTE 9 - SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

For the year ended September 31, 2021, the Organization received a building with a fair market value of \$43,320 as an in-kind donation.

## **ADDITIONAL INFORMATION**

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Summary of Federal and State Awards Revenue

Year ended September 30, 2022

**Support and Revenue**

Federal awards

Head Start	\$ 11,376,126
Child Care Mandatory and Matching Funds	2,013,622
Child Care and Development Block Grant	172,519,345
Case Aide and Child Welfare Services	2,812,432
Maternal, Infant, and Early Childhood Home Visiting Grant	632,821
Preschool Development Grant Birth through Five	315,393
Child and Adult Care Food Program	718,132
First Teacher - Medicaid	120,800
Pass-through funds	<u>(165,418,179)</u>

\$ 25,090,492

State awards

First Teacher	\$ 28,053
Pre-K Excellence Program	425,394
Pre-Kindergarten Program	<u>296,451</u>

\$ 749,898

See independent auditors' report.

## **FEDERAL AWARDS PROGRAMS**



**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

Federal Grantor/Pass-through Agency/ Program Title/Contract Number	Federal ALN	Pass-Through to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Head Start	93.600	\$ -	\$ 10,502,254
Pass-through from Alabama Department of Human Resources - Early Head Start - Contract #1733	93.600	650,551	873,872
Subtotal - Head Start		650,551	11,376,126
Child Care and Development Fund Cluster			
Pass-through from Alabama Department of Human Resources			
Child Care Mandatory and Matching Funds of the Child Care Development Fund - Contract #2011	93.596	-	2,013,622
Pass-through from Alabama Department of Human Resources			
Child Care and Development Block Grant Contract #2011Q	93.575	-	950,207
Pass-through from Alabama Department of Human Resources			
Child Care and Development Block Grant Contract #TASCC-2	93.575	-	402,477
Pass-through from Alabama Department of Human Resources			
Child Care and Development Block Grant Contract #7037	93.575	63,943,235	67,204,672
Pass-through from Alabama Department of Human Resources			
Child Care and Development Block Grant Contract #7044	93.575	100,824,393	103,961,989
Subtotal - Child Care and Development Block Grant		164,767,628	172,519,345
Subtotal - Child Care and Development Fund Cluster		164,767,628	174,532,967

See note to schedule of expenditures of federal awards and independent auditors' report.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

(Continued)

Federal Grantor/Pass-through Agency/ Program Title/Contract Number	Federal ALN	Pass-Through to Subrecipients	Total Federal Expenditures
Pass-through from Alabama Department of Human Resources			
Social Worker Case Aide - Contract #4068	93.558	\$ -	\$ 1,049,437
Pass-through from Alabama Department of Human Resources			
Child Welfare Services - Contract #681	93.558	-	1,385,216
Pass-through from Alabama Department of Human Resources			
Adult Service Case Aide - Contract #426	93.558	-	377,779
Subtotal - Temporary Assistance for Needy Families		-	2,812,432
Pass-through from Alabama Department of Education - Maternal, Infant, and Early Childhood Home Visiting Grant	93.870	-	632,821
Pass-through from Alabama Department of Education - Preschool Development Grant Birth through Five	93.434	-	315,393
Subtotal - U.S. Department of Health and Human Services		165,418,179	189,669,739
<b>U.S. Department of Agriculture</b>			
Pass-through from Alabama Department of Education - Child and Adult Care Food Program - Contract #A5I	10.558	-	718,132
Total expenditures of federal awards		\$ 165,418,179	\$ 190,387,871

See note to schedule of expenditures of federal awards and independent auditors' report.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Notes to Schedule of Expenditures of Federal Awards

September 30, 2022

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Talladega Clay Randolph Child Care Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**NOTE 2 - INDIRECT COST RATE**

Talladega Clay Randolph Child Care Corporation has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 - RECONCILIATION TO STATEMENT OF ACTIVITIES**

The accompanying schedule of expenditures of federal awards reports total federal awards at gross receipts. In the statement of activities, Talladega Clay Randolph Child Care Corporation has elected to show federal awards net of disbursements to subrecipients. Medicaid revenues are reported as federal awards in the statement of activities but are excluded from the schedule of expenditures of federal awards as they are not subject to Single Audit requirements.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Talladega Clay Randolph Child Care Corporation.
2. No material weaknesses or significant deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Talladega Clay Randolph Child Care Corporation, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Talladega Clay Randolph Child Care Corporation expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as a major program was the U.S. Department of Health and Human Services (AL numbers 93.575, 93.596, and 93.600).
8. The threshold for distinguishing between Type A and B programs was \$3,000,000.
9. Talladega Clay Randolph Child Care Corporation qualifies as a low-risk auditee.

**FINANCIAL STATEMENT FINDINGS**

There are no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

**TALLADEGA CLAY RANDOLPH CHILD CARE CORPORATION**

Schedule of Findings and Questioned Costs

Year ended September 30, 2022

(Continued)

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT**

There are no current findings or questioned costs that are considered material instances of noncompliance in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

There were no prior year findings or questioned costs that were considered material instances of noncompliance in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

**INDEPENDENT AUDITORS' 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  
Talladega Clay Randolph Child Care Corporation  
Talladega, Alabama

We have audited, 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, the financial statements of Talladega Clay Randolph Child Care Corporation (the Organization), which comprise the statements of financial position as of September 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 6, 2023.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 were not identified.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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 financial statements. 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.

BMSS, LLC

Birmingham, Alabama  
March 6, 2023



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

To the Board of Directors  
Talladega Clay Randolph Child Care Corporation  
Talladega, Alabama

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Talladega Clay Randolph Child Care Corporation's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Talladega Clay Randolph Child Care Corporation's major federal programs for the year ended September 30, 2022. The Talladega Clay Randolph Child Care Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Talladega Clay Randolph Child Care Corporation 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 programs for the year ended September 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Talladega Clay Randolph Child Care Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Talladega Clay Randolph Child Care Corporation's compliance with the compliance requirements referred to above



### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Talladega Clay Randolph Child Care Corporation's federal programs.

### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Talladega Clay Randolph Child Care Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Talladega Clay Randolph Child Care Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Talladega Clay Randolph Child Care Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Talladega Clay Randolph Child Care Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Talladega Clay Randolph Child Care Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on 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 in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

BMSS, LLC

Birmingham, Alabama  
March 6, 2023