

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2016**

LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.

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## **FINANCIAL SECTION**

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Taxes  
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## Independent Auditor's Report

Board of Directors  
Lewis-Clark Early Childhood Program, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of Lewis-Clark Early Childhood Program, Inc. (the Organization) which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

## **Opinion**

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

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic 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 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 June 6, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the Organization's internal control over financial reporting and compliance.

## ***Quest CPAs, P.C.***

Payette, Idaho  
June 6, 2017

## **FINANCIAL STATEMENTS**

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Statement of Financial Position

December 31, 2016

**ASSETS**

Current Assets	
Cash	\$475,137
Grants Receivable	142,668
Prepaid Expenses	9,247
Total Current Assets	<u>627,052</u>
Noncurrent Assets	
Property and Equipment, Net	<u>2,750,515</u>
Total Noncurrent Assets	<u>2,750,515</u>
<b>TOTAL ASSETS</b>	<u><u>\$3,377,567</u></u>

**LIABILITIES**

Current Liabilities	
Accounts Payable	\$157,028
Accrued Expenses	231,551
Notes Payable, Current	49,811
Total Current Liabilities	<u>438,390</u>
Noncurrent Liabilities	
Notes Payable, Noncurrent	<u>1,175,159</u>
Total Noncurrent Liabilities	<u>1,175,159</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,613,549</u></u>

**NET ASSETS**

Unrestricted	<u>1,764,018</u>
<b>TOTAL NET ASSETS</b>	<u>1,764,018</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$3,377,567</u></u>

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Statement of Activities

Year Ended December 31, 2016

**SUPPORT AND REVENUES**

Grants	\$4,691,592
Other Revenue	143,314
In-Kind Contributions	590,804
<b>TOTAL SUPPORT AND REVENUES</b>	<u>5,425,710</u>

**EXPENSES**

Program Services	
Head Start	3,561,868
Early Head Start	980,414
ECEAP	550,524
TANF	64,266
USDA	209,243
Supporting Services	
Corporate	77,347
<b>TOTAL EXPENSES</b>	<u>5,443,662</u>

**Change in Net Assets** (17,952)

**Net Assets - Beginning** 1,781,970

**Net Assets - Ending** \$1,764,018



## Statement of Functional Expenses

Year Ended December 31, 2016

EXPENSES	Program Services			
	Head Start	Early Head Start	ECEAP	TANF
Personnel	\$1,545,999	\$517,926	\$268,658	\$35,820
Fringe Benefits	548,971	186,676	101,391	15,047
Travel	624			10
Supplies & Equipment	266,497	63,756	78,221	3,599
Contractual	51,422	12,109	7,787	636
In-Kind Expenses	552,844	37,959		
Other	595,511	161,988	94,467	9,154
<b>TOTAL EXPENSES</b>	<b>\$3,561,868</b>	<b>\$980,414</b>	<b>\$550,524</b>	<b>\$64,266</b>

Statement of Functional Expenses

Year Ended December 31, 2016

<b>EXPENSES</b>	<b>Program Services</b>	
	<b>USDA</b>	<b>Total Program Services</b>
Personnel	\$29,472	\$2,397,875
Fringe Benefits	15,383	867,468
Travel		634
Supplies & Equipment	164,128	576,201
Contractual		71,954
In-Kind Expenses		590,803
Other	260	861,380
<b>TOTAL EXPENSES</b>	<b>\$209,243</b>	<b>\$5,366,315</b>

## Statement of Functional Expenses

Year Ended December 31, 2016

EXPENSES	<u>Supporting Services</u>		<u>Grand Total</u>
	<u>Corporate</u>	<u>Total Supporting Services</u>	
Personnel	\$46,853	\$46,853	\$2,444,728
Fringe Benefits	17,911	17,911	885,379
Travel		0	634
Supplies & Equipment	11,268	11,268	587,469
Contractual		0	71,954
In-Kind Expenses		0	590,803
Other	1,315	1,315	862,695
<b>TOTAL EXPENSES</b>	<u>\$77,347</u>	<u>\$77,347</u>	<u>\$5,443,662</u>

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Statement of Cash Flows  
Year Ended December 31, 2016

**CASH FLOWS FROM OPERATIONS**

Change in Net Assets	(\$17,952)
Adjustments to Reconcile Change in Net Assets to Cash Provided (Used) by Operations:	
Depreciation	200,030
Changes in Assets & Liabilities:	
Grants Receivable	(64,992)
Prepaid Expenses	(9,247)
Accounts Payable	64,313
Accrued Expenses	3,003

**CASH PROVIDED (USED) BY OPERATIONS** 175,155

**CASH FLOWS FROM INVESTMENTS**

Acquisition of Property & Equipment	(62,438)
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**CASH PROVIDED (USED) BY INVESTMENTS** (62,438)

**CASH FLOWS FROM FINANCING**

Principal Payments on Notes Payable	(66,426)
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**CASH PROVIDED (USED) BY FINANCING** (66,426)

**Change in Cash** 46,291

**Cash - Beginning** 428,846

**Cash - Ending** \$475,137

**Supplemental Disclosures:**

Cash Paid for Interest	<u style="text-align: right;">\$72,368</u>
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Noncash In-Kind Contributions	<u style="text-align: right;">\$590,804</u>
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# LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.

## Notes to Financial Statements

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### A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Activities** – Lewis-Clark Early Childhood Program, Inc. (the Organization) is a nonprofit organization incorporated in the state of Idaho. The Organization is primarily funded as a Head Start and Early Childhood Education and Assistance Program grant recipient providing related services to eligible children and their families in Idaho and Washington.

**Basis of Presentation** – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. (As no temporarily or permanently restricted net assets were held during the year, these financial statements do not reflect this class of net assets.) Contributions, gains, and investment income with donor restrictions that are met in the same reporting period are recorded as unrestricted. All significant grants received by the Organization are considered exchange transactions and accordingly, are recorded as unrestricted. The costs of providing various programs and activities have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Contributed Support** – The Organization receives contributed support which may include donated services, supplies, use of space, and volunteer help. Only contributed support meeting the criteria for recognition under generally accepted accounting principles is recorded in the financial statements. During the year, the Organization received and recorded in-kind support valued at \$590,804 in the form of donated professional services, use of space, supplies, and other support. In addition, the Organization also received in-kind support in the form of donated non-professional volunteer services valued at \$651,543 which were not recorded in the financial statements in accordance with generally accepted accounting principles.

**Cash** – For purposes of the statement of cash flows, the Organization considers all investments available for immediate withdrawal or with maturities of three months or less to be cash and cash equivalents (referred to as cash).

**Receivables** – Receivables are reported net of any estimated uncollectible amounts.

**Property and Equipment and Depreciation** – Significant property and equipment acquisitions of \$5,000 or more are recorded at cost if purchased or fair value if contributed. Minor repairs and maintenance are expensed as incurred. Depreciation over the estimated useful lives of depreciable assets is recorded using the straight line method. Certain property and equipment is purchased with grant program funds and should the grant programs ever be discontinued, the property and equipment acquired with such funds will revert back to the grant programs. As these assets must be expensed in accordance with grantor requirements, they are capitalized through recording as a contribution entitled “grant assets capitalized” on the statement of activities.

# LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.

## Notes to Financial Statements

**Income Taxes** – The Organization is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization’s Form 990, Return of Organization Exempt from Income Tax, for the years ending 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they are filed.

**Compensated Absences** – The Organization permits employees to accumulate a limited amount of earned but unused vacation which will be paid out to the employees upon separation from the Organization’s service. The amount accrued at year end is \$70,178.

**Contingent Liabilities** - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

**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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Concentrations of Credit Risk** – The Organization maintains its cash at insured financial institutions. Periodically, balances may exceed federally insured limits. The Organization does not have a formal policy concerning concentrations of credit risk.

**Risk Management** – The Organization is exposed to various risks related to its operations. Insurance is utilized to the extent practical to minimize these risks.

**Subsequent Events** – Subsequent events were evaluated through the date of the auditor’s report, which is the date the financial statements were available to be issued.

## **B. PROPERTY AND EQUIPMENT**

At year end, property and equipment are as follows:

Land and Buildings	\$4,352,806
Vehicles and Equipment	545,068
Subtotal	<u>4,897,874</u>
Less Accumulated Depreciation	<u>(2,147,359)</u>
<b>Total</b>	<u><u>\$2,750,515</u></u>

Depreciation expense for the year was \$200,030.

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Notes to Financial Statements

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**C. RETIREMENT PLAN**

The Organization sponsors a defined contribution retirement plan for its employees. Employer contributions for the year were \$46,666.

**D. NOTES PAYABLE**

At year end, the Organization had notes payable as follows:

Note payable to Wells Fargo, due in monthly payments of \$3,102, including interest at 4.79%, secured by real property	\$153,319
Note payable to Wells Fargo, due in monthly payments of \$1,187, including interest at 4.60%, secured by real property	117,915
Note payable to Community Bank, due in monthly payments of \$5,189, including interest at 5.48%, secured by real property	<u>953,736</u>
<b>Total</b>	<u><u>\$1,224,970</u></u>

Maturities on the note are estimated as follows:

2017	\$49,811
2018	52,306
2019	54,928
2020	57,681
2021	45,441
Thereafter	<u>964,803</u>
<b>Total</b>	<u><u>\$1,224,970</u></u>

Interest expense for the year was \$72,368.

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Notes to Financial Statements

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**E. OPERATING LEASES**

The Organization has several operating leases for use of premises. The leases are for various terms of one year or more. Most of the leases call for monthly payments and total lease payments for the year amounted to \$76,494.

Future minimum lease payments are estimated as follows:

2017	\$74,395
2018	48,795
2019	34,680
2020	7,200
2021	7,200
<b>Total</b>	<u><u>\$172,270</u></u>



**SUPPLEMENTARY INFORMATION**

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

<u>Federal Grantor/ Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>US Dept of Agriculture</b>			
<i>Passed Through Idaho Dept of Education:</i>			
Child & Adult Care Food Program	10.558	201616N202047 201616N109947	\$209,243
<b>Total US Dept of Agriculture</b>			<u>209,243</u>
<b>US Dept of Health &amp; Human Services</b>			
<i>Direct Program:</i>			
Head Start	93.600		3,860,928
<i>Passed Through Idaho Head Start Association:</i>			
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	None	<u>64,266</u>
Total TANF Cluster			<u>64,266</u>
<b>Total US Dept of Health &amp; Human Services</b>			<u>3,925,194</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$4,134,437</u></u>

**NOTES:**

**A. Basis of Presentation** - The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the Organization under programs of the federal government for the year ended December 31, 2016. 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*. Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**B. Summary of Significant Accounting Policies** - Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**OTHER REPORTS AND SCHEDULES**

Audits  
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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  
Lewis-Clark Early Childhood Program, 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 Lewis-Clark Early Childhood Program, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2016, 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 June 6, 2017.

**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) 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 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. 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 over financial reporting 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or 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.

***Quest CPAs, P.C.***

Payette, Idaho  
June 6, 2017

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## Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors  
Lewis-Clark Early Childhood Program, Inc.

### Report on Compliance for Each Major Federal Program

We have audited Lewis-Clark Early Childhood Program, Inc.'s (the Organization'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 the Organization's major federal programs for the year ended December 31, 2016. The Organization'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 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 the Organization'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 the Organization'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 the Organization's compliance.

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

In our opinion, the Organization 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, 2016.

## **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the 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 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 the Organization'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 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 in 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.

***Quest CPAs, P.C.***

Payette, Idaho  
June 6, 2017

**LEWIS-CLARK EARLY CHILDHOOD PROGRAM, INC.**

Schedule of Findings and Questioned Costs

Year Ended December 31, 2016

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**SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report being issued:	Unmodified
<i>Internal control over financial reporting:</i>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to the financial statements noted?	No

**FEDERAL AWARDS**

<i>Internal control over major programs:</i>	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR section 200.516(a)?	No
Major program identification:	
a. Head Start – CFDA# 93.600	
Dollar threshold used to distinguish between type A and B programs:	\$750,000
Auditee qualified as a low-risk auditee?	No