

# **Child Start, Inc.**

Wichita, Kansas

Financial Statements and Additional Information  
Years Ended April 30, 2010 and 2009

# Child Start, Inc.

## Financial Statements and Additional Information Years Ended April 30, 2010 and 2009

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## Independent Auditor's Report

Board of Directors  
Child Start, Inc.  
Wichita, Kansas

We have audited the accompanying statements of financial position of Child Start, Inc. as of April 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Child Start, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Start, Inc. as of April 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2010, on our consideration of Child Start, Inc.'s internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Child Start, Inc. taken as a whole. The accompanying schedule of program activity (Schedules A-1 to A-4), and schedule of expenditures of federal awards (Schedules B-1 to B-2), which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Wipfli LLP".

Wipfli LLP

September 21, 2010  
Madison, Wisconsin

# Child Start, Inc.

## Statements of Financial Position

April 30, 2010 and 2009

<i>Assets</i>	<b>2010</b>	<b>2009</b>
Current assets:		
Cash and cash equivalents	\$ 463,819	\$ 343,020
Grants receivable	462,186	641,870
Accounts receivable	147,580	332,017
Prepaid expenses	63,453	16,338
Total current assets	1,137,038	1,333,245
Property and equipment, net	766,391	798,313
<b>TOTAL ASSETS</b>	<b>\$ 1,903,429</b>	<b>\$ 2,131,558</b>
<i>Liabilities and Net Assets</i>		
Current liabilities:		
Current portion of capital lease obligations	\$ 5,565	\$ 5,310
Accounts payable	419,893	402,418
Accrued expenses	263,610	415,830
Grant funds received in advance	218,802	204,068
Total current liabilities	907,870	1,027,626
Long-term liabilities:		
Capital lease obligations	10,343	15,907
Total liabilities	918,213	1,043,533
Net assets:		
Unrestricted:	985,216	1,088,025
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,903,429</b>	<b>\$ 2,131,558</b>

See accompanying notes to financial statements.

# Child Start, Inc.

## Statements of Activities

Years Ended April 30, 2010 and 2009

	2010	2009
Revenue:		
Grant revenue	\$ 11,207,121	\$ 10,624,803
Donations	38,730	22,298
Interest income	263	1,983
Gain on sale of assets	0	40,365
Other income	224,561	249,787
In-kind contributions	2,206,530	2,036,279
<b>Total revenue</b>	<b>13,677,205</b>	<b>12,975,515</b>
Expenses:		
Federal and state program activities:		
Early childcare education	\$ 11,455,459	\$ 9,731,116
Child Care Resource and Referral program	837,511	900,717
Food programs	268,718	1,010,346
Other outreach	269,380	265,861
<b>Total program services</b>	<b>12,831,069</b>	<b>11,908,040</b>
Management and general	948,945	836,687
<b>Total expenses</b>	<b>13,780,014</b>	<b>12,744,727</b>
Changes in net assets	( 102,809)	230,788
Net assets - Beginning of year	1,088,025	857,237
<b>Net assets - End of year</b>	<b>\$ 985,216</b>	<b>\$ 1,088,025</b>

# Child Start, Inc.

## Statements of Cash Flows

Years Ended April 30, 2010 and 2009

	2010	2009
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Changes in net assets	(\$ 102,809)	\$ 230,788
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gain on sale of equipment	0	( 40,365)
Depreciation	168,880	141,313
Changes in operating assets and liabilities:		
Grants receivable	179,684	2,634
Accounts receivable	184,437	( 252,653)
Prepaid expenses	( 47,115)	15,605
Accounts payable	17,475	3,525
Accrued expenses	( 152,220)	32,461
Grant funds received in advance	14,734	( 128,444)
Net cash provided by operating activities	263,066	4,864
Cash flows from investing activities:		
Proceeds from sale of equipment	0	65,365
Purchase of property and equipment	( 136,958)	( 370,786)
Net cash used in investing activities	( 136,958)	( 305,421)
Cash flows from financing activities:		
Payments on capital lease obligations	( 5,309)	( 19,587)
Net cash used in financing activities	( 5,309)	( 19,587)
Changes in cash and cash equivalents	120,799	( 320,144)
Cash and cash equivalents - Beginning of year	343,020	663,164
Cash and cash equivalents - End of year	\$ 463,819	\$ 343,020
<b>Schedule of noncash investing and financing activity:</b>		
Equipment obtained under a capital lease	\$ 0	\$ 20,798
<b>Supplemental schedule of other cash activity:</b>		
Interest paid	\$ 825	\$ 1,059

See accompanying notes to financial statements.

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1            Summary of Significant Accounting Policies**

#### **Nature of Operations**

Child Start, Inc. (the Organization) was organized as a nonprofit organization in 1958. The Organization's mission is to provide early childhood development services that prepare children for lifelong success. Principal activities include such programs as Head Start and Early Head Start in Sedgwick and Harper County and Child Care Aware Resource and Referral Program which covers 53 counties in the state of Kansas. The Organization's revenues and other support are derived principally from contributions and federal and state grants.

The Organization received approximately 60% of its total revenue from the Department of Health and Human Services (DHHS) under the Federal Head Start program.

#### **Basis of Presentation**

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

#### **Classification of Net Assets**

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Currently, the Organization does not have any temporarily restricted net assets.

**Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

#### **Use of Estimates**

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

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1            Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statements of activities as released from restriction. If a restriction is met in the same period that the contribution is received, the contribution is recorded as unrestricted.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

#### **A. Grant Awards that are Contributions**

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

#### **B. Grant Awards that are Exchange Transactions**

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

#### **Accounts Receivable**

Accounts receivable consist primarily of receivables for the Caring 4 Kids program and from the Organization's insurance company for reimbursement of losses that occurred in a flood. The Organization considers the accounts receivable to be fully collectible, accordingly, no allowance for doubtful accounts receivable is recorded. If amounts become uncollectible, they will be charged to operations when that determination is made.

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

The Organization considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents.

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1            Summary of Significant Accounting Policies (Continued)**

#### **Property and Equipment**

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the asset. The Organization capitalizes property and equipment purchased with a cost greater than \$5,000 and a useful life of more than one year. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds there from, is subject to funding source regulations. The net book value of property and equipment purchased with grant funds was \$730,181 and \$770,769 as of April 30, 2010 and 2009, respectively.

#### **Income Taxes**

The Organization is qualified for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and a similar provision of Kansas law.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions. Federal returns for the fiscal years ended April 30, 2007, 2008, and 2009 remain subject to examination by the Internal Revenue Service.

#### **Indirect Cost Rate**

To facilitate equitable distribution of common purpose costs benefiting more than one direct cost allocation objective, the Organization has negotiated an indirect cost allocation plan with DHHS. The rate is based upon a percentage of total direct salaries and wages, including all fringe benefits. A provisional rate of 12.3% has been approved until amended by DHHS.

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 1**                    **Summary of Significant Accounting Policies (Continued)**

#### **In-Kind Contributions**

The Organization has recorded in-kind contributions for space, supplies, and professional services on the statements of activities in accordance with accounting standards generally accepted in the United States (GAAP). GAAP requires that only contributions of service received that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. The requirements of GAAP are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions of nonprofessional volunteers during the years ended April 30, 2010 and 2009 with a value of 1,068,757 and \$732,448, respectively, primarily for its Head Start program, which are not recorded in the statements of activities.

#### **Subsequent Events**

Subsequent events have been evaluated through September 21, 2010, which is the date the financial statements were available to be issued.

### **Note 2**                    **Concentration of Credit Risk**

The Organization maintains their cash balance in one financial institution which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in these accounts may exceed the insurance limits. Management believes the financial institutions have strong credit ratings and credit risk related to these deposits is minimal.

### **Note 3**                    **Grants Receivable**

Grants receivable consist of:

	<b>2010</b>	<b>2009</b>
Head Start	\$ 295,128	\$ 439,180
Child & Adult Care Food Program	36,815	36,742
Child Care Resource & Referral	45,852	87,277
<u>Other programs</u>	<u>84,391</u>	<u>78,671</u>
<u>Total grants receivable</u>	<u>\$ 462,186</u>	<u>\$ 641,870</u>

# Child Start, Inc.

## Notes to Financial Statements

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### Note 4 Property and Equipment

Property and equipment are as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 70,782	\$ 70,782
Buildings and leasehold improvements	1,253,645	1,196,889
Equipment	2,020,339	2,003,138
Subtotals	3,344,766	3,270,809
Less accumulated depreciation and amortization	( 2,578,375)	( 2,472,496)
<u>Totals</u>	<u>\$ 766,391</u>	<u>\$ 798,313</u>

### Note 5 Grant Funds Received in Advance

Grant funds received in advance are as follows:

	<u>2010</u>	<u>2009</u>
Kansas Early Head Start	\$ 213,564	\$ 204,068
Other programs	5,238	0
<u>Total grant funds received in advance</u>	<u>\$ 218,802</u>	<u>\$ 204,068</u>

### Note 6 Retirement Plan

The Organization has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to substantially all employees. The Board of Directors annually determines the amount, if any, of the Organization's contribution to the plan. The Organization's contributions for the years ended April 30, 2010 and 2009, were \$91,389 and \$90,555, respectively.

### Note 7 Grant Awards

At April 30, 2010, the Organization had commitments under various grants of approximately \$1,885,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

# Child Start, Inc.

## Notes to Financial Statements

### Note 8 Capital Leases

	<u>2010</u>	<u>2009</u>
Capital lease obligations	\$ 15,908	\$ 21,217
Less: current maturities	( 5,565)	( 5,310)
<u>Long-term portion</u>	<u>\$ 10,343</u>	<u>\$ 3,533</u>

Capital leases include leases covering a postage meter and a copier, expiring in 2011 and 2014, respectively.

Aggregate annual payments on capital lease obligations at April 30, 2010, are:

2011	\$ 5,565
2012	4,014
2013	4,177
2014	2,152
<u>Total</u>	<u>\$ 15,908</u>

Property and equipment include the following under capital leases at April 30:

	<u>2010</u>	<u>2009</u>
Equipment	\$ 28,348	\$ 28,348
Less: accumulated amortization	( 12,405)	( 6,736)
<u>Total</u>	<u>\$ 15,943</u>	<u>\$ 21,612</u>

Current year amortization of the equipment under the capital lease is included in depreciation expense.

### Note 9 Operating Leases

The Organization has operating leases for various periods. Rental expense under these leases was \$405,107 and \$390,571 for the years ended April 30, 2010 and 2009, respectively.

Future minimum lease payments under these operating leases are:

2011	\$ 486,264
2012	395,201
2013	243,199
2014	227,324
2015	201,068
Thereafter	832,233
<u>Total</u>	<u>\$ 2,385,289</u>

# Child Start, Inc.

## Notes to Financial Statements

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### **Note 10**      **Casualty Loss**

In February 2009, the Organization experienced flooding that caused \$93,183 in damage to supplies and equipment in the main administrative building. The organization received insurance proceeds in June 2010, for the full amount of the losses incurred. The amount of the insurance proceeds is included in accounts receivable at April 30, 2010.

# **Additional Information**

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# Child Start, Inc.

Schedule A-1

Schedule of Program Activity

Year Ended April 30, 2010

	FEDERAL PROGRAMS						
	Department of Agriculture				Department of Health and Human Services		
	10.558				93.575		
	Total	Child & Adult Care Food Program 2008/2009 (1)	Child & Adult Care Food Program 2009/2010 (2)	10.558 Subtotal	Kansas EHS 2008/2009 (3)	Kansas EHS 2009/2010 (4)	93.575 Subtotal
<b>REVENUE</b>							
Grant revenue	\$ 11,207,121	\$ 63,812	\$ 223,305	\$ 287,117	\$ 217,088	\$ 773,276	\$ 990,364
Donations	38,730	0	0	0	0	0	0
Interest income	263	0	0	0	0	0	0
Other income	224,561	0	0	0	0	0	0
In-kind contributions	2,206,530	0	0	0	94,025	333,267	427,292
<b>Total Revenue</b>	<b>13,677,205</b>	<b>63,812</b>	<b>223,305</b>	<b>287,117</b>	<b>311,113</b>	<b>1,106,543</b>	<b>1,417,656</b>
<b>EXPENSES</b>							
Salaries and benefits	7,201,091	0	0	0	54,418	277,278	331,696
Contractual	1,693,775	0	0	0	76,404	407,191	483,595
Repairs and maintenance	45,485	0	0	0	0	0	0
Rent and utilities	670,573	0	0	0	3,396	15,847	19,243
Travel and training	505,810	0	0	0	2,436	10,327	12,763
Supplies	760,661	0	0	0	67,859	11,175	79,034
Equipment	0	0	0	0	0	0	0
Program activities	289,042	63,812	223,305	287,117	0	0	0
Other	107,440	0	0	0	117	2,016	2,133
Insurance	38,538	0	0	0	906	1,362	2,268
Indirect	0	0	0	0	11,417	47,682	59,099
Printing and postage	92,189	0	0	0	135	398	533
Depreciation	168,880	0	0	0	0	0	0
In-kind expenses	2,206,530	0	0	0	94,025	333,267	427,292
<b>Total Expenses</b>	<b>13,780,014</b>	<b>63,812</b>	<b>223,305</b>	<b>287,117</b>	<b>311,113</b>	<b>1,106,543</b>	<b>1,417,656</b>
<b>Change in Net Assets</b>	<b>( 102,809)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers	0	0	0	0	0	0	0
Net assets - Beginning of year	1,088,025	0	0	0	0	0	0
<b>NET ASSETS - End of year</b>	<b>\$ 985,216</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

See Independent Auditor's Report.

# Child Start, Inc.

Schedule A-2

Schedule of Program Activity

Year Ended April 30, 2010

	FEDERAL PROGRAMS							
	Department of Health and Human Services							
	93.600				93.708 - ARRA			
	Head Start Head Start 07CH0051/34 (5)	Head Start Training and Tech. Assist. 07CH0051/34 (6)	Early Head Start 07CH0051/34 (7)	Early Head Start T&TA 07CH0051/34 (8)	93.600 Subtotal	Head Start ARRA COLA/ QI 07SE0051/01 (9)	Head Start ARRA Expansion 07SH0051/01 (10)	Head Start ARRA Expansion T/TA 07SH0051/01 (11)
<b>REVENUE</b>								
Grant revenue	\$ 6,038,492	\$ 86,746	\$ 1,493,412	\$ 36,227	\$ 7,654,877	\$ 345,696	\$ 101,827	\$ 485
Donations	2,237	0	0	0	2,237	0	0	0
Interest income	20	0	0	0	20	0	0	0
Other income	5,153	0	0	0	5,153	0	0	0
In-kind contributions	2,297,929	15,036	379,230	9,057	2,701,252	0	7,595	0
<b>Total Revenue</b>	<b>8,343,831</b>	<b>101,782</b>	<b>1,872,642</b>	<b>45,284</b>	<b>\$ 10,363,539</b>	<b>345,696</b>	<b>109,422</b>	<b>485</b>
<b>EXPENSES</b>								
Salaries and benefits	3,879,812	0	968,128	0	4,847,940	288,320	41,241	0
Contractual	739,823	0	85,632	0	825,455	9,464	1,553	0
Repairs and maintenance	32,873	0	1,853	0	34,726	0	0	0
Rent and utilities	399,574	0	55,707	0	455,281	0	4,342	0
Travel and training	137,409	86,746	100,609	36,186	360,950	706	1,981	485
Supplies	134,180	0	96,051	25	230,256	11,678	40,332	0
Equipment	80,521	0	19,981	0	100,502	0	0	0
Program activities		0	769	0	769	0	150	0
Other	47,048	0	14,693	16	61,757	68	6,076	0
Insurance	21,562	0	3,822	0	25,384	0	0	0
Indirect	541,184	0	138,002	0	679,186	35,460	5,932	0
Printing and postage	31,916	0	8,165	0	40,081	0	220	0
Depreciation	0	0	0	0	0	0	0	0
In-kind expenses	2,297,929	15,036	379,230	9,057	2,701,252	0	7,595	0
<b>Total Expenses</b>	<b>8,343,831</b>	<b>101,782</b>	<b>1,872,642</b>	<b>45,284</b>	<b>10,363,539</b>	<b>345,696</b>	<b>109,422</b>	<b>485</b>
<b>Change in Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Transfers	0	0	0	0	0	0	0	0
Net assets - Beginning of year	0	0	0	0	0	0	0	0
<b>NET ASSETS - End of year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

See Independent Auditor's Report.

# Child Start, Inc.

## Schedule A-3

### Schedule of Program Activity

Year Ended April 30, 2010

	FEDERAL PROGRAMS					STATE AND LOCAL PROGRAMS		
	Department of Health and Human Services					Total Federal Programs	Early Childhood Block Grant	Child Care Resource & Referral
	93.708 - ARRA	93.709 - ARRA		93.709 - ARRA Subtotal	Cluster #93.600, 93.708 - ARRA, & 93.709 - ARRA Subtotal			
	93.708 - ARRA Subtotal	Early Head Start ARRA Expansion 07SA0051/01 (12)	Early Head Start ARRA Expansion T/TA 07SA0051/01 (13)					
						(14)	(15)	
<b>REVENUE</b>								
Grant revenue	\$ 448,008	\$ 90,311	\$ 13,111	\$ 103,422	\$ 8,206,307	\$ 9,483,788	\$ 678,399	\$ 858,563
Donations	0	19,540	0	19,540	21,777	21,777	0	0
Interest income	0	0	0	0	20	20	0	0
Other income	0	0	0	0	5,153	5,153	0	33,001
In-kind contributions	7,595	0	0	0	2,708,847	3,136,139	61,116	0
<b>Total Revenue</b>	<b>455,603</b>	<b>109,851</b>	<b>13,111</b>	<b>122,962</b>	<b>10,942,104</b>	<b>12,646,877</b>	<b>739,515</b>	<b>891,564</b>
<b>EXPENSES</b>								
Salaries and benefits	329,561	9,689	0	9,689	5,187,190	5,518,886	213,848	562,628
Contractual	11,017	36	0	36	836,508	1,320,103	272,282	13,342
Repairs and maintenance	0	0	0	0	34,726	34,726	964	479
Rent and utilities	4,342	33,205	0	33,205	492,828	512,071	7,447	76,105
Travel and training	3,172	54	13,087	13,141	377,263	390,026	30,120	50,062
Supplies	52,010	42,298	24	42,322	324,588	403,622	94,064	52,333
Equipment	0	20,000	0	20,000	120,502	120,502	0	0
Program activities	150	0	0	0	919	288,036	0	0
Other	6,144	3,366	0	3,366	71,267	73,400	5,176	29,269
Insurance	0	0	0	0	25,384	27,652	0	1,287
Indirect	41,392	1,192	0	1,192	721,770	780,869	51,189	68,655
Printing and postage	220	11	0	11	40,312	40,845	3,309	40,696
Depreciation	0	0	0	0	0	0	0	0
In-kind expenses	7,595	0	0	0	2,708,847	3,136,139	61,116	0
<b>Total Expenses</b>	<b>455,603</b>	<b>109,851</b>	<b>13,111</b>	<b>122,962</b>	<b>10,942,104</b>	<b>12,646,877</b>	<b>739,515</b>	<b>894,856</b>
<b>Change in Net Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>( 3,292)</b>
Transfers	0	0	0	0	0	0	0	3,292
Net assets - Beginning of year	0	0	0	0	0	0	0	0
<b>NET ASSETS - End of year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

See Independent Auditor's Report.

# Child Start, Inc.

## Schedule A-4

### Schedule of Program Activity

Year Ended April 30, 2010

	STATE AND LOCAL PROGRAMS				DISCRETIONARY ACTIVITY			
	Pre-K (16)	Other Outreach (17)	Total State and Local Programs	Total Programs	In-Kind Elimination (18)	Grant- Funded Equipment (19)	Corporate Activities (20)	Total Unrestricted
<b>REVENUE</b>								
Grant revenue	\$ 161,078	\$ 1,933	1,699,973	\$ 11,183,761	\$ 0	\$ 0	\$ 23,360	\$ 23,360
Donations	0	0	0	21,777	0	0	16,953	16,953
Interest income	0	0	0	20	0	0	243	243
Other income	0	158,550	191,551	196,704	0	0	27,857	27,857
In-kind contributions	78,032	0	139,148	3,275,287	( 1,068,757)	0	0	( 1,068,757)
<b>Total Revenue</b>	<b>239,110</b>	<b>160,483</b>	<b>2,030,672</b>	<b>14,677,549</b>	<b>( 1,068,757)</b>	<b>0</b>	<b>68,413</b>	<b>( 1,000,344)</b>
<b>EXPENSES</b>								
Salaries and benefits	119,234	131,496	1,027,206	6,546,092	0	0	654,999	654,999
Contractual	597	4,431	290,652	1,610,755	0	0	83,020	83,020
Repairs and maintenance	1,327	0	2,770	37,496	0	0	7,989	7,989
Rent and utilities	19,441	12,201	115,194	627,265	0	0	43,308	43,308
Travel and training	1,256	10,417	91,855	481,881	0	0	23,929	23,929
Supplies	1,799	1,424	149,620	553,242	0	0	207,419	207,419
Equipment	0	0	0	120,502	0	( 120,502)	0	( 120,502)
Program activities	471	0	471	288,507	0	0	535	535
Other	12	676	35,133	108,533	0	( 829)	( 264)	( 1,093)
Insurance	0	0	1,287	28,939	0	0	9,599	9,599
Indirect	16,627	16,121	152,592	933,461	0	0	( 933,461)	( 933,461)
Printing and postage	314	2,540	46,859	87,704	0	0	4,485	4,485
Depreciation	0	0	0	0	0	161,919	6,961	168,880
In-kind expenses	78,032	0	139,148	3,275,287	( 1,068,757)	0	0	( 1,068,757)
<b>Total Expenses</b>	<b>239,110</b>	<b>179,306</b>	<b>2,052,787</b>	<b>14,699,664</b>	<b>( 1,068,757)</b>	<b>40,588</b>	<b>108,519</b>	<b>( 919,650)</b>
<b>Change in Net Assets</b>	<b>0</b>	<b>( 18,823)</b>	<b>( 22,115)</b>	<b>( 22,115)</b>	<b>0</b>	<b>( 40,588)</b>	<b>( 40,106)</b>	<b>( 80,694)</b>
Transfers	0	18,823	22,115	22,115	0	0	( 22,115)	( 22,115)
Net assets - Beginning of year	0	0	0	0	0	770,769	317,256	1,088,025
<b>NET ASSETS - End of year</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 730,181</b>	<b>\$ 255,035</b>	<b>\$ 985,216</b>

See Independent Auditor's Report.

# Child Start, Inc.

## Schedule B-1

### Schedule of Expenditures of Federal Awards

Year Ended April 30, 2010

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Funding Source/ Pass- Through Entity</u>	<u>Program Period</u>	<u>Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>				
(1) Child & Adult Care Food Program 2008/2009	10.558	Kansas State Department of Education	10/01/08 - 09/30/09	63,812
(2) Child & Adult Care Food Program 2009/2010		Kansas State Department of Education	10/01/09 - 09/30/10	223,305
		<b>Subtotal CFDA #10.558</b>		<b>287,117</b>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
(3) Kansas Early Head Start 2008/2009 #EHS/HS-09-10-YC0490	93.575	Kansas State Department of Social and Rehabilitation Services	07/01/08- 06/30/09	217,088
(4) Kansas Early Head Start 2009/2010 #EHS/HS-09-10-YC0490		Kansas State Department of Social and Rehabilitation Services	07/01/09 - 06/30/10	773,276
		<b>Subtotal CFDA #93.575</b>		<b>990,364</b>
(5) Head Start 07CH0051/34	93.600	U.S. Department of Health and Human Services	05/01/09 - 04/30/10	6,038,492
(6) Head Start - Training and Technical Assistance 07CH0051/34		U.S. Department of Health and Human Services	05/01/09 - 04/30/10	86,746
(7) Early Head Start 07CH0051/34		U.S. Department of Health and Human Services	05/01/09 - 04/30/10	1,493,412
(8) Early Head Start - Training and Technical Assistance 07CH0051/34		U.S. Department of Health and Human Services	05/01/09 - 04/30/10	36,227
		<b>Subtotal CFDA #93.600</b>		<b>7,654,877</b>
(9) Head Start ARRA COLA/QI 07SE0051/01	93.708 - ARRA	U.S. Department of Health and Human Services	07/01/09 - 09/30/10	345,696
(10) Head Start ARRA Expansion 07SH0051/01		U.S. Department of Health and Human Services	09/30/09 - 09/29/10	101,827
(11) Head Start ARRA Expansion T/TA 07SH0051/01		U.S. Department of Health and Human Services	09/30/09 - 09/29/10	485
		<b>Subtotal CFDA #93.708 - ARRA</b>		<b>448,008</b>

# Child Start, Inc.

## Schedule B-2

### Schedule of Expenditures of Federal Awards

Year Ended April 30, 2010

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Funding Source/ Pass- Through Entity</u>	<u>Program Period</u>	<u>Expenditures</u>
(12) Early Head Start ARRA Expansion 07SA0051/01	93.709 - ARRA	U.S. Department of Health and Human Services	12/01/09 - 09/29/10	90,311
(13) Early Head Start ARRA Expansion T/TA 07SA0051/01		U.S. Department of Health and Human Services	12/01/09 - 09/29/10	13,111
<b>Subtotal CFDA #93.709 - ARRA</b>				<b>103,422</b>
<b>Subtotal CFDA #93.600, 93.708 - ARRA, and 93.709 - ARRA Cluster</b>				<b>8,206,307</b>
<b>TOTAL FEDERAL PROGRAMS</b>				<b>\$ 9,483,788</b>

#### Note to Schedule of Expenditures of Federal Awards

This schedule includes the federal grant activity of Child Start, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



**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  
Child Start, Inc.  
Wichita, Kansas

We have audited the financial statements of Child Start, Inc. (a nonprofit organization) as of and for the year ended April 30, 2010, and have issued our report thereon dated September 21, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Child Start, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Start, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Child Start, Inc.'s internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Start, Inc.'s financial statements are free of material misstatement, we performed tests of their 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*.

This report is intended solely for the information and use of management, the Board of Directors, others within Child Start, Inc., federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

September 21, 2010  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Directors  
Child Start, Inc.  
Wichita, Kansas

### **Compliance**

We have audited the compliance of Child Start, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2010. Child Start, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Child Start, Inc.'s management. Our responsibility is to express an opinion on Child Start, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Child Start, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Child Start, Inc.'s compliance with those requirements.

In our opinion, Child Start, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2010.

### **Internal Control Over Compliance**

The management of Child Start, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs. In planning and performing our audit, we considered Child Start, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Child Start, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state 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 or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within Child Start, Inc., federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

September 21, 2010  
Madison, Wisconsin

# Child Start, Inc.

## Schedule of Federal Findings and Questioned Costs

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### **A. Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Child Start, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of Child Start, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal and major state award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Child Start, Inc. expresses an unqualified opinion.
6. There were no findings relative to the major federal award programs for Child Start, Inc.
7. The programs tested as major federal programs were the U.S. Department of Health and Human Services, Child Care Development Block Grant, CFDA #93.575, and Head Start Cluster, CFDA #93.600, #93.708 - ARRA, and #93.709 - ARRA.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Child Start, Inc. was determined to be a low-risk auditee.

### **B. Findings – Financial Statements Audit**

None

### **C. Findings and Questioned Costs – Major Federal Award Program Audit**

None

### **D. Prior Year Findings**

There were no prior year findings or questioned costs.

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Madison, WI 53713  
PO Box 8700  
Madison, WI 53708-8700  
608.274.1980  
fax 608.274.8085  
www.wipfli.com

(date)

Ms. Tina Viramontez, CPA  
Child Start, Inc.  
1069 Glendale  
Wichita, KS 67218

Dear Tina:

Enclosed are 20 bound and one unbound copies of the final audit report for Child Start, Inc. for the program year ended April 30, 2010 and 2009. Also enclosed is one copy of the SAS 114 letter, the required communication with the Board.

If you have any questions relating to the audit report, please let us know.

Sincerely,

Denes L. Tobie, CPA  
Partner

DLT/lcr  
102466/2010/9102466\_fs (Caseware)

Enc.

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Madison, WI 53713  
PO Box 8700  
Madison, WI 53708-8700  
608.274.1980  
fax 608.274.8085  
www.wipfli.com

(date)

Administration for Children & Families  
Lynda Bittner  
601 East 12th Street, Room 276  
Kansas City, Missouri 64106

Dear Ms. Bittner:

Enclosed is copy of the final audit report for Child Start, Inc. for the program year ended April 30, 2010 and 2009. Also enclosed is the Final Financial Status Report (From 269) for Child Start, Inc.

We would appreciate receiving a copy of any response letter regarding the content of this audit report.

Sincerely,

Denes L. Tobie, CPA  
Partner

DLT/lcr  
102466/2010/9102466\_fs (Caseware)

Enc.

cc: Ms. Tina Viramontez, CPA, Child Start, Inc.

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PO Box 8700  
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(date)

MarSue Mackey  
KSDE  
Child Nutrition & Wellness  
120 SE 10th Avenue  
Topeka, Ks 66612-1182

Dear Ms. Mackey:

Enclosed is copy of the final audit report for Child Start, Inc. for the program year ended April 30, 2010 and 2009.

We would appreciate receiving a copy of any response letter regarding the content of this audit report.

Sincerely,

Denes L. Tobie, CPA  
Partner

DLT/lcr  
102466/2010/9102466\_fs (Caseware)

Enc.

cc: Ms. Tina Viramontez, CPA, Child Start, Inc.

Wipfli LLP  
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Madison, WI 53713  
PO Box 8700  
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(date)

Leadell Ediger  
KACCRRRA  
1512 E. Iron  
PO Box 2294  
Salina, KS 67402-2294

Dear Mr. Ediger:

Enclosed is copy of the final audit report for Child Start, Inc. for the program year ended April 30, 2010 and 2009.

We would appreciate receiving a copy of any response letter regarding the content of this audit report.

Sincerely,

Denes L. Tobie, CPA  
Partner

DLT/lcr  
102466/2010/9102466\_fs (Caseware)

Enc.

cc: Ms. Tina Viramontez, CPA, Child Start, Inc.

Wipfli LLP  
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Madison, WI 53713  
PO Box 8700  
Madison, WI 53708-8700  
608.274.1980  
fax 608.274.8085  
www.wipfli.com

(date)

Mary Weathers  
Kansas Department of Social & Rehabilitative Services  
915 SW Harrison St.  
Topeka, KS 66612

Dear Ms. Weathers:

Enclosed is copy of the final audit report for Child Start, Inc. for the program year ended April 30, 2010 and 2009.

We would appreciate receiving a copy of any response letter regarding the content of this audit report.

Sincerely,

Denes L. Tobie, CPA  
Partner

DLT/lcr  
102466/2010/9102466\_fs (Caseware)

Enc.

cc: Ms. Tina Viramontez, CPA, Child Start, Inc.