CHILD CARE ANSWERS

FINANCIAL STATEMENTS

PERIOD OF INCEPTION (MAY 1, 2021) THROUGH SEPTEMBER 30, 2022

CPAs / ADVISORS

blue

CHILD CARE ANSWERS

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Child Care Answers
Indianapolis, Indiana

Opinion

We have audited the accompanying financial statements of Child Care Answers (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, and cash flows for the period from inception (May 1, 2021) through September 30, 2022, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in net assets and cash flows for the period from inception (May 1, 2021) through September 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the 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 audit opinion.

Change in Accounting Principle

As discussed in Note 3 to the financial statements, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2020-07*, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in 2022. Our opinion is not modified with respect to this matter.

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, which raise substantial doubt about the

Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 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, 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 controls 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 the Organization's internal controls. 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, which raise substantial doubt about the Organization'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.

Blue & Co., LLC

Carmel, Indiana
January 19, 2023

CHILD CARE ANSWERS

STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2022

ASSETS

Cash	$	269,638
Accounts receivable		177,030
Prepaid expenses and other assets		36,670
Property and equipment, net		30,126
Total assets	$	513,464

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	$	8,818
Accrued expenses		19,244
Total liabilities		28,062
Net Assets		
Without donor restrictions		
Undesignated		442,402
Board-designated		40,000
		482,402
With donor restrictions		3,000
Total net assets		485,402
	$	513,464

See accompanying notes to financial statements.

CHILD CARE ANSWERS

STATEMENT OF ACTIVITIES
PERIOD FROM INCEPTION (MAY 1, 2021) THROUGH SEPTEMBER 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support			
Revenue			
Fees from government agencies	$ 1,957,377	$ -0-	$ 1,957,377
Other	1,837	-0-	1,837
Support			
Grants from government agencies	189,656	3,000	192,656
Contributions	312,496	-0-	312,496
Contributed services	3,500	-0-	3,500
Total revenue and support	2,464,866	3,000	2,467,866
Expenses			
Program services	1,719,661	-0-	1,719,661
Management and general	262,803	-0-	262,803
Total expenses	1,982,464	-0-	1,982,464
Change in net assets	482,402	3,000	485,402
Net assets, beginning of year	-0-	-0-	-0-
Net assets, end of year	$ 482,402	$ 3,000	$ 485,402

See accompanying notes to financial statements.

CHILD CARE ANSWERS

STATEMENT OF FUNCTIONAL EXPENSES
PERIOD FROM INCEPTION (MAY 1, 2021) THROUGH SEPTEMBER 30, 2022

	Program Services	Management and General	Total
Salaries	$ 1,013,929	$ 112,659	$ 1,126,588
Payroll taxes and benefits	366,730	40,748	407,478
	1,380,659	153,407	1,534,066
Occupancy	56,541	6,282	62,823
Program materials	7,392	541	7,933
Depreciation and amortization	10,307	1,145	11,452
Professional fees	-0-	76,048	76,048
Branding and marketing	33,286	453	33,739
Grants	168,634	1,991	170,625
Professional development	14,764	-0-	14,764
Technology	38,275	4,253	42,528
Other	9,803	18,683	28,486
Total expenses	$ 1,719,661	$ 262,803	$ 1,982,464

See accompanying notes to financial statements.

CHILD CARE ANSWERS

STATEMENT OF CASH FLOWS
PERIOD FROM INCEPTION (MAY 1, 2021) THROUGH SEPTEMBER 30, 2022

Cash flows from operating activities	
Change in net assets	$ 485,402
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	11,452
Changes in assets and liabilities	
Accounts receivable	(177,030)
Prepaid expenses and other assets	(36,670)
Accounts payable	8,818
Accrued expenses	19,244
Net cash provided by operating activities	311,216
Cash flows from investing activities	
Purchases of property and equipment	(41,578)
Net cash used in investing activities	(41,578)
Net increase	269,638
Cash, beginning of year	-0-
Cash, end of year	$ 269,638
Supplemental disclosure of cash flow information	
Cash payments for interest	$ 1,628

See accompanying notes to financial statements.

1. NATURE OF ACTIVITIES

Child Care Answers of Central Indiana, Inc. (the "Organization") was founded on May 1, 2021, as a not-for-profit organization that strives to improve the well-being, care, and education for the whole child. Located in Indianapolis, Indiana, the Organization is one of five Child Care Resource and Referral agencies across the state.

The Organization helps educate families on what to look for in child care and provides general parenting support. The Organization helps families find creative solutions to child care challenges regarding cost and availability. The Organization also offers resources to those planning to open a child care business and those currently in the early childhood profession. Partnering with local organizations and businesses, the Organization communicates the benefits of early care and education and the challenges associated with families' lack of access to care.

The Organization also helps employers find quality child care through onsite services, online searches, email, or phone. Guidance is provided on what to look for in a program and support with decisions on which program best fits their needs. Human resources and leadership are supported as they refine work-life policies and total rewards programs. The Organization tracks data on how child care trends affect businesses to identify gaps and solutions.

The services offered by the Organization are free and available to anyone who lives or works in Hamilton, Hendricks, or Marion counties. If someone does not reside or work within those counties, specialists can connect you to the local agency that could assist.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements report net assets and changes in net assets in classes based upon the existence or absence of restrictions on use placed by the Organization's donors, as follows:

Net assets without donor restrictions – Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or time restriction.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the statements of activities by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas involving the use of estimates and assumptions include collectability of accounts receivable, useful lives of property and equipment, and the allocation of functional expenses.

Accounts Receivable

Accounts receivable represent amounts due to the Organization under fixed fee contracts which is considered to be an exchange transaction and performance-based service contract where the contractual costs have been incurred and services have been performed.

Accounts receivable are stated at the amount billed net of an allowance for doubtful accounts, if any. Management, on a periodic basis, evaluates its accounts receivable and establishes an allowance for doubtful accounts based on past write-offs and collections. Management has determined no allowance for accounts receivable is required at September 30, 2022.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other assets include insurance, deposits, subscriptions, and travel payments made in advance which are expensed as incurred.

Property and Equipment

The Organization capitalizes all purchase of property and equipment over $2,000 including expenditures which substantially increase the useful lives of existing assets. Costs of ordinary maintenance and repairs are expensed as incurred.

Property and equipment are depreciated and amortized over the estimated useful lives using the straight-line method. The Organization estimates the useful lives of its capitalized assets range from two (2) to five (5) years.

Support and Revenue Recognition

Revenue funded by contracts is considered to be exchange transactions and are recognized over time as the Organizations performs the contracted services or incurs eligible expenses under the contract agreements, at the stated price per contract. Activities and expenses allocated to grants and contracts are subject to audit and acceptance by the awarding agency and, as a result of such audit, adjustments could be required.

The Organization recognizes contributions of cash, other assets, or an unconditional promise to give when it is received. Conditional promises to give – that is, those with a measurable performance or other barrier and right of return – are not recognized until the conditions on which they depend have been met. There were no conditional promises to give as of September 30, 2022.

All other revenue is recognized when earned and is reported as an increase in net assets without donor restrictions.

In-Kind Contributions

The Organization receives in-kind contributions from various donors. It is the policy of the Organization to record the estimated fair value of in-kind donations (other than gifts of property and equipment) as both a contribution and an expense in its financial statements.

Functional Expenses

The costs of providing the programs and services of the Organization have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited based on actual direct expenditures and cost allocations of indirect expenses based on expenses. In certain instances, grant budgets specify the expenditures allowed and as these expenses are incurred, they are charged to the grant. Expenses allocated include salaries, payroll taxes and benefits, occupancy, depreciation and amortization, technology, and other office overhead. Although the methods used were appropriate, other methods could produce different results.

Income Taxes

The Organization is organized as a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and similar state law.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by the Organization, and has concluded that as of September 30, 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying financial statements.

The Organization has filed its federal and state income tax returns for periods through September 30, 2021 and is subject to routine audits by taxing jurisdictions. However, as of the date of the financial statements were available to be issued, there were no audits for any tax periods in progress. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Recently Issued Accounting Standard

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. This new standard, which the Organization is required to adopt for its year ending September 30, 2023, is intended to improve financial reporting about leasing transactions by requiring entities that lease assets to recognize on their statement of financial position the assets and liabilities for the rights and obligations created by those leases, and to provide additional disclosures regarding the leases. Leases with terms (as defined in the ASU) of twelve months or less are not required to be reflected on an entity's statement of financial position.

The Organization is presently evaluating the effect that this ASU will have on its future financial statements, including related disclosures.

Subsequent Events

The Organization evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through January 19, 2023, which is the date the financial statements were available to be issued.

3. CONTRIBUTED NONFINANCIAL ASSETS

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This new standard is intended to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind" (GIK) received by not-for-profit organizations, including information on how those assets are used and how they are valued. The adoption of this new standard in fiscal 2022 resulted in the Organization presenting contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets.

GIK contributions recognized in the statement of financial positions and statement of activities for the period from inception (May 1, 2021) through September 30, 2022 were valued using estimated prices of identical or similar products using pricing data under a "like-kind" methodology. GIK represented without donor restriction contributed speaker fees for the purpose of professional development.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2022:

Computer equipment	$ 11,079
Website	24,300
Leasehold improvements	6,199
	41,578
Accumulated depreciation and amortization	(11,452)
	$ 30,126

5. LINE OF CREDIT AGREEMENT

The Organization has $300,000 line of credit agreement with a bank, with a current maturity of September 2023. Borrowings under this facility bear interest at the bank's prime lending rate plus 1.0% subject to a floor of 4.5% (7.25% at September 30, 2022). The agreement is secured by substantially all business assets of the Organization. The agreement subjects the Organization to certain restrictive covenants, including limitations on the creation of liens, additional indebtedness, and the making of loans, and the advances and guarantees. There were no outstanding borrowings on the line of credit as of September 30, 2022.

6. NET ASSETS WITH DONOR RESTRICTIONS

At September 30, 2022, net assets with donor restrictions of $3,000 are restricted for the purpose of childcare assistance for Spanish speaking families.

There were no net assets released from donor restrictions period ended September 30, 2022.

7. LIQUIDITY AND AVAILABILITY

The following table reflects the Organization's financial assets which are available to meet general expenditures within one year of the statement of financial position date; that is, amounts which are without donor restrictions or board designations limiting their use at September 30, 2022:

Financial assets	
Cash	$ 269,638
Accounts receivables	177,030
	446,668
Net assets with donor restrictions	
Purpose restricted	(3,000)
Financial assets available to meet cash needs for general expenditures within one year	$ 443,668

The Organization works to maintain liquid assets to fund near-term operating needs and provide reasonable assurance that long-term obligations will be discharged as they become due. The Organization maintains a budget to forecast future cash flow needs and works with potential funders to expand programs and cash reserves in the long-term. The Organizations has a line of credit agreement (Note 5) to cover any potential shortfalls in cash flow in the short-term. As the Organization's only current significant program is funded by the state with monthly fixed fee payments, any significant delay in payments, or the loss of the state contract, could pose a risk to the Organization's liquidity.

8. RETIREMENT PLAN

The Organization offers a safe harbor 401(k) plan for all employees who meet certain eligibility requirements. The Organization will make a safe harbor matching contribution equal to 100% of the employee salary deferrals up to 3% of the employee's total compensation plus 50% of employee salary deferrals between 3% and 5% of the employee's compensation. The Organization's contribution to the plan for the period ended September 30, 2022 was $35,150.

9. LEASES

The Organization leases office space under the terms of an operating lease requiring monthly payments aggregating from $2,902 to $3,039, which expires on September 2023. The amount charged to occupancy was $62,830 for the period ending September 30, 2022.

Future minimum lease payments due under the terms of the lease at September 30, 2022 are $35,926.

10. CONCENTRATION OF CREDIT RISK

Concentration of Credit Risk

The Organization maintains substantially all its cash in bank deposit accounts which, at times, may exceed Federally insured limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Funding Concentration

For the period ending September 30, 2022, approximately 100% of the Organization's revenue for fees from government agencies was received or receivable under one contract, and 96% of the Organization's support was from two sources.

11. CONTINGENCY

On March 11, 2020, the World Health Organization declared Coronavirus (COVID-19) a pandemic. The continued spread of COVID-19, or any similar outbreaks in the future, may adversely impact the local, regional, national, and global economies. The extent to which COVID-19 impacts the Organization's operating results is dependent on the breadth and duration of the pandemic and could be affected by other factors management is not currently able to predict. Potential impacts include, but are not limited to, additional costs for responding to COVID-19, shortages of personnel, shortages of supplies, delays, loss of, or reduction to, revenue, contributions and funding, and investment portfolio declines. Management believes the Organization is taking appropriate actions to respond to COVID-19; however, the full impact is unknown and cannot be reasonably estimated at the date the financial statements were available to be issued.