



TENNESSEE
Hamblen County
SERVICE • COMMUNITY • INDUSTRY
FINANCE DEPARTMENT

February 20, 2026

Morristown-Hamblen Child Care Centers, Inc.
Ellen Cantwell-Chandler
P.O. Box 1936
Morristown, TN 37814

We have begun the 2026-2027 budget process. In order to be considered for a contribution from Hamblen County, we are requesting certain information from your organization in accordance with Section 5-9-109, *Tennessee Code Annotated (TCA)*.

This year, we are requesting that your documents be submitted electronically to the Finance Department at the following email addresses:

Amanda Hale – ahale@co.hamblen.tn.us
Dennis Fox – dfox@co.hamblen.tn.us

Please provide the following items **electronically**:

- 1) proof of 501(c)(3), 501(c)(4), or 501(c)(6) IRS tax status,
Please note this is a letter from the IRS, not a letter of sales tax exemption from the Tennessee Department of Revenue
- 2) your organization's most current audit or annual report detailing all receipts and expenditures, and
- 3) your organization's most current budget.

Please note that in accordance with State law, the above requested information must be submitted and on file. Noncompliance with this request may prevent your organization from receiving funds. Please understand that this letter does not guarantee that you will receive a contribution. Any contribution requires county commission approval. You may be asked to appear before the Budget Committee on **Saturday, May 16, 2026**, to explain your request. The Finance Department will notify you if the Budget Committee wants to hear from you.

Please return a copy of this letter along with the requested information above to the Hamblen County Mayor's office by **Monday, March 23, 2026**. If you have any questions, please feel free to contact me.

Sincerely,

Amanda Hale

Amanda Hale
Hamblen County Finance Director

2025-2026 Contribution:

\$25,000

Amanda Hale, Finance Director

511 West Second North Street • Morristown, TN 37814 • office. 423.586.1931 • fax. 423.585.4699

www.HamblenCountyTN.gov • email. ahale@co.hamblen.tn.us



March 20, 2026

Mrs. Amanda Hale,

Please accept this letter and the enclosed documents as an application to be considered for a contribution from Hamblen County. The County's previous contributions have allowed our non-profit agency to continue to provide support to our community by serving our mission.

Our program's mission is to partner with local low-income families to enable children from diverse backgrounds and children with special needs to have an equal opportunity to learn in a safe and developmentally appropriate learning environment, enhancing all of areas of development, regardless of race, ethnicity, sex, disability, or religion.

To serve our mission, the agency's program provides diverse educational opportunities to families in the Morristown community. Our agency is a diverse learning community that is committed to programs of excellence for children, their families, and educators that embody best practices of early childhood education and promote collaborations that help all children realize their full potential. Our agency strives to provide inclusive childcare that promotes optimal development for each child, supports families, upholds best practices in the field of Early Childhood Education, and provides a community model for quality. We provide a vital service that results in family continuity through our ability to provide low-costs childcare to working parents and caregivers. We believe that this service ensures that the parent or caregiver remains productive in the community without sacrificing the health and safety of the child. We believe that our program is instrumental in supporting a healthy foundation for the families we serve. A healthy family is core to building a safe and secure community. Our agency also partners with Morristown Housing Authority. We prioritize providing services to families that are living in housing as well as families that are homeless as defined by the McKinney-Vento Act and aid in helping them obtain childcare, refer them to apply for housing, and other social services.

We hope to continue to receive support for our program.

Thank you for your consideration.

Very Truly Yours,

Elle Cantwell-Chandler, Executive Director

Proposed Budget 2026-2027

Revenue	Amount
Hamblen County	25,000
Morristown City	35,000
United Way	120,000
Tuition & Certificates	302,900
TEIS Grant Contract	640,640
CACFP Reimbursement	45,200
TANF Grant	149,000
Total Support & Revenue	1,316,035

Expenses	Amount
Salaries & Contracts	719,956
Payroll Expenses & Fringe Benefits	82,228
Communications/Licensing/Permits	27,520
Occupancy/Utilities/Insurance	65,738
Maintenance/Repairs/Grounds	25,890
Professional Services	96,880
Supplies & Food	272,498
Travel & Training	25,325
Total Expenses	1,316,035

District Director
Internal Revenue Service

Date: ---

In reply refer to:

AUG 26 1974

11-12-MEM-19294



▷ Morristown-Hamblem Day-Care Centers, Inc.
1910 Cherokee Drive
Morristown, Tennessee 37814

Gentlemen:

Based on information supplied, and assuming your operations will be as stated in your application for recognition of exemption, we have determined you are exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

We have further determined you are not a private foundation within the meaning of section 509(a) of the Code, because you are an organization described in section ~~170(b)(1)(A)(vi)~~ and 509 (a)(1).

You are not liable for social security (FICA) taxes unless you file a waiver of exemption certificate as provided in the Federal Insurance Contributions Act. You are not liable for the taxes imposed under the Federal Unemployment Tax Act (FUTA).

Since you are not a private foundation, you are not subject to the excise taxes under Chapter 42 of the Code. However, you are not automatically exempt from other Federal excise taxes. If you have any questions about excise, employment, or other Federal taxes, please let us know.

Donors may deduct contributions to you as provided in section 170 of the Code. Bequests, legacies, devises, transfers, or gifts to you or for your use are deductible for Federal estate and gift tax purposes if they meet the applicable provisions of sections 2055, 2106, and 2522 of the Code.

If your purposes, character, or method of operation is changed, please let us know so we can consider the effect of the change on your exempt status. Also, you should inform us of all changes in your name or address.

If your gross receipts each year are normally more than \$5,000, you are required to file Form 990, Return of Organization Exempt From Income Tax, by the 15th day of the fifth month after the end of your annual accounting period. The law imposes a penalty of \$10 a day, up to a maximum of \$5,000, for failure to file a return on time.

You are not required to file Federal income tax returns unless you are subject to the tax on unrelated business income under section 511 of the Code. If you are subject to this tax, you must file an income tax return on Form 990-T. In this letter we are not determining whether any of your present or proposed activities are unrelated trade or business as defined in section 513 of the Code.

You need an employer identification number even if you have no employees. If an employer identification number was not entered on your application, a number will be assigned to you and you will be advised of it. Please use that number on all returns you file and in all correspondence with the Internal Revenue Service.

Please keep this determination letter in your permanent records.

Sincerely yours,

Thomas P. Sullivan

Exempt Organization Specialist
Tel. (404) 526-4516

This determination letter is conditional upon your amending your articles of incorporation to limit your powers to those of an organization described in section 501(c)(3) of the Internal Revenue Code and to provide for the proper distribution of your assets upon dissolution, using the language contained in your agreement dated July 12, 1974.

MORRISTOWN-HAMBLEEN CHILD CARE CENTERS, INC.

AUDIT REPORT

JUNE 30, 2024 AND 2023

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AUDITING STANDARDS*

Middle Tennessee CPA Group

Suite 1050

31021 West End Avenue

Nashville, TN 37203

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Morristown-Hamblen Child Care Centers, Inc. & Early Intervention:

Report on the Financial Statements

We have audited the accompanying statement of financial position of Morristown-Hamblen Child Care Centers, Inc. & Early Intervention (a nonprofit organization 501 (c)(3)), as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements. It is worth noting that this is Middle Tennessee CPA group's second consecutive year in conducting an audit for Morristown-Hamblen Child Care Centers, Inc. & Early Intervention.

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 review of financial records. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements through the examination of accounting systems, bank statements, credit card statements and discussions with the administrative team. 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 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 Morristown-Hamblen Child Care Centers, Inc. & Early Intervention, as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April, 14 2025, on our consideration of Morristown-Hamblen Child Care Centers, Inc. & Early Intervention's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Morristown-Hamblen Child Care Centers, Inc. & Early Intervention's internal control over financial reporting and compliance.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
Cash Flows From Operating Activities:		
(Decrease) increase in Net Activities	\$ 21,065	\$ 21,976
Adjustments to Reconcile increase in net assets to net cash Provided by Operating Activities		
Depreciation	\$ 14,982	\$ 9,389
Loss (gain) on disposal of assets		
Changes in operating assets and liabilities		
Decrease (increase) in receivables	\$ (5,437)	\$ (19,645)
Decrease (increase) in prepaid expenses	\$ (1,444)	\$ (1,327)
Increase (decrease) in payable and accrued liabilities	\$ 13,597	\$ 22,869
Net Cash provided by operating activities	\$ 42,763	\$ 33,262
Cash Flows From Investing Activities:		
Purchase of Equipment	\$ -	\$ -
Net Cash used in investing activities	\$ -	\$ -
Net Increase in cash and cash equivalents	\$ 42,763	\$ 33,262
Beginning cash and cash equivalents	\$ 103,003	\$ 69,741
Ending cash and cash equivalents	\$ 145,766	\$ 103,003

STATEMENT OF ACTIVITIES

JUNE 30, 2024 AND 2023

	2024	2023
Net Assets Without Donor Restrictions		
Support:		
Grantor Contributions	\$ 704,800	\$ 682,584
Public Support	\$ 117,250	\$ 140,432
Local governments	\$ 48,925	\$ 48,925
Program Income	\$ 125,865	\$ 116,554
Other Support	\$ 128,935	\$ 127,152
Total Support:	\$ 1,125,775	\$ 1,115,647
Expenses:		
Program services:		
Child Care Center	\$ 512,836	\$ 465,887
TEIS	\$ 521,883	\$ 530,127
CACFP	\$ 45,525	\$ 62,581
Supporting services:		
Management and general	\$ 24,466	\$ 35,076
Total Expenses:	\$ 1,104,710	\$ 1,093,671
(Decrease) Increase in Net Assets:	\$ 21,065	\$ 21,976
Net Assets, Beginning:	\$ 86,976	\$ 65,000
Net Assets, Ending:	\$ 108,041	\$ 86,976

STATEMENT OF CASH FLOW

	2024	2023
Cash Flows From Operating Activities:		
(Decrease) increase in Net Activities	\$ 21,065	\$ 21,976
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Ending cash and cash equivalents	\$ 145,766	\$ 103,003

NOTES TO FINANCIAL STATEMENT

Note 1 – GRANT AS RECEIVABLES

Grants receivable as of June 30, 2024 and 2023, respectively.

	2023	2024
STATE OF TENNESSEE TEIS	\$47,595	\$106,773
STATE OF TENNESSEE CACFP	\$3,224	\$2,029
STATE OF TENNESSEE CC CERT	<u>\$30,838</u>	<u>\$1,075</u>
TOTAL	\$81,657	\$109,877

Note 2 - PROPERTY & EQUIPMENT

The following is a summary of property, equipment accumulated depreciation summarized as follows:

Equipment, fixtures, and improvements are depreciated on a straight-line basis over estimated useful lives ranging from 5 to 39 years. Depreciation expense totaled \$9,389 and \$9,389 for the years ending June 30, 2024 and 2023, respectively. No additions were noted to Equipment, fixtures, and improvements during the same time period based on analysis of financial records.

	Balance as of 6/30/2023	Additions	Dispositions	Balance as of 6/30/2024
Equipment, Fixtures and improvements	\$ 110,275			\$ 110,275
Equipment, Fixtures and improvements - ARRA	\$ 36,450			\$ 36,450
	<u>\$ 146,725</u>			<u>\$ 146,725</u>
Accumulated Depreciation	\$ (100,185)	\$ (9,389)		\$ (109,574)
Accumulated Depreciation -ARRA	\$ (31,558)			\$ (31,588)
	<u>\$ (131,743)</u>	<u>\$ (9,389)</u>		<u>\$ (141,132)</u>
Fixed Assets Net	\$ 14,982	\$ (9,389)		\$ 5,593

Note 3 – COMPENSATED ABSENCES

New employees can take vacation after six months of continuous employment. Employees may carry over five days of accrued vacation from one fiscal year (July 1 – June 30) to the next. Accrued vacation totaled \$0 and \$3700 as of June 30, 2024 and 2023, respectively.

NOTES TO FINANCIAL STATEMENT

Note 1 – GRANT AS RECEIVABLES

Grants receivable as of June 30, 2024 and 2023, respectively.

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STATE OF TENNESSEE CACFP	\$3,224	\$2,029
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TOTAL	\$81,657	\$109,877

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The following is a summary of property, equipment accumulated depreciation summarized as follows:

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	Balance as of 6/30/2023	Additions	Dispositions	Balance as of 6/30/2024
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	<u>\$ (131,743)</u>	<u>\$ (9,389)</u>		<u>\$ (141,132)</u>
Fixed Assets Net	\$ 14,982	\$ (9,389)		\$ 5,593

Note 3 – COMPENSATED ABSENCES

New employees can take vacation after six months of continuous employment. Employees may carry over five days of accrued vacation from one fiscal year (July 1 – June 30) to the next. Accrued vacation totaled \$0 and \$3700 as of June 30, 2024 and 2023, respectively.

New employees are not eligible to be paid sick leave until completion of a sixty-day probationary period, subject to approval by the executive director. Unused sick leave is available to current employees of the Organization; such balances are not available for payment to employees who have terminated employment.

Vacation and sick time are earned according to the following schedule:

Years of Service	Vacation Days	Sick Days	Maximum Accumulated Sick Days
0 – 5	12	10	21
> 5	15	10	30

Note 4 - FACILITY'S OPERATING LEASES

Effective October 1, 2013, the Organization entered a lease of the Kennedy Circle facility with the Morristown Housing Authority for a 15-month term. The lease was renewed effective January 1, 2015. The lease provides for automatic renewal for successive one-year terms, subject to a 60-day notice by the lessor or the lessee of the intent to terminate. For the 15-month lease term, no rent is being paid. However, utilities previously paid by Morristown Housing Authority are now required to be in the Organization's name and are being paid in lieu of rent.

In May 2020, the organization entered into a lease of office space for Early Intervention virtual therapy visit. The lease a 12-month lease at \$1,000 per month with an option to extend for a period of two years. This reimbursed occupancy expense is included in the current grant contract with The State of Tennessee's TEIS program.

LOCATION	PROGRAM	LEASOR	TERM	AMOUNT
908 Kennedy Circle	Child Care	Morristown Housing Authority	12 Month(Auto Renewing)	\$0.00
219 W. Main Street	TEIS	Mark Davenport	Month to Month	\$1000.00

Note 5 - CONCENTRATIONS & CREDIT RISKS

Morristown-Hamblen Child Care Centers, Inc., and Early Intervention receives a substantial amount of funding through local governments and the United Way. A significant reduction in funding from local governments or the United Way could have a negative impact on the operations of the Child Care Center. In previous years, reduction in support from the State of Tennessee grants was noted in this concentration, however, as these are reimbursement grants for services rendered, those grant funds are not used to calculate current total percentage of support in relation to credit risks. The State of Tennessee's TEIS program grant's timeliness and lack of a set reimbursement schedule shall be considered a noteworthy concentration in this category as well.. Upon review, it was noted that TEIS consistently fell behind on making timely reimbursement deposits to the agency, even after the agency submitted continuously submitted invoices by before the due date. It was noted that on more than one occasion in reviewing financials, State of Tennessee: TEIS was behind in processing invoices and owing the agency \$106,773.34. This issue has and may continue to cause problems with the ability of management and administration to budget and execute payroll functions effectively.

The following table outlines the percentage of support from such agencies.

FUNDING SOURCE	CURRENT PERCENTAGE OF SUPPORT
United Way	40%
Local Governments	<u>15%</u>
TOTAL	<u>55%</u>

Note 6 - UNCERTAIN TAX POSITIONS

The Organization has been classified as an other-than-private foundation and is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Organization is subject to a tax on income from any unrelated business.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2018.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses respectively.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities.

The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Organization's financial condition, results of operations or cash flows.

Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of June 30, 2024 and 2023.

Note 7 - SUBSEQUENT EVENTS

Subsequent events have been evaluated by the Organization through the date financial statements were available to be issued. As of this date, March 10, 2023, the Organization determined there are none to disclose.

Note 8 – AVAILABILITY AND LIQUIDITY

The following represents Morristown-Hamblen Child Care Center, Inc.'s financial assets at June 30, 2024:

Financial assets at year end:	
Cash and cash equivalents:	\$ 145,766
Receivables:	\$ 108,041
Total financial assets:	<u>\$ 253,807</u>
Less amounts not available to be used within one year:	\$ -
Net assets with donor restrictions:	
Net assets with purpose restrictions to be met in less than a year:	<u>\$ -</u>
Financial assets available to meet general expenditures over the next 12 months:	<u>\$ 253,807</u>

Timeliness of payments from all funding sources should be noted as a risk in relation to availability concepts. Based on the analysis of monthly cash flow, state reimbursement payments, especially from the TEIS program, are not always received in timely fashion to meet the agency's operating expenses which has an impact on their ability to address liabilities and salaries according to terms, as well as budgeting, program operations, and execution of payroll functions.

Middle Tennessee CPA Group

Suite 1050

31021 West End Avenue

Nashville, TN 37203

*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*

April 14, 2025

To the Board of Directors of Morristown-Hamblen Child Care Centers, Inc., & Early Intervention:

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 Morristown-Hamblen Child Care Centers, Inc., & Early Intervention.

These consist of the statement of financial position as of June 30, 2024, and the related statement of activities, functional expenses, and cash flows the year, and the related notes the financial Statements, and have issued our report thereupon dated April 14, 2025.

In planning and performing our audit of the financial statements, we considered Morristown-Hamblen Child Care Centers, Inc., & Early Intervention's internal control over financial reporting 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 Morristown-Hamblen Child Care Centers, Inc., & Early Intervention's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

This communication is solely intended for the information and use of management, the governing board, federal and State awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Purpose of this Report

To describe the scope of our testing of internal control and compliance and the results of that testing without providing an opinion on the effectiveness of the organization's internal control or on compliance.

Internal Control Over Financial Reporting

A deficiency in internal control exists when the design or operation of a control does not allow management employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements timely basis.

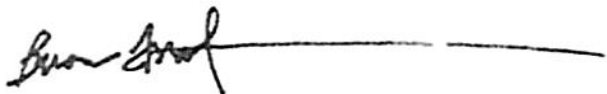
A material weakness is a deficiency or combination of deficiencies in internal control, such that there reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected corrected on a timely basis.

Considerations in Internal Control Over Financial Reporting

Our consideration of internal control was for the limited purpose described in the first page was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 & Other Matters

As part of obtaining reasonable assurance about whether Morristown-Hamblen Child Care Centers, Inc.'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.



Brian Grant, CPA

Middle Tennessee CPA Group

Nashville, TN