

CHILD CARE AWARE OF MINNESOTA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2021**

CHILD CARE AWARE OF MINNESOTA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Child Care Aware of Minnesota
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Aware of Minnesota (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Aware of Minnesota as of September 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Report on Summarized Comparative Information**

We have previously audited Child Care Aware of Minnesota's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2022, on our consideration of Child Care Aware of Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child Care Aware of Minnesota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Care Aware of Minnesota's internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

January 26, 2022

(Continued)

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
ASSETS		
Cash	\$ 3,127,359	\$ 2,351,225
Government grants and contracts receivable	1,351,133	1,481,115
Accounts receivable	29,834	3,488
Prepaid expenses	117,063	89,751
Total current assets	4,625,389	3,925,579
Equipment	89,566	89,566
Software	435,023	404,085
Less accumulated depreciation and amortization	(429,084)	(271,337)
Net equipment and software	95,505	222,314
Software under development	-	11,304
Total assets	\$ 4,720,894	\$ 4,159,197
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 147,855	\$ 141,489
R.E.E.T.A.I.N. grants payable	319,500	70,075
Accrued expenses	241,834	224,234
Deferred revenue	110,860	8,390
Refundable advances	2,301,084	2,057,825
Total current liabilities	3,121,133	2,502,013
Deferred excess rent	16,232	22,985
Total liabilities	3,137,365	2,524,998
Net assets:		
Without donor restrictions	1,377,769	1,634,199
With donor restrictions	205,760	-
Total net assets	1,583,529	1,634,199
Total liabilities and net assets	\$ 4,720,894	\$ 4,159,197

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	2021			2020
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Government grants and contracts	\$ 6,293,280	\$ -	\$ 6,293,280	\$ 44,489,603
Contributions	195	236,762	236,957	115
Program income	354,610	-	354,610	315,042
Contract income	85,600	-	85,600	37,470
Interest income	4,205	-	4,205	9,673
Other income	300	-	300	8,582
Net assets released from restrictions upon satisfaction of program restrictions	31,002	(31,002)	-	-
Total support and revenue	6,769,192	205,760	6,974,952	44,860,485
Expenses:				
Program services:				
CCA System Support	1,823,607	-	1,823,607	1,771,373
Peacetime Emergency	1,357,250	-	1,357,250	39,911,753
Financial Support	1,773,297	-	1,773,297	1,427,236
Eager-to-Learn	950,834	-	950,834	891,372
Parent Aware Rating	241,838	-	241,838	271,357
Trainer Support	322,913	-	322,913	333,429
Other	68,268	-	68,268	28,382
Total program services	6,538,007	-	6,538,007	44,634,902
Management and general	483,040	-	483,040	455,924
Fundraising	4,575	-	4,575	4,319
Total expenses	7,025,622	-	7,025,622	45,095,145
Change in net assets	(256,430)	205,760	(50,670)	(234,660)
Net assets, beginning of year	1,634,199	-	1,634,199	1,868,859
Net assets, end of year	\$ 1,377,769	\$ 205,760	\$ 1,583,529	\$ 1,634,199

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

2021

	Program Services											
	CCA System Support	Peacetime Emergency	Financial Support	Eager to Learn	Parent Aware Rating	Trainer Support	Other	Total program services	Management and general	Fundraising	Total	2020
Salaries	\$ 1,062,596	\$ -	\$ 246,718	\$ 206,201	\$ 110,641	\$ 168,601	\$ 16,081	\$ 1,810,838	\$ 200,053	\$ 3,588	\$ 2,014,479	\$ 2,072,633
Payroll taxes	76,313	-	17,840	15,023	7,778	11,836	1,187	129,977	14,844	275	145,096	150,450
Employee benefits	117,944	-	28,295	27,485	13,802	20,613	978	209,117	15,846	401	225,364	248,434
Retirement plan	40,214	-	7,861	5,042	549	5,014	511	59,191	6,932	180	66,303	68,991
Total employee compensation	1,297,067	-	300,714	253,751	132,770	206,064	18,757	2,209,123	237,675	4,444	2,451,242	2,540,508
Insurance	3,730	-	918	899	462	620	-	6,629	524	-	7,153	11,860
Scholarships and grants	-	1,357,250	1,352,297	-	-	-	-	2,709,547	-	-	2,709,547	40,899,334
Accounting and legal	17,491	-	76,116	5,053	4,306	6,140	-	109,106	91,141	-	200,247	198,227
Supplies and advertising	5,871	-	7,518	435	506	382	593	15,305	4,208	-	19,513	25,734
Telephone, postage and copying	24,168	-	5,328	5,582	5,106	3,502	409	44,095	2,541	21	46,657	41,544
Occupancy	64,982	-	16,283	15,044	8,772	11,250	-	116,331	10,930	110	127,371	133,894
Equipment	51,145	-	1,821	1,810	10,675	446	-	65,897	6,558	-	72,455	45,644
Database development	21,680	-	-	-	-	-	-	21,680	-	-	21,680	19,260
Public relations and marketing	116,153	-	-	-	-	-	3,509	119,662	20	-	119,682	109,240
Staff travel and meals	-	-	-	-	-	41	-	41	1	-	42	10,676
Board and committee travel	92	-	150	12	-	36	-	290	4	-	294	15,187
Training and conferences	1,458	-	2,265	111,145	464	52,857	-	168,189	42,189	-	210,378	231,022
Language Access Plan	12,012	-	-	-	-	2,000	-	14,012	-	-	14,012	5,750
Depreciation and amortization	-	-	-	134,695	-	-	-	134,695	23,052	-	157,747	147,954
Miscellaneous	-	-	558	28,582	-	400	-	29,540	919	-	30,459	13,577
Consulting	207,758	-	9,329	393,826	78,777	39,175	45,000	773,865	63,278	-	837,143	645,734
Total	\$ 1,823,607	\$ 1,357,250	\$ 1,773,297	\$ 950,834	\$ 241,838	\$ 322,913	\$ 68,268	\$ 6,538,007	\$ 483,040	\$ 4,575	\$ 7,025,622	\$ 45,095,145

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ (50,670)	\$ (234,660)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	157,747	147,954
Deferred excess rent	(6,753)	(5,267)
Changes in operating assets and liabilities:		
Government grants and contracts receivable	129,982	(807,944)
Accounts receivable	(26,346)	(328)
Prepaid expenses	(27,312)	(12,374)
Accounts payable	9,235	57,030
R.E.E.T.A.I.N. grants payable	249,425	(195,900)
Accrued expenses	17,600	71,341
Deferred revenue	102,470	(12,110)
Refundable advances	243,259	184,769
Net cash from operating activities	798,637	(807,489)
Cash flows from investing activities:		
Payments for software development	(22,503)	(8,435)
Net cash from investing activities	(22,503)	(8,435)
Net increase (decrease) in cash	776,134	(815,924)
Cash, beginning of year	2,351,225	3,167,149
Cash, end of year	\$ 3,127,359	\$ 2,351,225
Noncash investing activities:		
Software development costs included in accounts payable	\$ -	\$ 2,869

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION

Minnesota Child Care Resource and Referral Network, doing business as Child Care Aware of Minnesota (the Organization), is a nonprofit corporation which provides statewide leadership in shaping collaborations that build a diverse, high quality child care system accessible to all Minnesota families. The Organization's goal is to ensure a solid infrastructure for quality child care in the state. Approximately 90% of the Organization's funding was provided from state government grants some of which are funded with pass-through money from the U.S. Department of Health and Human Services. Other support is provided from other government grants and contracts, program income, contract income and contributions from foundations and individuals.

The Organization operates several programs to achieve its purpose which include:

Child Care Aware (CCA) System Support: The Organization provides coordination, training and technical assistance, and infrastructure support to 14 agencies, and provides leadership and influence across the CCA system to create an integrated statewide structure organized for service delivery. This work, driven by a contract with the Minnesota Department of Human Services, includes:

- Provide families with the resources and support they need to make informed child care choices
- Coordinate and deliver a system of professional development that raises the level of excellence in child care and early learning in Minnesota
- Implement the Parent Aware quality rating and improvement system
- Community networking

Peacetime Emergency: Beginning in April 2020, as a part of the State of Minnesota's emergency response to the COVID-19 pandemic to ensure that enough child care slots are available to serve families of critical workers, the Organization began providing funds to family child care providers and child care centers in the form of grants to assist in keeping the recipients of the funds open through the pandemic.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION (Continued)

Financial Support Programs:

Because Minnesota depends on high-quality child care, Minnesota depends upon strong investments in care professionals. The Organization's scholarship and grant programs focus on sustaining child care professionals and supporting their growth.

- **The T.E.A.C.H.[®] Early Childhood Minnesota scholarship program** (Teacher Education and Compensation Helps) is an education scholarship program for early care and education providers, Directors, and Trainers to attain higher education degrees, with the goal of increasing their competency, and reducing staff turnover by providing incentives to stay in the field.
- **The R.E.E.T.A.I.N. workforce retention program** both rewards quality and reduces turn-over in the field by providing grants to child care providers who have already graduated with at least a two-year associate degree or currently hold a Child Development Associate (CDA) Credential.
- **The Child Development Associate (CDA)** offers financial support and guidance to child care professionals who are working toward their National CDA Credential, including support for coursework towards the credential and payment for CDA assessment fees.

Eager-to-Learn: An Internet-based program offering high quality, online education for providers. Eager-to-Learn courses offer a continuum of research-based topics that promote developmentally appropriate care and effective early care and education strategies and fill a niche between self-study/individual training opportunities, and the formal Higher Education system.

Parent Aware Rating: The Coordinating Office is funded through a contract with the Minnesota Department of Human Services to manage the Parent Aware Rating Team that provides final review and scoring for the Quality Documentation Portfolios submitted by providers pursuing a Star Rating. This work includes rigorous processes to ensure reliability and consistency.

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CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

1. ORGANIZATION (Continued)

Trainer Support: Child Care Aware of Minnesota held a contract from the Minnesota Department of Human Services to help to recruit, train and retain our state's early care and education Trainers, Mentors and Coaches, who are an important part of the broader professional development system. This contract ended on June 30, 2021.

Other: Child Care Aware of Minnesota received grants from Child Care Aware of America and Sheltering Arms to maximize Child Care and Development Block Grant utilization by influencing states to use new resources to expand access to quality programs, equitably expand access to high-quality child care, and drive increased state investments. Also included in other programs is the Organization's Child Care Advocates Ready to Emerge (CARE) Fellowship, which brings together a diverse group of passionate and curious participants to improve their advocacy knowledge and skills.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Statement Presentation – Support is classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Net assets without donor restrictions are not restricted by donors or the donor-imposed restrictions have expired. Net assets without donor restrictions are available for programs and supporting services at the discretion of management and the board of directors.
- Net assets with donor restrictions are contributions restricted by donors for specific purposes or time periods. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions on the statement of activities. Contributions with donor-imposed restrictions that expire in the same year the contribution is recognized are reported as net assets without donor restrictions.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents – For purposes of preparing the statements of cash flows, investments with an original maturity of three months or less are considered cash equivalents. The Organization has no cash equivalents.

Concentration of Credit Risk – The Organization maintains cash balances in one large banking institution. At September 30, 2021 and 2020, account balances exceeded the FDIC insured limit by \$1,964,862 and \$2,046,790. The Organization does not believe it is exposed to any significant credit risk on these funds.

Receivables – Receivables are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off as a charge to the allowance when, in management’s estimation, it is probable the receivable is worthless. As of September 30, 2021, no allowance for uncollectible amounts has been recorded since management believes all receivables are collectible.

Equipment – Equipment with a value of at least \$5,000 and a useful life greater than one year is carried at cost, with the exception of contributed equipment, which is recorded at its fair market value at the date of the contribution. If donors stipulate how long the assets must be used, the contributions are released from restriction over that time period. In the absence of such stipulations, contributions of property and equipment are recorded as without donor restrictions support.

Depreciation is computed using the straight-line method over estimated useful lives of three to five years. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of equipment are capitalized.

Software – Software purchased or developed with a value of at least \$5,000 and a useful life greater than one year is carried at cost.

At September 30, 2020, the Organization had software under development for Intacct accounting software. The software was placed in service in 2021.

Amortization is computed using the straight-line method over the estimated useful life of three years.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Revenue – Deferred revenue includes course fee receipts which will be recognized in a future period when the class occurs.

Donated Materials and Services – Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Grants, Contracts, and Contributions – The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or when purpose restrictions have been met, they are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

The majority of the Organization's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Revenues under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, or services performed not in compliance, the disallowance will be recorded at the time the assessment for refund is made.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Grants receivable represent expenditures made in accordance with the terms of the awards not yet reimbursed in cash or services performed but not paid. Funding received in advance of the incurrence of project expenditures or performance of required services is recorded as a refundable advance. Contributions and grants receivable are written off as a charge to the allowance when, in management's estimation, it is probable the receivable is worthless. As of September 30, 2021, no allowance for uncollectible amounts has been recorded since management believes all contributions and grants receivable are collectible.

The Organization has conditional promises to give totaling \$8,912,050, which consists of government grants and contracts with remaining commitments that are conditional upon incurring eligible expenditures or performing certain services. The conditions are expected to be met by June 30, 2023.

Program income – Program income generated from Eager-to-Learn courses is recognized at a point in time when the courses are provided. Fees received but not yet earned are shown as deferred revenue.

Contract income – Contract income is recognized when the services are provided. Fees received but not yet earned are shown as deferred revenue.

Scholarships and Grants – Scholarships and grants awarded by the Organization are recorded as liabilities when they become unconditional. R.E.E.T.A.I.N. grants are unconditional and are recorded when the award is made. CDA scholarship grants are considered conditional and are awarded upon proof of attainment of certificate. T.E.A.C.H. scholarship grants generally cover multiple semesters of education and are considered conditional upon continued enrollment. Liabilities are recorded at the time confirmation of enrollment for the semester is received. At September 30, 2021, the Organization has approximately \$2.3 million of encumbered T.E.A.C.H. scholarships. The refundable advances could be used to fund these scholarships.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Office Rent – Base rent expense is recognized evenly over the term of the lease. Excess rent recognized over payments due is reported as deferred excess rent. Common area maintenance costs are recognized when invoiced.

Functional Expenses – Expenses have been recorded in program service and support service categories based on whether an expense can be identified to either area. In the absence of specific identification, expenses have been allocated based on staff time spent in each category or by full-time employee equivalents in each category. The time allocations are based on management estimates.

Income Taxes – The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from businesses that are not related to its exempt purpose. Management believes the Organization did not have any unrelated business income or uncertain tax positions in 2021 or 2020.

Prior Year Summarized Information – The financial statements include certain prior year summarized information in total but not by net asset class or by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2020, from which the summarized information was derived.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash	\$ 3,127,359	\$ 2,351,225
Government grants and contracts receivable	1,351,133	1,481,115
Accounts receivable	<u>29,834</u>	<u>3,488</u>
Less: Net assets with donor restrictions	<u>(205,760)</u>	<u>-</u>
Total financial assets available within one year	<u>\$ 4,302,566</u>	<u>\$ 3,835,828</u>

Child Care Aware of Minnesota is primarily funded by government grants and contracts and earned revenue for their various programs. The current government contracts will expire in June 2023. As part of its liquidity management, the Organization has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Net assets with donor restrictions consist of a contribution to be spent on the CARE Fellowship program over a period of three years ending September 2024.

In addition, the Organization adopts an annual budget and anticipates collecting sufficient revenue to fund general expenditures. Budget to actual results are monitored each month.

4. UNEMPLOYMENT FUND DEPOSIT

Child Care Aware of Minnesota has elected to opt out of participation in the Minnesota Unemployment Insurance Program. Child Care Aware of Minnesota is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. UST also monitors and processes claims on the Organization's behalf. Child Care Aware of Minnesota could be required to make additional payments if claims exceed the UST account balance. The UST account balance of \$58,679 and \$47,882, is included in prepaid expenses at September 30, 2021 and 2020, respectively.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

4. UNEMPLOYMENT FUND DEPOSIT (Continued)

Management is not aware of any reported or unreported unemployment claims pending against the Organization.

5. REFUNDABLE ADVANCES

Refundable advances are for the following programs:

	<u>2021</u>	<u>2020</u>
CCA System Support	\$ 2,301,084	\$ 2,035,684
Scholarship Programs – R.E.E.T.A.I.N.	-	20,500
Other	-	1,641
	<u>\$ 2,301,084</u>	<u>\$ 2,057,825</u>

6. BOARD DESIGNATED NET ASSETS

The Organization has board designated net assets of \$893,050 and \$955,740 at September 30, 2021 and 2020, respectively. These funds represent accumulated program income generated by the Eager-to-Learn program which is restricted by the program's federal funding awards for future use on the Eager-to-Learn program.

7. NET ASSETS WITH DONOR RESTRICTIONS

Net asset with donor restrictions are available for the following purposes:

	<u>2021</u>	<u>2020</u>
CARE Fellowship	<u>\$ 205,760</u>	<u>\$ -</u>

8. ECONOMIC DEPENDENCY

The Organization received approximately 90% and 99% of its total support and revenue from one state governmental agency for the years ended September 30, 2021 and 2020, respectively. A significant reduction in the level of this support would have an effect on Child Care Aware of Minnesota's programs and services and could prevent Child Care Aware of Minnesota from continued existence in its present form.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

9. RETIREMENT PLAN

The Organization has a 401(k) retirement savings plan. Subject to certain plan requirements, employees of the Organization are eligible to participate in the plan. The plan is a matched plan under which voluntary employee contributions are matched by the employer. Matching contributions are made by the Organization at a maximum rate up to 5% of gross salaries to be determined annually and based on the availability of funds. For 2021 and 2020, the match was set at 5%. The Organization's retirement plan expense was \$66,303 and \$68,991 in 2021 and 2020, respectively.

10. LEASED OFFICE SPACE

The Organization rents office space under an operating lease that originally expired July 31, 2023, with an option to renew for three additional years at fair market rents. Under this lease, the Organization received the first eight months rent-free, and then began paying rent of \$54,400 per year (\$4,533 per month) increasing 2.5% annually.

In 2019, the Organization expanded its office space. Beginning October 1, 2019, this space costs an additional \$11,428 per year (\$952 per month) increasing 2.5% annually each August through July 31, 2023.

As a result of the expansion, the original lease was extended to July 31, 2028 and includes both the original space and expanded space. Beginning August 1, 2023, the Organization will pay rent of \$77,287 per year (\$6,441 per month) increasing 2.5% annually.

In addition to base rent, the Organization pays a proportionate share of common area expenses (CAM).

Total rental expense was \$127,371 and \$133,894 for the years ended September 30, 2021 and 2020, respectively.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

10. LEASED OFFICE SPACE (Continued)

Future minimum base lease payments required for the years ending September 30 are as follows:

2022	\$	73,898
2023		75,727
2024		77,608
2025		79,541
2026		81,534
Thereafter for payments through 2028		<u>154,738</u>
	\$	<u>543,046</u>

11. RELATED PARTIES

Certain members of the Board of Directors teach courses and provide translation services for the Organization. During 2021 and 2020, the Organization paid the members a total of \$7,675 and \$6,628, respectively.

12. CORONAVIRUS (COVID-19) PANDEMIC

A nationwide public health emergency developed in 2020. Many states have enacted measures to combat the global pandemic resulting from a novel strain of coronavirus known as COVID-19. Measures have included regulatory restrictions on individual and business activities as well as recommendations for further voluntary curtailment of activities. In April 2020, the Organization received Peacetime Emergency funding through an amendment to an existing contract with the Minnesota Department of Human Services to support family child care providers and child care centers to ensure there are enough child care slots to serve families of critical sector workers during the state's COVID-19 emergency response. The final amount of this funding was spent in October 2020. The potential future impact of these issues is unknown and therefore no estimate can be made at this time.

13. SUBSEQUENT EVENTS

In November 2021, the Organization received an amendment to its CCA System Services grant with the U.S. Department of Health and Human Services for an additional \$3,307,282 through June 30, 2023.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2021
(With Comparative Totals for 2020)

13. **SUBSEQUENT EVENTS (Continued)**

Management has evaluated subsequent events through January 26, 2022, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2021

Federal Grantor/ Pass-through Grantor/ Program Title/Grant Number	Assistance Listing Number	Federal Expenditures
Department of Health and Human Services, Administration for Children and Families:		
Passed through the State of Minnesota Department of Human Services, Community Partnerships Division CCDF Cluster:		
	93.575	
	and	
Child Care and Development Block Grant	93.596	
Award #159694		\$ 4,962,528
Award #126150		357,365
Program Income		<u>334,068</u>
		<u><u>\$ 5,653,961</u></u>

See accompanying notes to schedule.

CHILD CARE AWARE OF MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2021

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Child Care Aware of Minnesota under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Child Care Aware of Minnesota, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Child Care Aware of Minnesota.

Note 2. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, or the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Program Income on Child Care and Development Block Grant

In accordance with terms of the Child Care and Development Block Grant, program income totaling \$334,068 was generated to be used towards reducing the amount of federal funds for the program. Program income is included in the schedule of expenditures of federal awards when received. Unexpended program income consists of the following:

Beginning of year balance	\$ 955,740
Program income	334,068
Expended	<u>(396,758)</u>
End of year balance	<u><u>\$ 893,050</u></u>

**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***

To the Board of Directors
Child Care Aware of Minnesota
Saint Paul, Minnesota

We have audited the financial statements of Child Care Aware of Minnesota (a nonprofit organization), which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 26, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Aware of Minnesota’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Care Aware of Minnesota’s internal control. Accordingly, we do not express an opinion on the effectiveness of Child Care Aware of Minnesota’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Care Aware of Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

January 26, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Child Care Aware of Minnesota
Saint Paul, Minnesota

Report on Compliance for the Major Federal Program

We have audited Child Care Aware of Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Child Care Aware of Minnesota's major federal program for the year ended September 30, 2021. Child Care Aware of Minnesota's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Child Care Aware of Minnesota's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about Child Care Aware of Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Child Care Aware of Minnesota's compliance.

(Continued)

Opinion on the Major Federal Program

In our opinion, Child Care Aware of Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of Child Care Aware of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Care Aware of Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Care Aware of Minnesota's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

January 26, 2022

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified	
"Going concern" emphasis-of-matter paragraph included in the auditor's report?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(s) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

FEDERAL AWARDS

Internal control over major program:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(s) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major program	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Identification of major program:	CCDF Cluster	
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 750,000</u>	
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

(Continued)

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2021

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters were reported.