

CHILD CARE AWARE OF MINNESOTA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

CHILD CARE AWARE OF MINNESOTA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

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CERTIFIED PUBLIC ACCOUNTANTS

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived, except for the changes made to correct grant and contract revenue recognized in previous years discussed in Note 3 to the financial statements. As part of our audit of the 2017 financial statements, we audited the adjustments made to the 2016 financial statements to correct the accounting for that revenue. In our opinion, such adjustments are appropriate and have been properly applied.

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 18, 2018, 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.

Saint Paul, Minnesota
January 18, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

September 30, 2017
(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Cash	\$ 2,577,213	\$ 2,033,584
Government grants and contracts receivable	917,718	823,308
Contributions receivable	-	7,500
Prepaid expenses	63,303	61,140
Total current assets	3,558,234	2,925,532
Equipment	72,502	72,502
Less accumulated depreciation	(50,007)	(44,494)
Net equipment	22,495	28,008
Total assets	\$ 3,580,729	\$ 2,953,540
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 38,612	\$ 49,923
R.E.E.T.A.I.N. grants payable	362,438	390,915
Accrued expenses	109,090	107,942
Deferred revenue	25,655	25,065
Refundable advances	1,554,829	1,282,749
Total current liabilities	2,090,624	1,856,594
Deferred excess rent	34,498	35,565
Total liabilities	2,125,122	1,892,159
Net assets:		
Unrestricted net assets	1,455,607	1,049,712
Temporarily restricted net assets	-	11,669
Total net assets	1,455,607	1,061,381
Total liabilities and net assets	\$ 3,580,729	\$ 2,953,540

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily restricted	Total	
Support and revenue:				
Government grants and contracts	\$ 3,996,819	\$ -	\$ 3,996,819	\$ 3,935,437
Contributions	2,011	-	2,011	42,153
Program income	522,811	-	522,811	522,848
Contract income	67,405	-	67,405	-
Investment income	2,575	-	2,575	1,251
Net assets released from restrictions upon satisfaction of program restrictions	11,669	(11,669)	-	-
Total support and revenue	4,603,290	(11,669)	4,591,621	4,501,689
Expenses:				
Program services:				
CCA System Support	1,337,824	-	1,337,824	1,238,396
Financial Support	1,291,342	-	1,291,342	817,003
Eager-to-Learn	405,514	-	405,514	331,529
Race to the Top	332,680	-	332,680	1,371,058
Parent Aware Rating	263,726	-	263,726	-
Trainer Support	237,844	-	237,844	-
Other	85,749	-	85,749	170,932
Total program services	3,954,679	-	3,954,679	3,928,918
Management and general	240,401	-	240,401	242,243
Fundraising	2,315	-	2,315	4,327
Total expenses	4,197,395	-	4,197,395	4,175,488
Change in net assets	405,895	(11,669)	394,226	326,201
Net assets, beginning of year	1,049,712	11,669	1,061,381	735,180
Net assets, end of year	<u>\$ 1,455,607</u>	<u>\$ -</u>	<u>\$ 1,455,607</u>	<u>\$ 1,061,381</u>

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

	2017											2016
	Program Services							Total program services	Management and general	Fundraising	Total	
	CCA System Support	Financial Support	Eager to Learn	Race to the Top	Parent Aware Rating	Trainer Support	Other					
Salaries	\$ 581,643	\$ 171,759	\$ 138,013	\$ 36,097	\$ 106,314	\$ 98,144	\$ 6,922	\$ 1,138,892	\$ 115,674	\$ 1,695	\$ 1,256,261	\$ 1,124,679
Payroll taxes	45,257	13,445	10,835	3,389	7,244	6,932	484	87,586	10,071	137	97,794	90,820
Employee benefits	61,183	20,089	13,935	6,854	18,706	15,005	225	135,997	24,007	276	160,280	160,429
Retirement plan	23,389	6,930	5,905	1,198	6,322	2,014	347	46,105	6,217	78	52,400	47,018
Total employee compensation	711,472	212,223	168,688	47,538	138,586	122,095	7,978	1,408,580	155,969	2,186	1,566,735	1,422,946
Insurance	3,391	811	840	-	956	-	-	5,998	330	-	6,328	6,548
Scholarships and grants	-	1,052,207	-	239,124	-	-	34,350	1,325,681	-	-	1,325,681	1,252,349
Accounting and legal	49,587	555	370	-	-	5,000	-	55,512	46,893	-	102,405	68,954
Supplies and advertising	15,100	8,135	1,316	-	-	3,076	5,008	32,635	11,364	-	43,999	22,262
Telephone, postage and copying	13,631	5,942	7,483	-	-	3,000	-	30,056	3,496	27	33,579	31,824
Occupancy	74,533	-	-	-	-	8,000	-	82,533	9,010	102	91,645	119,711
Equipment	43,162	4,286	16,328	-	-	3,000	-	66,776	1,513	-	68,289	76,218
Public relations and marketing	151,841	-	-	-	-	-	4,288	156,129	246	-	156,375	144,723
Staff travel and meals	14,886	1,544	-	210	2,590	741	3,214	23,185	3,032	-	26,217	20,261
Board and committee travel	19,070	-	91	866	-	928	-	20,955	928	-	21,883	35,131
Training and conferences	31,785	1,172	187,644	32,442	44,544	89,075	4,742	391,404	1,307	-	392,711	271,111
Depreciation	-	-	-	-	-	-	-	-	5,513	-	5,513	4,405
Miscellaneous	-	318	15,293	-	-	419	-	16,030	3	-	16,033	35,926
Consulting	209,366	4,149	7,461	12,500	77,050	2,510	26,169	339,205	797	-	340,002	663,119
	<u>\$ 1,337,824</u>	<u>\$ 1,291,342</u>	<u>\$ 405,514</u>	<u>\$ 332,680</u>	<u>\$ 263,726</u>	<u>\$ 237,844</u>	<u>\$ 85,749</u>	<u>\$ 3,954,679</u>	<u>\$ 240,401</u>	<u>\$ 2,315</u>	<u>\$ 4,197,395</u>	<u>\$ 4,175,488</u>

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 394,226	\$ 326,201
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	5,513	4,405
Deferred excess rent	(1,067)	35,565
Changes in operating assets and liabilities:		
Grants and contracts receivable	(94,410)	46,435
Contributions receivable	7,500	(7,500)
Prepaid expenses	(2,163)	1,617
Accounts payable	(105)	6,529
R.E.E.T.A.I.N. grants payable	(28,477)	80,626
Accrued expenses	1,148	11,605
Deferred revenue	590	(9,270)
Refundable advances	272,080	(283,288)
Net cash from operating activities	554,835	212,925
Cash flows from investing activities:		
Purchase of equipment	(11,206)	(16,571)
Net cash from investing activities	(11,206)	(16,571)
Net increase in cash	543,629	196,354
Cash, beginning of year	2,033,584	1,837,230
Cash, end of year	\$ 2,577,213	\$ 2,033,584
Noncash investing activities:		
Equipment included in accounts payable	\$ -	\$ 11,206

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

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 and U.S. Department of Education. Other support is provided from other government grants and contracts, program 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

Financial Support Programs:

Because Minnesota depends on high-quality child care, Minnesota depends upon strong investments in care professionals. Our 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.

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CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION (Continued)

- **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)/MN Child Care Credential Support Project** offers financial support and guidance to child care professionals who are working toward their National Child Development Associate (CDA) Credential or the Minnesota Child Care Credential, including support for coursework towards the credential and payment for CDA assessment fees.

Eager-to-Learn is 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.

Race to the Top: This was the final funding for the Race to the Top Early Learning Challenge Grant, which ended in December of 2016. These funds helped to supplement existing funds for Parent Aware recruitment efforts, T.E.A.C.H. scholarships, Minnesota Child Care Credential and Trainer recruitment and support.

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.

Trainer Support: Child Care Aware of Minnesota also holds 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.

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CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

1. ORGANIZATION (Continued)

Other Programs:

- Child Care Aware of Minnesota rolled out efforts around **Emergency Preparedness** for child care providers with a grant from Child Care Aware of America. 27 Trainers were selected to offer Emergency Preparedness training across the state, and “mini-grants” were awarded to 7 regional agencies to implement plans in their communities.
- Other funding consists of statewide conference support and additional funds that supports the basic work of the Child Care Aware system.

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 – Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. At this time, the Organization has no permanently restricted net assets.

Concentration of Credit Risk – The Organization maintains cash balances in one large banking institution. At September 30, 2017, account balances exceeded the FDIC insured limit by \$1,446,765. The Organization does not believe it is exposed to any significant credit risk on these funds.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions – Contributions are recognized when the donor makes an unconditional commitment to give to the Organization. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets and transferred to unrestricted net assets when restrictions expire or the condition is met.

Contributions Receivable – Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections.

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, 2017, 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 recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted 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.

Deferred Revenue – Deferred revenue includes class payments 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.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Grants and Contracts – Government grants and contract funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as refundable advances. Expenditures 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, the disallowance will be recorded at the time the assessment for refund is made.

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., CDA, and Adult Ed grants are unconditional and are recorded when the award is made. 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, 2017, the Organization has approximately \$1.5 million of encumbered T.E.A.C.H. scholarships. Most of the refundable advances could be used to fund these scholarships.

Office Rent – Base rent expense is recognized evenly over the term of the lease. Excess rent recognized over payments due is reporting 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 square footage. 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 2017 or 2016.

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, 2016, from which the summarized information was derived.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

3. RESTATEMENT OF 2016 FINANCIAL STATEMENTS

The Organization has restated its 2016 financial statements to correct an error in accounting.

As a result of an internal review of the program financial statements for the year ended September 30, 2017, management determined that September 30, 2016 unrestricted net assets were overstated and refundable advances were understated by \$61,622 as a result of improperly recognizing government grant and contract revenue in a previous year. Government grant and contract revenue should not have been recognized because expenditures were not incurred for related program activities. Increases (decreases) in 2016 previously reported amounts follow:

Refundable advances	\$ 61,622
Unrestricted net assets:	
Beginning of year	(61,622)
End of year	(61,622)
Support and revenue	-
Expenses	-
Change in net assets	-

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 \$34,567 and \$31,429, is included in prepaid expenses at September 30, 2017 and 2016, respectively.

Management is not aware of any reported or unreported unemployment claims pending against the Organization. Liabilities resulting from unreported unemployment claims cannot be estimated by management and therefore are not included in the accompanying financial statements.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

5. REFUNDABLE ADVANCES

Refundable advances are for the following programs:

	<u>2017</u>	<u>2016</u>
CCR&R System Support	\$ 1,238,224	\$ 751,009
Scholarship Programs –T.E.A.C.H.	160,713	160,289
Race to the Top	151,479	338,139
Adult Education	-	33,312
Other programs	4,413	-
	<u>\$ 1,554,829</u>	<u>\$ 1,282,749</u>

6. RESTRICTED NET ASSETS

The Organization has board designated net assets of \$987,807 and \$582,356 at September 30, 2017 and 2016, 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.

Temporarily restricted net assets are restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Parent Outreach	<u>\$ -</u>	<u>\$ 11,669</u>

Temporarily restricted net assets consist of the following:

	<u>2017</u>	<u>2016</u>
Cash	\$ -	\$ 4,169
Contributions receivable	-	7,500
	<u>\$ -</u>	<u>\$ 11,669</u>

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

7. **ECONOMIC DEPENDENCY**

The Organization received approximately 90% of its support and revenue from one state governmental agency for the years ended September 30, 2017 and 2016. 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.

8. **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 2017 and 2016, the match was set at 5%. The Organization's retirement plan expense was \$52,400 and \$47,018 in 2017 and 2016, respectively.

9. **LEASED OFFICE SPACE**

The Organization leased office space under the terms of an operating lease that expired on December 31, 2015. The Organization moved and entered into a new operating lease that expires June 30, 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 addition to base rent, the Organization pays a proportionate share of common area expenses (CAM). No CAM was due for the first eight months of the lease. The abated CAM was recorded as a contribution of \$25,082 in 2016.

Total rental expense was \$91,645 and \$100,220 for the years ended September 30, 2017 and 2016, respectively.

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CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2017
(With Comparative Totals for 2016)

9. LEASED OFFICE SPACE (Continued)

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

2018	\$	55,981
2019		57,381
2020		58,825
2021		60,311
2022		61,835
2023		52,587
		<hr/>
	\$	346,920
		<hr/> <hr/>

10. RELATED PARTIES

Certain members of the Board of Directors teach courses at the Organization. During 2017, the Organization paid the members a total of \$34,700.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 18, 2018, the date on which the financial statements were available for issue, and identified no 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, 2017

Federal Grantor/ Pass-through Grantor/ Program Title/Grant Number	Federal CFDA 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:		
Child Care and Development Block Grant	93.575	
Award #127407		\$ 812,440
Award #94351		776,530
Award #126150		63,562
Award #94582		204,217
Program Income		<u>503,014</u>
<i>Total Department of Health and Human Services, Administration for Children and Families</i>		<u>2,359,763</u>
 Department of Education		
Passed through the State of Minnesota Department of Human Services, Community Partnerships Division		
Race to the Top - Early Learning Challenge Grant	84.412A	
Award #94351		138,788
Award #94582		52,192
Award #2015-00290		<u>12,488</u>
<i>Total Department of Education</i>		<u>203,468</u>
		<u>\$ 2,563,231</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, 2017

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, 2017. 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 \$503,014 was generated to be used towards reducing the amount of federal funds for the program. A total of \$128,539 was used for this purpose during the fiscal year. Program income is included in the schedule of expenditures of federal awards when received.



Mahoney Ulbrich Christiansen Russ P.A.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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, 2017, 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 18, 2018. 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) 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 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.*

Saint Paul, Minnesota
January 18, 2018



Mahoney Ulbrich Christiansen Russ P.A.

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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, 2017. 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 programs.

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, 2017.

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.

Saint Paul, Minnesota
January 18, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2017

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?	<u> </u> yes	<u> X </u> no
Internal control over financial reporting:		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiency(s) identified?	<u> </u> yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no

FEDERAL AWARDS

Internal control over major program:		
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
• Significant deficiency(s) identified?	<u> </u> yes	<u> X </u> 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)?	<u> </u> yes	<u> X </u> 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?	<u> X </u> yes	<u> </u> no

(Continued)

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2017

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.