



CHILD CARE AWARE OF MINNESOTA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2023**



CHILD CARE AWARE OF MINNESOTA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

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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

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

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, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Child Care Aware of Minnesota and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

(Continued)

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Care Aware of Minnesota's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Child Care Aware of Minnesota's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Care Aware of Minnesota's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Child Care Aware of Minnesota has adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

(Continued)

Report on Summarized Comparative Information

We have previously audited Child Care Aware of Minnesota's 2022 financial statements and we expressed an unmodified opinion on those audited financial statements in our report dated January 23, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 February 9, 2024 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.

February 9, 2024

Mahoney Ulbrich
Christiansen & Russ, PA

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
ASSETS		
Cash	\$ 5,026,192	\$ 4,575,323
Government grants and contracts receivable	1,951,989	1,748,752
Accounts receivable	13,651	14,873
Prepaid expenses	90,755	112,715
Total current assets	7,082,587	6,451,663
Equipment	32,225	60,297
Software	435,023	435,023
Less accumulated depreciation and amortization	(446,283)	(479,908)
Net equipment and software	20,965	15,412
Right of use assets, net	379,943	-
Total assets	\$ 7,483,495	\$ 6,467,075
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 245,563	\$ 55,537
R.E.E.T.A.I.N. grants payable	256,059	366,500
Accrued expenses	277,617	245,914
Deferred revenue	26,823	96,617
Refundable advances	4,559,341	4,084,101
Current portion of lease liabilities	85,838	-
Total current liabilities	5,451,241	4,848,669
Deferred excess rent	-	7,955
Lease liabilities, less current portion	298,804	-
Total liabilities	5,750,045	4,856,624
Net assets:		
Without donor restrictions	1,599,927	1,450,765
With donor restrictions	133,523	159,686
Total net assets	1,733,450	1,610,451
Total liabilities and net assets	\$ 7,483,495	\$ 6,467,075

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023			2022
	Without donor restrictions	With donor restrictions	Total	
Support and revenue:				
Government grants and contracts	\$ 7,128,616	\$ -	\$ 7,128,616	\$ 6,530,125
Contributions	1,845	-	1,845	2,411
Program income	237,799	-	237,799	300,851
Contract income	62,689	-	62,689	92,793
Interest income	15,538	-	15,538	4,802
Other income	1,733	-	1,733	551
Net assets released from restrictions upon satisfaction of program restrictions	26,163	(26,163)	-	-
Total support and revenue	7,474,383	(26,163)	7,448,220	6,931,533
Expenses:				
Program services:				
CCA System Support	3,035,163	-	3,035,163	2,603,975
Financial Support	2,687,776	-	2,687,776	2,667,304
Eager-to-Learn	680,855	-	680,855	847,730
Parent Aware Rating	269,723	-	269,723	259,627
Other	83,384	-	83,384	79,469
Total program services	6,756,901	-	6,756,901	6,458,105
Management and general	563,651	-	563,651	441,906
Fundraising	4,669	-	4,669	4,600
Total expenses	7,325,221	-	7,325,221	6,904,611
Change in net assets	149,162	(26,163)	122,999	26,922
Net assets, beginning of year	1,450,765	159,686	1,610,451	1,583,529
Net assets, end of year	<u>\$ 1,599,927</u>	<u>\$ 133,523</u>	<u>\$ 1,733,450</u>	<u>\$ 1,610,451</u>

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023									
	Program Services									
	CCA System Support	Financial Support	Eager- to-Learn	Parent Aware Rating	Other	Total program services	Management and general	Fundraising	Total	2022
Salaries	\$ 1,673,225	\$ 328,357	\$ 256,560	\$ 165,615	\$ 26,809	\$ 2,450,566	\$ 303,622	\$ 3,910	\$ 2,758,098	\$ 2,345,672
Payroll taxes	123,393	23,701	19,587	13,345	1,856	181,882	20,660	240	202,782	169,749
Employee benefits	167,320	30,635	28,901	21,792	2,969	251,617	17,772	318	269,707	270,066
Retirement plan	47,821	8,714	8,211	6,052	334	71,132	7,897	93	79,122	75,339
Total employee compensation	2,011,759	391,407	313,259	206,804	31,968	2,955,197	349,951	4,561	3,309,709	2,860,826
Insurance	6,834	1,584	1,171	810	68	10,467	856	-	11,323	10,430
Scholarships and grants	-	2,155,159	-	-	-	2,155,159	-	-	2,155,159	2,072,991
Accounting and legal	107,103	60,358	20,624	7,055	-	195,140	41,991	-	237,131	204,212
Supplies and advertising	6,646	9,722	1,098	370	143	17,979	8,778	-	26,757	27,736
Telephone, postage and copying	19,558	6,132	3,923	4,223	2,000	35,836	1,849	13	37,698	40,839
Occupancy	87,899	26,910	13,363	6,525	-	134,697	6,100	95	140,892	124,462
Equipment	28,836	4,512	4,502	-	-	37,850	26,990	-	64,840	45,019
Database development	33,687	-	-	-	-	33,687	-	-	33,687	42,190
Website development	24,984	-	-	-	-	24,984	-	-	24,984	176,156
Public relations and marketing	279,167	2,527	5,893	-	32	287,619	33,621	-	321,240	287,509
Staff travel and meals	18,016	733	30	985	-	19,764	-	-	19,764	8,642
Board and committee travel	11,431	1,428	16	-	456	13,331	8,205	-	21,536	944
Training and conferences	62,223	2,230	83,320	-	8,205	155,978	52,821	-	208,799	202,926
Language Access Plan	1,250	-	-	-	-	1,250	-	-	1,250	-
Depreciation and amortization	-	-	-	-	-	-	15,412	-	15,412	80,093
Credit card and other service charges	-	809	25,164	-	-	25,973	744	-	26,717	31,433
Consulting	335,770	24,265	208,492	42,951	40,512	651,990	16,333	-	668,323	688,203
	<u>\$ 3,035,163</u>	<u>\$ 2,687,776</u>	<u>\$ 680,855</u>	<u>\$ 269,723</u>	<u>\$ 83,384</u>	<u>\$ 6,756,901</u>	<u>\$ 563,651</u>	<u>\$ 4,669</u>	<u>\$ 7,325,221</u>	<u>\$ 6,904,611</u>

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 122,999	\$ 26,922
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation and amortization	15,412	80,093
Deferred excess rent	(7,955)	(8,277)
Amortization of right of use assets	67,265	-
Changes in operating assets and liabilities:		
Government grants and contracts receivable	(203,237)	(397,619)
Accounts receivable	1,222	14,961
Prepaid expenses	21,960	4,348
Accounts payable	169,061	(92,318)
R.E.E.T.A.I.N. grants payable	(110,441)	47,000
Accrued expenses	31,703	4,080
Deferred revenue	(69,794)	(14,243)
Refundable advances	475,240	1,783,017
Lease liabilities	(62,566)	-
Net cash from operating activities	450,869	1,447,964
 Net increase in cash	 450,869	 1,447,964
 Cash, beginning of year	 4,575,323	 3,127,359
 Cash, end of year	 \$ 5,026,192	 \$ 4,575,323
 Noncash investing activities:		
Right of use assets acquired in exchange for lease liabilities	\$ 447,208	\$ -
Equipment additions included in accounts payable	\$ 20,965	\$ -

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

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 95% 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

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.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION (Continued)

- **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.
- **Apprenticeship program:** T.E.A.C.H. also recently piloted an apprenticeship program for child care centers in partnership with the T.E.A.C.H. National Office. This program supports apprentices with employment, on-the-job training, college coursework, individualized mentoring, and additional support in earning industry-recognized credentials and degrees and applying early childhood best practices in their programs.
- **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, 2023
(With Comparative Totals for 2022)

1. ORGANIZATION (Continued)

Other: Child Care Aware of Minnesota received grants from Child Care Aware of America, Sheltering Arms, and National Association for the Education of Young Children 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

Adoption of New Accounting Standard – In 2023, the Organization adopted Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)* using the modified retrospective approach using October 1, 2022 as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard, which among other things, allowed the Organization to carry forward the historical lease classification. This ASU requires lessees to record most leases on their statement of financial position as a “right of use” asset and related lease liability but recognize related expenses in a manner similar to existing accounting. As a result of implementing ASU 2016-02, the Organization recognized right of use assets and lease liabilities of approximately \$410,000 at October 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended September 30, 2023.

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.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023 and 2022, account balances exceeded the FDIC insured limit by \$2,848,688 and \$3,410,339. 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, 2023, 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.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

Leases – The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. Leases with an initial term of 12 months or less are not recorded on the statement of financial position. The Organization currently has three leases, which are classified as operating leases.

Right of use (ROU) assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, management uses a risk-free rate to determine the present value of lease payments.

Lease expense is recognized on a straight-line basis over the lease term. Common area maintenance costs are recognized when invoiced.

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 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. Fair value is determined by management at the time of the contribution using market data available. No donated materials and services were received by the Organization for the years ended September 30, 2023 and 2022.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023, no allowance for uncollectible amounts has been recorded since management believes all contributions and grants receivable are collectible.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has conditional promises to give totaling \$14,029,410, 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, 2024.

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. The scholarship amounts encumbered for the apprenticeship pilot include tuition, books, travel, release time, a bonus, and stipends for the employer, apprentice, and mentor. As a pilot, the encumbered amounts are estimated and are \$20,000 for apprentices in an associate degree program and \$24,000 for apprentices in a bachelor's degree program. At September 30, 2023, the Organization has approximately \$3.0 million of encumbered T.E.A.C.H. scholarships. The refundable advances could be used to fund these scholarships.

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 2023 or 2022.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022, from which the summarized information was derived.

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>2023</u>	<u>2022</u>
Cash	\$ 5,026,192	\$ 4,575,323
Government grants and contracts receivable	1,951,989	1,748,752
Accounts receivable	13,651	14,873
	<u>6,991,832</u>	<u>6,338,948</u>
Less: Net assets with donor restrictions	<u>(133,523)</u>	<u>(159,686)</u>
Total financial assets available within one year	<u>\$ 6,858,309</u>	<u>\$ 6,179,262</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 December 2024. 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.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

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 \$50,749 and \$46,521, is included in prepaid expenses at September 30, 2023 and 2022, respectively.

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

5. REFUNDABLE ADVANCES

Refundable advances consists of \$4,559,341 and \$4,084,101 for CCA System Support as of September 30, 2023 and 2022, respectively.

6. BOARD DESIGNATED NET ASSETS

The Organization has board designated net assets of \$1,082,002 and \$989,575 at September 30, 2023 and 2022, respectively. These funds represent accumulated program income generated by the Eager-to-Learn program which is has been designated by the board for future use on the Eager-to-Learn program.

7. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
CARE Fellowship	<u>\$ 133,523</u>	<u>\$ 159,686</u>

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

8. **ECONOMIC DEPENDENCY**

The Organization received approximately 95% and 95% of its total support and revenue from one state governmental agency for the years ended September 30, 2023 and 2022, 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.

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 2023 and 2022, the match was set at 5%. The Organization's retirement plan expense was \$79,122 and \$75,339 in 2023 and 2022, respectively.

10. **LEASES**

The Organization rents office space under an operating lease that originally expired July 31, 2023. 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 pays 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 \$140,892 and \$124,462 for the years ended September 30, 2023 and 2022, respectively. Rent expense included \$68,422 of building operating expenses in 2023. The cash paid for amounts included in the measurement of lease liabilities was \$75,727 for the year ended September 30, 2023.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2023
(With Comparative Totals for 2022)

10. LEASES (Continued)

Additionally, the Organization began leasing a copier and postage meter under operating lease agreements in 2023. These agreements expire in January 2028 and March 2028, respectively. Base lease payments in 2023 included in telephone, postage and copying expense under these agreements were \$4,192 for the copier and \$1,457 for the postage meter.

The weighted-average remaining lease term at September 30, 2023 is 4.8 years and the weighted average discount rate used in the calculations was 4.69%.

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

2024	\$	85,838
2025		87,771
2026		89,765
2027		91,845
2028		74,190
		<hr/>
		429,409
Less: Present value discount		<hr/>
		(44,767)
		<hr/>
	\$	384,642
		<hr/>

11. RELATED PARTIES

Certain members of the Board of Directors teach courses and provide translation services for the Organization. During 2022, the Organization paid the members a total of \$888.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 9, 2024, 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, 2023

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:		
Child Care and Development Block Grant	93.575	
Award #159694		\$ 6,714,803
Program Income		<u>228,964</u>
		<u>\$ 6,943,767</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, 2023

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, 2023. 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 \$228,964 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	\$ 989,575
Program income	228,964
Expended	<u>(136,537)</u>
End of year balance	<u><u>\$ 1,082,002</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, 2023, 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 February 9, 2024. 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.

Report on 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)

Report on 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.

February 9, 2024

Mahoney Ulbrich
Christiansen & Russ, PA



**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

Opinion on the Major Federal Program

We have audited Child Care Aware of Minnesota’s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Child Care Aware of Minnesota’s major federal program the year ended September 30, 2023. 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.

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, 2023.

Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Child Care Aware of Minnesota and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination.

(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Child Care Aware of Minnesota's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Child Care Aware of Minnesota's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Child Care Aware of Minnesota's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Child Care Aware of Minnesota's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Child Care Aware of Minnesota's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Child Care Aware of Minnesota's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

(Continued)

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

February 9, 2024

Mahoney Ulbrich
Christiansen & Russ, PA

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2023

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, 2023

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.