

**Audited Financial Statements and
Reports Required by Government Auditing
Standards and the Uniform Guidance**

CHILD CARE AWARE OF AMERICA

*(Formerly National Association of Child Care
Resource and Referral Agencies)*

September 30, 2017

Child Care Aware of America

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Independent Auditor's Report on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards Issued in a Single Audit

To the Board of Directors
Child Care Aware of America

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Aware of America (the Association), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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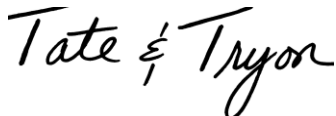
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Other Information

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 (CFR) 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 June 4, 2018, on our consideration of the Association'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 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 the Association's internal control over financial reporting and compliance.



Washington, DC
June 4, 2018

Child Care Aware of America

Statements of Financial Position

September 30,	2017	2016
Assets		
Cash and cash equivalents	\$ 13,000,463	\$ 9,221,581
Investments	2,280,260	1,956,753
Accounts receivable:		
Federal contracts and grants	32,605,529	13,253,874
Trade receivables, net	203,656	531,462
Other assets	324,397	440,964
Property and equipment, net	926,896	1,148,675
Total assets	\$ 49,341,201	\$ 26,553,309
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,165,636	\$ 1,328,814
Provider payments payable	8,890,332	7,261,642
Accrued expenses	1,902,734	1,469,584
Deferred revenue	24,561,791	4,927,720
Deferred rent	1,036,631	781,801
Total liabilities	37,557,124	15,769,561
Net Assets- unrestricted	11,784,077	10,783,748
Commitments and contingencies	-	-
Total liabilities and net assets	\$ 49,341,201	\$ 26,553,309

Child Care Aware of America

Statements of Activities

<i>Year Ended September 30,</i>	2017	2016
Revenue and support		
Federal contracts and grants	\$ 122,058,462	\$ 70,796,109
Corporate grants and contributions	2,385,669	1,411,032
NACCRRAware sales and maintenance	809,836	885,941
Membership revenue	290,910	264,598
Fee for services	179,727	219,639
Meetings revenue	52,834	152,074
Interest and dividends	10,859	489
Other income	9,768	2,849
Total revenue and support	125,798,065	73,732,731
Expense		
Program services		
Federal contracts and grants	113,508,408	64,579,007
Other programs	2,802,880	1,278,022
Public policy	1,255,386	1,091,855
NACCRRAware	1,119,629	1,217,862
Meetings and conferences	651,308	429,563
Membership services	225,229	196,087
Total program services	119,562,840	68,792,396
Supporting services		
General and administrative	5,088,134	4,314,527
Fundraising	488,633	421,488
Total supporting services	5,576,767	4,736,015
Total expense	125,139,607	73,528,411
Change in net assets before net gain on investments	658,458	204,320
Net gain on investments	341,871	214,816
Change in net assets	1,000,329	419,136
Net assets, beginning of year	10,783,748	10,364,612
Net assets, end of year	\$ 11,784,077	\$ 10,783,748

See notes to the financial statements.

Child Care Aware of America

Statements of Cash Flows

Year Ended September 30,	2017	2016
Cash flows from operating activities		
Change in net assets	\$ 1,000,329	\$ 419,136
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	290,313	237,274
Net gain on investments	(341,871)	(214,816)
Changes in assets and liabilities:		
Accounts receivable - federal contracts and grants	(19,351,655)	(6,241,978)
Accounts receivable - trade receivables	327,806	(105,731)
Other assets	116,567	(112,576)
Accounts payable	(163,178)	958,554
Provider payments payable	1,628,690	5,166,176
Accrued expenses	433,150	290,939
Deferred revenue	19,634,071	3,506,519
Deferred rent	254,830	748,844
Total adjustments	2,828,723	4,233,205
Net cash provided by operating activities	3,829,052	4,652,341
Cash flows from investing activities		
Purchases of property and equipment	(68,534)	(1,312,585)
Purchases of investments	(27,164)	(394,699)
Proceeds from sales of investments	45,528	416,601
Net cash used in investing activities	(50,170)	(1,290,683)
Net increase in cash and cash equivalents	3,778,882	3,361,658
Cash and cash equivalents, beginning of year	9,221,581	5,859,923
Cash and cash equivalents, end of year	\$ 13,000,463	\$ 9,221,581

Child Care Aware of America

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Child Care Aware of America (the Association), formerly National Association of Child Care Resource and Referral Agencies, is a not-for-profit corporation organized under the California Nonprofit Public Benefit Corporation Laws on February 17, 1987. The Association's mission is to promote national policies and partnerships to advance the development and learning of all children and to provide vision, leadership, and support to community Child Care Resource and Referral. The Association's mission is carried out through the following programs:

Military Programs: These programs are a partnership with the U.S. Department of Defense to administer a variety of programs to meet the unique child care needs of military families.

Child Care Aware: Child Care Aware is a child care information program funded through a cooperative agreement with the U.S. Department of Health and Human Services Office of Child Care.

NACCRRAware: NACCRRAware is a proprietary, internet-enabled child care resource and referral software program that is only licensed to members of the Association.

Income taxes: The Association is exempt from Federal income taxes on its exempt activities under the provisions of Section 501(c)(3) of the Internal Revenue Code. In addition, the Association qualifies under Section 509(a)(1) as an organization other than a private foundation. However, the Association may be subject to tax on its unrelated business income activities.

Basis of accounting: The Association prepares its financial statements on the accrual basis of accounting. As such, revenue, other than contributions, is recognized when earned and expense is recognized when the underlying obligations are incurred.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

Cash and cash equivalents: For financial statement purposes, the Association considers all highly liquid investments with an original maturity of three months or less as cash equivalents.

Accounts receivable: Trade accounts receivable consists primarily of amounts owed to the Association for NACCRRAware and other fees. Accounts receivable are presented in the financial statements net of an allowance for doubtful accounts. The Association's management periodically reviews the status of all accounts receivable balances for collectability, which they determine based on their knowledge of the customer, relationship with the customer, and age of the receivable. As a result of these reviews, allowances are recorded for customer balances deemed to be potentially uncollectible. The allowance for doubtful accounts totaled \$396,001 and \$205,530 at September 30, 2017 and September 30, 2016, respectively.

Contributions: Contributions are recorded as unrestricted or temporarily restricted support depending upon the existence and/or nature of any donor-imposed restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires within the same reporting period. All other donor-restricted support is reported as an increase in temporarily restricted net assets and then reclassified to unrestricted net assets when the restriction is satisfied.

Child Care Aware of America

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grants revenue, receivables and deferred grant revenue: The Association receives various grants from governmental agencies and private foundations. These grants are generally on a cost reimbursement basis, including recoverable overhead. Revenues from grants are deemed earned and recognized when the expenditures are made for the purpose specified. Receivables result from revenues earned but not received by the Association as of year-end. Receipts of grant awards before corresponding expenses have been incurred are classified as deferred grant revenue. The Association records accounts receivable and deferred revenue when invoicing governmental agencies regarding contractual advances.

Functional allocation of expenses: Costs of the Association's various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent events: Subsequent events have been evaluated through June 4, 2018, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: The Association maintains demand deposits with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portions of cash and money market accounts are backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Association.

Market value risk: The Association also invests funds in professionally managed mutual funds. Such investments are exposed to market and credit risks, including significant fluctuations in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

Sources of revenue: During the years ended September 30, 2017 and 2016, the Association derived approximately 97% and 96%, respectively, of its total support and revenue from grants, contracts, and cooperative agreements with agencies of the U.S. government. On December 23, 2015, the Association entered into a contract with the Department of Defense (DoD) to provide services to the Department of the Army that had previously been fully transitioned from the Association to the General Services Administration (GSA) in October 2014. The revenue generated from this contract accounted for approximately 54% and 35% of total revenue and amounted to \$67,334,750 and \$25,778,860 for the years ended September 30, 2017 and 2016, respectively. The majority of revenue generated by this contract is related to pass-through awards to child care providers, which totaled \$55,588,656 and \$17,421,563 for the years ended September 30, 2017 and 2016, respectively.

Child Care Aware of America

Notes to the Financial Statements

C. INVESTMENTS

In accordance with generally accepted accounting principles, the Association uses the following prioritized input levels to measure the fair value of its investments. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data; and

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

Investments, recorded at fair value using Level 1 inputs on a recurring basis, consist of equity mutual funds totaling \$2,280,260 and \$1,956,753 at September 30, 2017 and 2016, respectively.

D. PROPERTY AND EQUIPMENT

Property and equipment is recorded at cost. Acquisitions greater than \$5,000 are capitalized and then depreciated using the straight-line method over the estimated useful lives of the assets, ranging from three to five years. Expenditures for maintenance and repairs are charged to operations as incurred. Furniture and equipment purchased under federal government contracts and grants, subject to reversion to the government, are expensed as contract costs. Leasehold improvements are amortized over the term of the lease or their estimated useful life, whichever is less.

Property and equipment consists of the following at September 30,:

	2017	2016
Furniture and equipment	\$ 1,160,363	\$ 1,446,757
Leasehold improvements	291,780	282,392
Software and implementation costs	67,633	328,862
NACCRRAware development costs	25,000	25,000
	<u>1,544,776</u>	<u>2,083,011</u>
Less accumulated depreciation and amortization	<u>(617,880)</u>	<u>(934,336)</u>
	<u>\$ 926,896</u>	<u>\$ 1,148,675</u>

Child Care Aware of America

Notes to the Financial Statements

E. DEFERRED REVENUE

Deferred revenue is revenue received in advance of the year in which it is earned and consists of the following at September 30,:

	2017	2016
Federal contracts and grants	\$ 23,253,158	\$ 2,666,274
Private contracts and grants	688,024	1,576,972
NACCRRAware fees	486,612	507,464
Other	133,997	177,010
	<u>\$ 24,561,791</u>	<u>\$ 4,927,720</u>

F. RETIREMENT PLANS

Tax deferred annuity plan: The Association maintains a defined contribution tax-deferred annuity plan under Section 403(b) of the Internal Revenue Code. Eligible employees may defer a portion of their salary up to applicable IRS limits. The Association matches participant contributions up to 5% of their compensation once the participant completes six months of service, and participants become fully vested in employer matching contributions after three years of service. Retirement plan expense was \$764,691 and \$334,422 for the years ended September 30, 2017 and 2016, respectively.

In addition, the Association also sponsors an elective Section 403(b) tax-deferred annuity plan for all of its employees. Eligible employees may defer a portion of their salary up to applicable IRS limits. The Association does not make contributions to this plan. Effective January 1, 2018, the Association merged both plans into a single defined contribution Section 403(b) tax-deferred annuity plan.

Deferred compensation plans: Effective September 1, 2010, the Association established a deferred compensation plan under Section 457(b) of the Internal Revenue Code on behalf of a former key executive. Investments held for deferred compensation, recorded at fair value using Level 1 inputs on a recurring basis, consisted of mutual funds totaling \$46,794 and \$39,566 at September 30, 2017 and 2016, respectively. Assets related to the plan are included as a component of other assets in the statements of financial position. The corresponding liability is included as a component of other accrued expenses on the statements of financial position.

Subsequent to year end, the Association established a Section 457(b) and a Section 457(f) plan for the current executive director. The plans will be funded during the year ended September 30, 2018.

Child Care Aware of America

Notes to the Financial Statements

G. COMMITMENTS AND CONTINGENCIES

Federal Contracts and Grants

The costs related to federally funded programs are subject to audit by the U.S. government. Program costs include indirect costs, which are allocated to the programs based on their direct costs. The allocation methodologies, as well as the allocated costs, are subject to approval by the funding agency. The ultimate realization of revenue recognized is contingent upon the outcome of such an audit. Management periodically reviews its estimates of allowable and allocable costs based on the results of government audits. Management believes that adjustments, if any, which might result from such an audit would not have a material effect on the financial statements.

Leasing Arrangements

On July 9, 2015, the Association entered into a lease agreement for office space in Arlington, Virginia which provides for annual rent escalations. This lease commenced on February 28, 2016 and expires on February 28, 2027. The Association received certain concessions for entering this lease including abated rent and a tenant improvement allowance. The Association amortizes the abated rent over the lease term on a straight-line basis.

On February 5, 2016, the Association entered into a separate lease agreement for office space in Arlington, Virginia in the same building as the currently active lease which also provides for annual rent escalations. This lease commenced on May 12, 2016 and expires on June 30, 2022. The Association received certain concessions for entering this lease including abated rent and a tenant improvement allowance. The Association amortizes the abated rent over the lease term on a straight-line basis.

For these office leases, rent expense is recognized on a straight-line basis over the lease terms. The difference between annual rent expense recognized and rent payments made under the terms of the leases is accounted for as deferred rent in the statements of financial position. The Association's liability related to deferred rent totaled \$1,036,631 and \$781,801 as of September 30, 2017 and 2016, respectively. Total rent expenses for these office leases, net of amortized rent concessions, were \$1,169,133 and \$954,988 for the years ended September 30, 2017 and 2016, respectively.

In addition to the office leases, the Association also leases certain office equipment under three operating leases, the longest of which expires December 2021. Base rental payments under these equipment leases are fixed throughout the lease terms. Total rent expenses for the equipment leases were approximately \$5,400 and \$12,100, respectively, for the years ended September 30, 2017 and 2016.

Child Care Aware of America

Notes to the Financial Statements

G. COMMITMENTS AND CONTINGENCIES – CONTINUED

The following table provides information on future minimum lease payments for office and equipment leases as of September 30, 2017:

Year Ending September 30,	Equipment Lease Payments	Office Lease Payments	Total Payments
2018	\$ 6,800	\$ 1,204,885	\$ 1,211,685
2019	6,800	1,236,472	1,243,272
2020	6,800	1,268,889	1,275,689
2021	4,600	1,302,157	1,306,757
2022	600	1,079,006	1,079,606
Thereafter	-	3,226,004	3,226,004
	\$ 25,600	\$ 9,317,413	\$ 9,343,013

Child Care Aware of America

Schedule of Expenditures of Federal Awards Year Ended September 30, 2017

Federal Grantor/Pass Through Grantor CFDA Program Title	Federal CFDA Number	Agreement Number	Agreement Expenditures	Expenditures to Subrecipients
U.S. Department of Defense (DOD)				
Marine Corps Military Child Care in Your Neighborhood (MCCYN)	None	M67854-11-2-0550	\$ 550,735	\$ -
Department of Health and Human Services (HHS)				
<i>Head Start - pass through from ZERO TO THREE: National Center for Infants, Toddlers, and Families</i>				
National Center for Early Childhood Development, Teaching, and Learning	93.600	90HC0012	1,033,081	
<i>Head Start - pass through from Boston Children's Hospital</i>				
National Center on Parent, Family, and Community Engagement	93.600	90HC0014	505,908	
<i>Head Start - pass through from American Academy of Pediatrics</i>				
National Center on Early Childhood Health and Wellness	93.600	90HC0013	154,534	
<i>Pass through from American Academy of Pediatrics</i>				
Centers for Disease Control and Prevention	None	5NU38OT000167-05	281	
Child Care and Development Fund Cluster				
<i>Child Care and Development Block Grant - pass-through from ZERO TO THREE: National Center for Infants, Toddlers and Families</i>				
Early Head Start Child Care Partnerships	93.575	90HT2001	679,347	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund:				
Child Care Aware	93.596	90LH0002	489,657	
Subtotal Child Care and Development Fund Cluster			1,169,004	-
Subtotal Department of Health and Human Services			2,862,808	-
Total expenditures of federal awards			\$ 3,413,543	\$ -

Child Care Aware of America

Notes to Schedule of Expenditures of Federal Awards

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal award activity of the Association and is presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. 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* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. EXPENDITURES

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the SEFA follow the cost principles contained in the Uniform Guidance. The cost principles indicate that certain types of expenditures are not allowable, or reimbursements of allowable costs are limited as to reimbursement.

C. SUBRECIPIENTS

There were no expenditures to subrecipients recorded during the year ended September 30, 2017.

D. INDIRECT COSTS

The Association uses a provisional indirect cost rate approved by the federal agency. Therefore, the Association elected not to use the 10% de minimis indirect cost rate, which is allowed in accordance with the Uniform Guidance.

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 America

We have audited, 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, the financial statements of Child Care Aware of America (the Association), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 4, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association’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 the Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association’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.

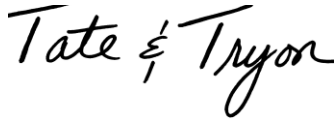
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Tate & Tryon". The signature is written in a cursive, flowing style.

Washington, DC
June 4, 2018

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Child Care Aware of America

Report on Compliance for Each Major Federal Program

We have audited the compliance of Child Care Aware of America (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Association's major federal programs for the year ended September 30, 2017. The Association's major federal programs are 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 each of the Association's major federal programs 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* (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 a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association'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 each major federal program. However, our audit does not provide a legal determination of the Association's compliance.

Opinion on Each Major Federal Program

In our opinion, the Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

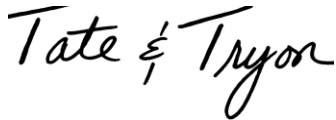
Management of the Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 the Association's internal control over compliance.

Report on Internal Control Over Compliance - Continued

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 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.



Washington, DC
June 4, 2018

Child Care Aware of America

Schedule of Findings and Questioned Costs Year Ended September 30, 2017

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for the major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes No

Identification of major programs:

Awarding Agency and Program

Contract/CFDA #

U.S. Department of Defense –
Marine Corps Child Care

M67854-11-2-0550

Department of Health and Human Services –
Head Start

93.600

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

The Association qualified as low-risk auditee? Yes No

Child Care Aware of America

Schedule of Findings and Questioned Costs *Year Ended September 30, 2017*

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.