

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

CHILD CARE AWARE OF AMERICA

September 30, 2018

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 (CCAoA), which comprise the statements of financial position as of September 30, 2018 and 2017, 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 CCAoA as of September 30, 2018 and 2017, 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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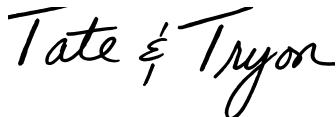
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Other Information

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 March 5, 2019, on our consideration of CCAoA'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 CCAoA's internal control over financial reporting and compliance.



Washington, DC
March 5, 2019

Child Care Aware of America

Statements of Financial Position

<i>September 30,</i>	2018	2017
Assets		
Cash and cash equivalents	\$ 16,493,046	\$ 13,000,463
Investments	2,508,448	2,280,260
Accounts receivable:		
Federal contracts	15,851,865	31,677,026
Federal grants	514,044	928,503
Trade receivables, net	217,304	203,656
Other assets	538,933	324,397
Property and equipment, net	627,951	926,896
Total assets	\$ 36,751,591	\$ 49,341,201
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 757,758	\$ 1,165,636
Provider payments payable	10,800,951	8,890,332
Accrued expenses	2,102,309	1,902,734
Deferred revenue	12,608,373	24,561,791
Deferred rent	993,211	1,036,631
Total liabilities	27,262,602	37,557,124
Net Assets- unrestricted	9,488,989	11,784,077
Commitments and contingencies	-	-
Total liabilities and net assets	\$ 36,751,591	\$ 49,341,201

Child Care Aware of America

Statements of Activities

<i>Year Ended September 30,</i>	2018	2017
Revenue and support		
Federal contracts	\$ 131,650,917	\$ 118,644,919
Federal grants	2,689,747	3,413,543
Private grants and contributions	1,674,368	2,385,669
Products and services	927,413	989,845
Meetings revenue	252,355	52,834
Membership revenue	187,911	290,910
Other income	38,263	9,486
Interest and dividends	16,983	10,859
Total revenue and support	137,437,957	125,798,065
Expense		
Program services		
Federal contracts	123,362,763	109,756,124
Federal grants	2,689,747	3,413,543
Advocacy, research, and other programs	4,776,944	4,381,955
Products and services	938,123	1,119,629
Meetings and conferences	656,713	398,907
Membership services	252,620	477,630
Total program services	132,676,910	119,547,788
Supporting services		
General and administrative	6,685,306	5,103,186
Fundraising	584,603	488,633
Total supporting services	7,269,909	5,591,819
Total expense	139,946,819	125,139,607
Change in net assets before net gain on investments	(2,508,862)	658,458
Net gain on investments	213,774	341,871
Change in net assets	(2,295,088)	1,000,329
Net assets, beginning of year	11,784,077	10,783,748
Net assets, end of year	\$ 9,488,989	\$ 11,784,077

See notes to the financial statements.

Child Care Aware of America

Statements of Cash Flows

<i>Year Ended September 30,</i>	2018	2017
Cash flows from operating activities		
Change in net assets	\$ (2,295,088)	\$ 1,000,329
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	326,810	290,313
Net gain on investments	(213,774)	(341,871)
Changes in assets and liabilities:		
Accounts receivable - federal contracts	15,825,161	(19,100,940)
Accounts receivable - federal grants	414,459	(250,715)
Accounts receivable - trade receivables	(13,648)	327,806
Other assets	(214,536)	116,567
Accounts payable	(407,878)	(163,178)
Provider payments payable	1,910,619	1,628,690
Accrued expenses	199,575	433,150
Deferred revenue	(11,953,418)	19,634,071
Deferred rent	(43,420)	254,830
Total adjustments	5,829,950	2,828,723
Net cash provided by operating activities	3,534,862	3,829,052
Cash flows from investing activities		
Purchases of property and equipment	(27,865)	(68,534)
Purchases of investments	(14,414)	(27,164)
Proceeds from sales of investments	-	45,528
Net cash used in investing activities	(42,279)	(50,170)
Net increase in cash and cash equivalents	3,492,583	3,778,882
Cash and cash equivalents, beginning of year	13,000,463	9,221,581
Cash and cash equivalents, end of year	\$ 16,493,046	\$ 13,000,463

Supplemental Disclosures of Cash Flow Information

Cash paid during the year for income taxes	\$ 43,500	\$ -
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Child Care Aware of America

Notes to the Financial Statements

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Child Care Aware of America (CCAoA) is a not-for-profit corporation organized under the California Nonprofit Public Benefit Corporation Laws on February 17, 1987. CCAoA'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. CCAoA's mission is carried out through the following programs:

Military Programs: CCAoA works in conjunction with the US Department of Defense to provide a variety of services and support to military families. These efforts address the diverse and unique needs of military families in search of child care.

Advocacy and Research: CCAoA provides research and reports to inform congress and the public on child care issues in the United States. CCAoA works with state and local Child Care Resource and Referral agencies to provide education and support for families seeking childcare in their community.

Products and Services: CCAoA offers services and products to state and local agencies and members. Services and products include child care resources, training and education.

Income taxes: CCAoA 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, CCAoA qualifies under Section 509(a)(1) as an organization other than a private foundation. However, CCAoA may be subject to tax on its unrelated business income activities or for employee transportation benefits. Income tax expense amounted to \$68,674 and \$0 for the years ended September 30, 2018 and 2017, respectively.

Basis of accounting: CCAoA 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, CCAoA 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 CCAoA for membership and product and service fees. Trade accounts receivable are presented in the financial statements net of an allowance for doubtful accounts. CCAoA'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 \$185,000 and \$396,001 at September 30, 2018 and September 30, 2017, 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: CCAoA receives various grants from governmental agencies and private foundations. Federal grants issued under the Uniform Guidance are generally on a cost reimbursement basis, including recoverable overhead. Revenues from these grants are deemed earned and recognized when the expenditures are made for the purpose specified. Receivables result from revenues earned but not received by CCAoA as of year-end. Receipts of grant awards before corresponding expenses have been incurred are classified as deferred grant revenue. CCAoA records federal grants receivable and deferred revenue when invoicing governmental agencies regarding contractual advances.

Federal contract revenue is recognized as the work is performed under a fixed priced agreement and as a result these contracts are not subject to the Uniform Guidance.

Functional allocation of expenses: Costs of CCAoA'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.

Reclassifications: Certain accounts relating to the prior year have been reclassified to conform to the current year presentation with no effect on previously reported net income. On the statements of activities, approximately \$330,000 was reclassified from federal contracts expense to advocacy, research, and other programs expense. In addition, approximately \$252,000 was reclassified from meetings and conference expense to membership services expense.

Subsequent events: Subsequent events have been evaluated through March 5, 2019, which is the date the financial statements were available to be issued.

B. CONCENTRATIONS

Credit risk: CCAoA 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 CCAoA.

Market value risk: CCAoA 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, 2018 and 2017, CCAoA derived approximately 98% and 97%, respectively, of its total support and revenue from grants, contracts, and cooperative agreements with agencies of the U.S. government. On December 23, 2015, CCAoA 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 CCAoA to the General Services Administration (GSA) in October 2014. The revenue generated from this contract accounted for approximately 53% and 54% of total revenue and amounted to \$73,344,834 and \$67,334,750 for the years ended September 30, 2018 and 2017, respectively. The majority of revenue generated by this contract is related to pass-through awards to child care providers, which totaled \$62,309,827 and \$55,588,656 for the years ended September 30, 2018 and 2017, respectively.

Child Care Aware of America

Notes to the Financial Statements

C. INVESTMENTS

In accordance with generally accepted accounting principles, CCAoA 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 \$2,508,448 and \$2,280,260 at September 30, 2018 and 2017, 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,:

	2018	2017
Furniture and equipment	\$ 1,172,303	\$ 1,160,363
Leasehold improvements	307,705	291,780
Software and implementation costs	67,633	67,633
NACCRRRAware development costs	25,000	25,000
	<u>1,572,641</u>	<u>1,544,776</u>
Less accumulated depreciation and amortization	<u>(944,690)</u>	<u>(617,880)</u>
	<u>\$ 627,951</u>	<u>\$ 926,896</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,:

	2018	2017
Federal contracts and grants	\$ 11,212,387	\$ 23,253,158
Private contracts and grants	790,255	688,024
Products, services, membership	605,731	620,609
	<u>\$ 12,608,373</u>	<u>\$ 24,561,791</u>

F. RETIREMENT PLANS

Tax deferred annuity plan: CCAoA 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. CCAoA 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 \$350,515 and \$764,691 for the years ended September 30, 2018 and 2017, respectively.

In addition, CCAoA 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. CCAoA does not make contributions to this plan. Effective January 1, 2018, CCAoA merged both plans into a single defined contribution Section 403(b) tax-deferred annuity plan.

Deferred compensation plans: Effective September 1, 2010, CCAoA 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 \$49,326 and \$46,794 at September 30, 2018 and 2017, 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, CCAoA 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, 2019.

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, CCAoA 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. CCAoA received certain concessions for entering this lease including abated rent and a tenant improvement allowance. CCAoA amortizes the abated rent over the lease term on a straight-line basis.

On February 5, 2016, CCAoA 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. CCAoA received certain concessions for entering this lease including abated rent and a tenant improvement allowance. CCAoA 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. CCAoA's liability related to deferred rent totaled \$993,211 and \$1,036,631 as of September 30, 2018 and 2017, respectively. Total rent expenses for these office leases, net of amortized rent concessions, were \$1,172,178 and \$1,169,133 for the years ended September 30, 2018 and 2017, respectively.

In addition to the office leases, CCAoA also leases certain office equipment under three operating leases, the longest of which expires in December 2021. Base rental payments under these equipment leases are fixed throughout the lease terms. Total rent expenses for the equipment leases was approximately \$6,800 for both the years ended September 30, 2018 and 2017.

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, 2018:

Year Ending September 30,	Equipment Lease Payments	Office Lease Payments	Total Payments
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
2023	-	700,172	700,172
Thereafter	-	2,525,586	2,525,586
	\$ 18,800	\$ 8,112,282	\$ 8,131,082

Child Care Aware of America

Schedule of Expenditures of Federal Awards Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor CFDA Program Title	Federal CFDA Number	Agreement Number	Agreement Expenditures	Expenditures to Subrecipients
Department of Health and Human Services (HHS)				
<u>Head Start - pass-through from ZERO TO THREE:</u>				
<u>National Center for Infants, Toddlers, and Families</u>				
National Center for Early Childhood Development, Teaching, and Learning	93.600	90HC0012	\$ 994,188	\$ -
<u>Head Start - pass-through from Boston Children's Hospital</u>				
National Center on Parent, Family, and Community Engagement	93.600	90HC0014	474,291	
<u>Head Start - pass-through from American Academy of Pediatrics</u>				
National Center on Early Childhood Health and Wellness	93.600	90HC0013	155,232	
<u>Pass-through from American Academy of Pediatrics</u>				
Centers for Disease Control and Prevention	None	5NU38OT000167-05	16,365	
<u>Child Care and Development Fund Cluster</u>				
<u>Child Care and Development Block Grant - pass-through from ZERO TO THREE:</u>				
<u>National Center for Infants, Toddlers and Families</u>				
Early Head Start Child Care Partnerships	93.575	90HT2001	642,866	
<u>Child Care Mandatory and Matching Funds of the Child Care and Development Fund:</u>				
Child Care Aware	93.596	90LH0002	406,805	
Subtotal Child Care and Development Fund Cluster			1,049,671	-
Subtotal Department of Health and Human Services			2,689,747	-
Total expenditures of federal awards			\$ 2,689,747	\$ -

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 CCAoA 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, 2018.

D. INDIRECT COSTS

CCAoA uses a provisional indirect cost rate approved by the federal agency. Therefore, CCAoA 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 (CCAoA), which comprise the statement of financial position as of September 30, 2018, 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 March 5, 2019.

Internal Control over Financial Reporting

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

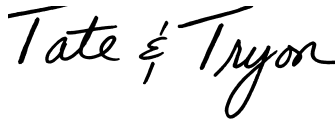
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether CCAoA'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 CCAoA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCAoA'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
March 5, 2019

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 (CCAoA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CCAoA's major federal programs for the year ended September 30, 2018. CCAoA'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 CCAoA'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 CCAoA'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 CCAoA's compliance.

Opinion on Each Major Federal Program

In our opinion, CCAoA 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, 2018.

Report on Internal Control Over Compliance

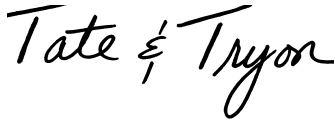
Management of CCAoA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CCAoA's internal control over compliance with the types of requirements 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 CCAoA'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
March 5, 2019

Child Care Aware of America

Schedule of Findings and Questioned Costs Year Ended September 30, 2018

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:

<u>Awarding Agency and Program</u>	<u>Contract/CFDA #</u>
Department of Health and Human Services – Child Care and Development Fund (CCDF Cluster)	93.575 & 93.596
Department of Health and Human Services – Head Start	93.600

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

CCAOA qualified as low-risk auditee? Yes No

Child Care Aware of America

Schedule of Findings and Questioned Costs *Year Ended September 30, 2018*

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.