

Child Care Aware of America

Financial Report and Compliance Report
September 30, 2019

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RSM US LLP

Independent Auditor's Report

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 statement of financial position as of September 30, 2019, the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to CCAoA'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 CCAoA'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 Child Care Aware of America as of September 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, CCAoA adopted the Financial Accounting Standards Board issued Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of this standard resulted in additional disclosures on liquidity, details of functional expenses, and changes to the classification of net assets. Our opinion is not modified with respect to this matter.

Other Matters*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 26, 2020, 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 the effectiveness of 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.

RSM US LLP

Washington, D.C.
June 26, 2020

Child Care Aware of America

Statement of Financial Position
September 30, 2019

Assets

Cash and cash equivalents	\$ 15,660,319
Investments	2,533,092
Federal contracts receivable	19,672,952
Federal grants receivable	478,742
Other receivables, net	444,266
Other assets	428,034
Property and equipment, net	<u>367,716</u>
Total assets	<u><u>\$ 39,585,121</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 1,440,379
Provider payments payable	13,948,957
Accrued expenses	2,094,451
Deferred revenue	11,332,163
Deferred rent	<u>919,478</u>
Total liabilities	<u>29,735,428</u>

Commitments and contingencies (Note 7)

Net assets – without donor restrictions	<u>9,849,693</u>
Total liabilities and net assets	<u><u>\$ 39,585,121</u></u>

See notes to financial statements.

Child Care Aware of America

Statement of Activities

Year Ended September 30, 2019

Revenue and support:	
Federal contracts	\$ 137,195,006
Private grants and contributions	2,449,442
Federal grants	1,655,635
Products and services	616,848
Membership revenue	181,187
Interest and dividends, net	159,078
Meetings revenue	106,143
Other income	98,313
Total revenue and support	<u>142,461,652</u>
Expenses:	
Program services:	
Child care supports	131,862,428
Child care solutions	2,115,650
Advocacy and research	5,254,567
Total program services	<u>139,232,645</u>
Supporting services:	
General and administrative	2,468,105
Fundraising	321,596
Total supporting services	<u>2,789,701</u>
Total expenses	<u>142,022,346</u>
Change in net assets before realized and unrealized loss on investments	439,306
Realized and unrealized loss on investments	<u>(78,602)</u>
Change in net assets	<u>360,704</u>
Net assets:	
Beginning	<u>9,488,989</u>
Ending	<u>\$ 9,849,693</u>

See notes to financial statements.

Child Care Aware of America

**Statement of Functional Expenses
Year Ended September 30, 2019**

	Program Services			Supporting Services		Total
	Child Care Supports	Child Care Solutions	Advocacy and Research	General and Administrative	Fundraising	
Passthrough payments	\$ 116,974,928	\$ -	\$ -		\$ -	\$ 116,974,928
Personnel	10,331,695	1,583,901	3,112,142	4,539,171	238,789	19,805,698
Other expenses	693,783	33,415	313,105	828,837	24,622	1,893,762
Consulting and contractual service	85,735	250,127	457,662	481,339	22,572	1,297,435
Occupancy costs	626,087	50,687	81,180	388,142	28,960	1,175,056
Conference and meeting	32,047	93,596	357,079	129,261	3,249	615,232
Depreciation	150,076	7,380	13,230	86,145	3,404	260,235
Overhead allocation	2,968,077	96,544	920,169	(3,984,790)	-	-
	<u>\$ 131,862,428</u>	<u>\$ 2,115,650</u>	<u>\$ 5,254,567</u>	<u>\$ 2,468,105</u>	<u>\$ 321,596</u>	<u>\$ 142,022,346</u>

Child Care Aware of America

Statement of Cash Flows
Year Ended September 30, 2019

Cash flows from operating activities:	
Change in net assets	\$ 360,704
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	260,235
Realized and unrealized loss on investments	78,602
Deferred rent	(73,733)
Changes in assets and liabilities:	
Decrease (increase) in:	
Federal contracts receivable	(3,821,087)
Federal grants receivable	35,302
Other receivables	(226,962)
Other assets	110,899
(Decrease) increase in:	
Accounts payable	682,621
Provider payments payable	3,148,006
Accrued expenses	(7,858)
Deferred revenue	(1,276,210)
Net cash used in operating activities	<u>(729,481)</u>
Cash flows from investing activities:	
Purchases of investments	(494,994)
Proceeds from sales of investments	391,748
Net cash used in investing activities	<u>(103,246)</u>
Net decrease in cash and cash equivalents	(832,727)
Cash and cash equivalents:	
Beginning	<u>16,493,046</u>
Ending	<u>\$ 15,660,319</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for income taxes	<u>\$ 74,252</u>

See notes to financial statements.

Child Care Aware of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Child Care Aware of America (CCAoA) is a nonprofit 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 agencies.

CCAoA's mission is carried out through the following programs and supporting services:

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

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

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

General and administrative: General and administrative includes management of the human, financial and technical resources of CCAoA, administrative support for the Board of Directors and governing bodies, government advocacy and the development and management of budget and statistical information.

Fundraising: Fundraising activities include efforts to secure contributions and grants for CCAoA's mission.

A summary of CCAoA's significant accounting policies follows:

Basis of accounting: CCAoA prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense is recognized when the underlying obligation is incurred.

Basis of presentation: The financial statement presentation follows the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). As required by the Non-Profit Entities Topic of the FASB ASC, CCAoA is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions: Net assets without donor restrictions include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. There are no board-designated net assets at September 30, 2019.

With donor restrictions: Net assets with donor restrictions include those net assets whose use is subject to donor-imposed restrictions. Donor restrictions may be for a specified time or purpose limitation or the donor may specify that the corpus of their original and certain subsequent gifts are to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. CCAoA has no net assets with donor restrictions at September 30, 2019.

Child Care Aware of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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

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. However, CCAoA has not experienced losses on these accounts in the past, and management believes the risk of loss, if any, to be minimal.

Accounts receivable: Other receivables consists primarily of amounts owed to CCAoA for membership and product and service fees. Other 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, an allowance is recorded for customer balances deemed to be potentially uncollectible. The allowance for doubtful accounts was \$210,000 at September 30, 2019.

Investments: Investments with readily determinable fair values are reflected at fair market value. To adjust the carrying value of these investments, the change in fair market value is charged or credited to current operations.

CCAoA invests in a professionally managed portfolio that contains various types of marketable securities. Such investments are exposed to market and credit risks and may be subject to 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.

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.

Contributions: Contributions are recorded as contributions with or without donor restrictions, 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 net assets without donor restrictions if the restriction expires within the same reporting period. All other donor-restricted support is reported as an increase in net assets with donor restrictions and then reclassified to net assets without donor restrictions when the restriction is satisfied

For the year ended September 30, 2019, CCAoA did not receive any contributions with donor-imposed restrictions.

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.

Child Care Aware of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

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.

During the year ended September 30, 2019, CCAoA derived approximately 98% 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 56% of total revenue and amounted to \$79,016,512 for the year ended September 30, 2019. The majority of revenue generated by this contract is related to pass-through awards to child care providers, which totaled \$67,905,206 for the year ended September 30, 2019.

Functional allocation of expenses: The costs of providing various programs and administrative activities have been summarized on a functional basis in the statement of activities. Expenses that are attributable to more than one program or supporting function require allocation on a reasonable basis that is consistently applied. Occupancy, office expenses and depreciation have been allocated among the program and supporting services benefited on the basis of employee effort. All other expenses are directly charged to the applicable functional areas.

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. Income tax expense amounted to \$35,793 for the year ended September 30, 2019.

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.

Adopted accounting pronouncement: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. This standard was retrospectively adopted by CCAoA effective October 1, 2018.

Pending accounting pronouncements: In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The ASU also clarifies the guidance used by entities other than not-for-profits to identify and account for contributions made. Where CCAoA is the resource recipient, the ASU is applicable to contributions received within annual period in the year ending December 31, 2019. Where CCAoA is the resource provider, the ASU is applicable to contributions made within annual period in the year ending December 31, 2020. CCAoA is currently evaluating the impact of this ASU on its financial statements.

Child Care Aware of America

Notes to Financial Statements

Note 1. Nature of Activities and Significant Accounting Policies (Continued)

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles (GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. This ASU is effective for fiscal years beginning after December 15, 2018. CCAoA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating with classification affecting the pattern of expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. CCAoA is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

Subsequent events: Subsequent events have been evaluated through June 26, 2020, which is the date the financial statements were available to be issued. See Notes 2 and 9 regarding volatility in the financial markets and the impact of the COVID-19 pandemic.

Note 2. Investments

In accordance with US GAAP, 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, the fair values for which were based on quoted prices for identical assets in active markets.

Investments consist of the following at September 30, 2019:

	Total	Level 1	Level 2	Level 3
Investments, at fair value:				
Mutual funds – equity:				
Mutual funds – large caps	\$ 1,259,102	\$ 1,259,102	\$ -	\$ -
Mutual funds – small and mid caps	720,195	720,195	-	-
Mutual funds – international equities	553,795	553,795	-	-
Total mutual funds – equity	<u>\$ 2,533,092</u>	<u>\$ 2,533,092</u>	<u>\$ -</u>	<u>\$ -</u>

Child Care Aware of America

Notes to Financial Statements

Note 2. Investments (Continued)

Subsequent to September 30, 2019, financial markets have experienced a high degree of volatility. Therefore, investment balances presented above at September 30, 2019, do not reflect subsequent changes that may have occurred.

Note 3. Liquidity and Availability

CCAOA manages its cash available to meet general expenditures following three guiding principles: (1) operating within a prudent range of financial soundness and stability; (2) maintaining adequate liquid assets; and (3) maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments will continue to be met. CCAOA strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in equity mutual funds. CCAOA receives monthly advances from Department of Defense contracts. These funds are to be used to pay for child care providers who provide child care services to military families.

The table below presents financial assets available to meet general expenditures within one year at September 30, 2019, reduced by amounts that are not available to meet general expenditures within one year because of contractual agreements:

Cash and cash equivalents	\$ 15,660,319
Investments	2,533,092
Accounts receivable	20,595,960
Financial assets available	<u>\$ 38,789,371</u>

Note 4. Property and Equipment

Property and equipment consists of the following at September 30, 2019:

Furniture and equipment	\$ 1,172,305
Leasehold improvements	307,705
Software and implementation costs	92,633
	<u>1,572,643</u>
Less accumulated depreciation and amortization	(1,204,927)
	<u>\$ 367,716</u>

Note 5. Deferred Revenue

Deferred revenue consists of the following at September 30, 2019:

Federal contracts and grants	\$ 9,960,634
Private contracts and grants	931,113
Products, services and membership	440,416
	<u>\$ 11,332,163</u>

Child Care Aware of America

Notes to Financial Statements

Note 6. 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 \$337,841 for the year ended September 30, 2019. 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 \$51,494 at September 30, 2019. Assets related to the plan are included as a component of other assets in the statement of financial position. The corresponding liability is included as a component of other accrued expenses on the statements of financial position. During 2016, CCAoA established a Section 457(b) and a Section 457(f) plan for the current executive director. During 2019, the Section 457(b) plan was amended to allow named executives to participate. The plan liabilities totaled \$270,531 at September 30, 2019, and are shown as components of accrued expenses in the statement of financial position.

Note 7. 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 \$919,478 as of September 30, 2019. Total rent expenses for these office leases, net of amortized rent concessions, were \$ 1,175,056 for the year ended September 30, 2019.

Child Care Aware of America

Notes to Financial Statements

Note 7. Commitments and Contingencies (Continued)

The following table provides information on future minimum lease payments for office leases as of September 30, 2019:

Years ending September 30:	
2020	\$ 1,268,900
2021	1,302,200
2022	1,079,000
2023	700,200
2024	718,000
Thereafter	1,807,700
	<u>\$ 6,876,000</u>

Note 8. Conditional Promises to Give

CCAOA has conditional promises from grantors and donors totaling \$931,113 as of September 30, 2019. Future payments are contingent upon CCAOA carrying out certain activities (meeting donor imposed barriers) stipulated by the grant or contract.

Conditional promises to give from grant donors consist of the follows:

Cash grants from donors	\$ 931,113
Cash grants from U.S. government	-
	<u>\$ 931,113</u>

Note 9. COVID-19 Pandemic

On January 30, 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, quarantines, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Association operates and holds meetings and other activities. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses effected by the coronavirus pandemic.

It is unknown how long the adverse conditions associated with COVID-19 will last and what the complete financial effect will be to the Association. Quarantines, labor shortages or other disruptions to the CCAOA's operations, or those of its constituents, may adversely impact CCAOA's revenues, ability to provide its services and operating results. The operations of CCAOA's services became 100 percent remote in March 2020. To date, CCAOA has converted all planned meetings to remote events through the end of November 2020 and will be assessing the need to cancel additional meetings as events develop. CCAOA has taken care to protect employees and provide services remotely.

The extent to which the COVID-19 pandemic impacts CCAOA's results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of COVID-19 and actions taken to contain it or its impact, among others.

Child Care Aware of America

**Schedule of Expenditures of Federal Awards
Year Ended September 30, 2019**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Contract Number	Federal Expenditures	Amounts Provided to Subrecipients
Department of Health and Human Services (HHS)				
Head Start – pass-through from ZERO TO THREE:				
<i>National Center for Infants, Toddlers, and Families:</i>				
National Center for Early Childhood Development, Teaching, and Learning	93.600	90HC0012-04-01	\$ 967,934	\$ -
<i>Head Start – pass-through from Boston Children’s Hospital:</i>				
National Center on Parent, Family, and Community Engagement	93.600	90HC0014-00-04	484,668	-
<i>Head Start – pass-through from American Academy of Pediatrics:</i>				
National Center on Early Childhood Health and Wellness	93.600	90HC0013-04-00	203,033	14,000
Total expenditures of federal awards			\$ 1,655,635	\$ 14,000

See notes to schedule of expenditures of federal awards.

Child Care Aware of America

Notes to Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) reports the costs of federal award activity on the accrual basis of accounting. The SEFA includes the federal award activity of Child Care Aware of America (CCAoA) for the year ended September 30, 2019. The information in the SEFA 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). Because the SEFA presents only a selected portion of the operations of CCAoA, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the CCAoA.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. 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.



RSM US LLP

**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***

Independent Auditor's Report

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, 2019, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2020.

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 CCAOA'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

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*.

CCAoA's Response to Findings

CCAoA's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. CCAoA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

RSM US LLP

Washington, D.C.
June 26, 2020



RSM US LLP

**Report on Compliance for the Major Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

Board of Directors
Child Care Aware of America

Report on Compliance for the Major Federal Program

We have audited Child Care Aware of America's (CCAoA's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on CCAoA's major federal program for the year ended September 30, 2019. CCAoA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for CCAoA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about 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 the major federal program. However, our audit does not provide a legal determination of CCAoA's compliance.

Opinion on the 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 its major federal programs for the year ended September 30, 2019.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CCAoA's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

RSM US LLP

Washington, D.C.
June 26, 2020

Child Care Aware of America

**Schedule of Findings and Questioned Costs
Year Ended September 30, 2019**

Section I – Summary of Audit Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with U.S. GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? 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? Yes None reported

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

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 program:

Name of Federal Program

Contract/CFDA #

Head Start

93.600

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

\$750,000

Auditee qualified as low-risk auditee?

Yes No

Child Care Aware of America

**Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2019**

Section II – Financial Statement Findings

Significant Deficiency

Finding 2019-001 – Account Reconciliations and Post-Closing Adjustments

Condition: We identified certain general ledger accounts, including the payroll bank account, accounts payable, deferred rent, accrued expenses, and certain revenue and expense accounts, which required adjustments to be made subsequent to the start of the audit in order to be accurately reconciled at September 30, 2019.

Criteria: The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed a model that has been adopted as the generally accepted framework for an effective internal control structure. Under the COSO framework, management is responsible for the timely and accurate completeness of all financial records. This includes establishing and monitoring internal controls to ensure transactions and journal entries are properly initiated, authorized, recorded and processed into the general ledger in a timely manner. In addition, untimely closing procedures can lead to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system with implications on management's ability to make informed business decisions.

Context: During the current audit we identified several general ledger account, including the payroll bank account, accounts payable, deferred rent, accrued expenses, and certain revenue and expense accounts, which required adjustments to be made.

Cause: Turnover within the finance department resulted in untimely reconciliations of certain general ledger accounts.

Effect: The resulting effect was inaccurate financial reporting. The payroll bank account was overstated by \$71,769.

Repeat finding: No.

Recommendation: CCAoA should reconcile all general ledger accounts on a timely basis. CCAoA should follow its accounting policies and procedures processed in order to identify and resolve potential discrepancies between sub-ledger accounts and general ledger balances. As a component of the monitoring process under the COSO framework, reconciling differences should be researched and resolved with any necessary adjustments posted before the books are closed and the year-end audit commences.

Views of responsible individuals: See attached corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None reported.

Child Care Aware of America

**Summary Schedule of Prior Audit Findings
Year Ended September 30, 2019**

There were no audit findings reported for the year ended September 30, 2018.



CORRECTIVE ACTION PLAN

YEAR ENDED SEPTEMBER 30, 2019

Identifying Number: 2019-01 – Account Reconciliations and Post-Closing Adjustments

Finding: We identified certain general ledger accounts, including the payroll bank account, accounts payable, deferred rent, accrued expenses, and certain revenue and expense accounts, which required adjustments to be made subsequent to the start of the audit in order to be accurately reconciled at September 30, 2019.

Child Care Aware of America (CCAoA) replaced an outdated accounting system mid-year in 2019. This multi-month conversion process required significant staff effort. These efforts included updated processes and workflow to take advantage of the capabilities of the new system. This conversion created opportunities for enhancements in reporting and monitoring but resulted in delays in certain general ledger adjustments, which were primarily immaterial to the overall operations of CCAoA.

CCAoA's Chief Financial Officer, Elizabeth Goodman and Controller, Billye Horn are actively managing the corrective action plan. This plan involves active management of specific staff performance to include accountable deadlines and quality outcomes. Monthly closing processes, already in place are being closely monitored for complete and timely performance by responsible staff. All steps to ensure account reconciliations are completed per the schedule are in place and being monitored monthly to eliminate unnecessary year end and late audit entries. As of the submission of this document, the FY 2020 closing process implemented is being fully complied to by staff.