

CHILD CARE AWARE OF MINNESOTA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2016**

CHILD CARE AWARE OF MINNESOTA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Child Care Aware of Minnesota
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Aware of Minnesota (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinion

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

Other Matters

Report on Summarized Comparative Information

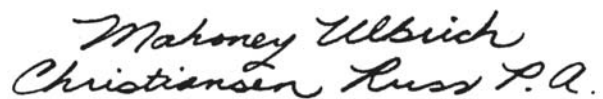
We have previously audited Child Care Aware of Minnesota’s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 13, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of Child Care Aware of Minnesota’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Child Care Aware of Minnesota’s internal control over financial reporting and compliance.



Saint Paul, Minnesota
March 27, 2017

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FINANCIAL POSITION

September 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Cash	\$ 2,033,584	\$ 1,837,230
Government grants and contracts receivable	823,308	869,743
Contributions receivable	7,500	-
Prepaid expenses	61,140	62,757
Total current assets	2,925,532	2,769,730
Equipment	72,502	44,725
Less accumulated depreciation	(44,494)	(40,089)
Net equipment	28,008	4,636
Total assets	\$ 2,953,540	\$ 2,774,366
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 49,923	\$ 32,188
R.E.E.T.A.I.N. grants payable	390,915	310,289
Accrued expenses	107,942	96,337
Deferred revenue	25,065	34,335
Refundable advances	1,221,127	1,504,415
Total current liabilities	1,794,972	1,977,564
Deferred excess rent	35,565	-
Total liabilities	1,830,537	1,977,564
Net assets:		
Unrestricted net assets	1,111,334	796,802
Temporarily restricted net assets	11,669	-
Total net assets	1,123,003	796,802
Total liabilities and net assets	\$ 2,953,540	\$ 2,774,366

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

	2016			2015
	Unrestricted	Temporarily restricted	Total	
Support and revenue:				
Government grants and contracts	\$ 3,935,437	\$ -	\$ 3,935,437	\$ 3,244,931
Contributions	27,153	15,000	42,153	1,413
Program income	522,848	-	522,848	304,710
Investment income	1,251	-	1,251	992
Net assets released from restrictions upon satisfaction of program restrictions	3,331	(3,331)	-	-
Total support and revenue	4,490,020	11,669	4,501,689	3,552,046
Expenses:				
Program services:				
CCR&R System Support	1,238,396	-	1,238,396	1,122,142
Financial Support	817,003	-	817,003	834,764
Eager to Learn	331,529	-	331,529	321,433
Race to the Top	1,371,058	-	1,371,058	932,015
Other	170,932	-	170,932	65,678
Total program services	3,928,918	-	3,928,918	3,276,032
Management and general	242,243	-	242,243	168,338
Fundraising	4,327	-	4,327	6,344
Total expenses	4,175,488	-	4,175,488	3,450,714
Change in net assets	314,532	11,669	326,201	101,332
Net assets, beginning of year	796,802	-	796,802	695,470
Net assets, end of year	<u>\$ 1,111,334</u>	<u>\$ 11,669</u>	<u>\$ 1,123,003</u>	<u>\$ 796,802</u>

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

	2016									
	Program Services									
	CCR&R System Support	Financial Support	Eager To Learn	Race To The Top	Other	Total program services	Management and general	Fundraising	Total	2015
Salaries	\$ 533,351	\$ 154,458	\$ 123,848	\$ 125,534	\$ 78,212	\$ 1,015,403	\$ 106,104	\$ 3,172	\$ 1,124,679	\$ 1,050,773
Payroll taxes	39,436	11,016	9,122	16,828	5,952	82,354	8,222	244	90,820	79,070
Employee benefits	68,196	23,295	17,513	24,233	14,115	147,352	12,693	384	160,429	147,260
Retirement plan	25,457	5,646	5,078	3,239	1,877	41,297	5,557	164	47,018	48,013
Total employee compensation	666,440	194,415	155,561	169,834	100,156	1,286,406	132,576	3,964	1,422,946	1,325,116
Insurance	4,093	995	906	149	-	6,143	405	-	6,548	5,888
Scholarships and grants	-	592,018	-	660,331	-	1,252,349	-	-	1,252,349	985,050
Accounting and legal	32,832	-	-	-	-	32,832	36,122	-	68,954	54,351
Supplies and advertising	8,927	6,197	2,010	-	465	17,599	4,663	-	22,262	24,328
Telephone, postage and copying	16,126	6,738	6,835	-	-	29,699	2,051	74	31,824	39,033
Occupancy	72,301	3,549	3,333	-	-	79,183	40,239	289	119,711	77,805
Equipment	47,515	6,451	19,837	-	-	73,803	2,415	-	76,218	95,629
Database development	-	-	-	-	-	-	-	-	-	38,426
Public relations and marketing	96,630	-	-	41,603	5,530	143,763	960	-	144,723	171,035
Staff travel and meals	6,626	969	-	4,178	422	12,195	8,066	-	20,261	16,412
Board and committee travel	30,981	-	73	3,512	-	34,566	565	-	35,131	30,398
Training and conferences	17,507	3,232	111,734	115,853	20,596	268,922	2,189	-	271,111	217,600
Depreciation	-	-	-	-	-	-	4,405	-	4,405	7,970
Miscellaneous	9,194	459	24,887	-	72	34,612	1,314	-	35,926	25,616
Consulting	229,224	1,980	6,353	375,598	43,691	656,846	6,273	-	663,119	336,057
	<u>\$ 1,238,396</u>	<u>\$ 817,003</u>	<u>\$ 331,529</u>	<u>\$ 1,371,058</u>	<u>\$ 170,932</u>	<u>\$ 3,928,918</u>	<u>\$ 242,243</u>	<u>\$ 4,327</u>	<u>\$ 4,175,488</u>	<u>\$ 3,450,714</u>

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

Increase (Decrease) in Cash

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 326,201	\$ 101,332
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	4,405	7,970
Deferred excess rent	35,565	-
Changes in operating assets and liabilities:		
Grants and contracts receivable	46,435	(271,314)
Contributions receivable	(7,500)	10,000
Prepaid expenses	1,617	(170)
Accounts payable	6,529	12,063
R.E.E.T.A.I.N. grants payable	80,626	214,200
Accrued expenses	11,605	(3,364)
Deferred revenue	(9,270)	14,625
Refundable advances	(283,288)	159,652
Net cash from operating activities	212,925	244,994
Cash flows from investing activities:		
Purchase of equipment	(16,571)	-
Net cash from investing activities	(16,571)	-
Net increase in cash	196,354	244,994
Cash, beginning of year	1,837,230	1,592,236
Cash, end of year	\$ 2,033,584	\$ 1,837,230
Noncash investing activities:		
Equipment included in accounts payable	\$ 11,206	\$ -

See accompanying notes to financial statements.

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

1. ORGANIZATION

Minnesota Child Care Resource and Referral Network, doing business as Child Care Aware of Minnesota (the Organization), is a nonprofit corporation which provides statewide leadership in shaping collaborations that build a diverse, high quality child care system accessible to all Minnesota families. The Organization's goal is to ensure a solid infrastructure for quality child care in the state. Approximately 90% of the Organization's funding was provided from state government grants funded with pass-through money from the U.S. Department of Health and Human Services and U.S. Department of Education in 2016 and 2015. Other support is provided from program income and contributions from foundations and individuals.

The Organization operates several programs to achieve its purpose which include:

Child Care Resource and Referral (CCR&R) System Support: The coordinating office provides coordination, training/technical assistance and infrastructure support to the 14 agencies that are contracted by the Minnesota Department of Human Services to provide community based activities, including child care referrals and consultation for parents, support for child care programs, training for early care and education providers, implementation of the Parent Aware quality rating and improvement system, and community networking. The duties of the System are prescribed by state statute.

Parent Aware is a voluntary Quality Rating and Improvement System (QRIS) for early care and education programs including licensed family child care programs, child care centers, Head Start, and School Readiness programs. The program is led by the Minnesota Department of Human Services in coordination with the Minnesota Office of Early Learning. The Child Care Aware system is coordinating local-level implementation.

Financial Support Programs:

The T.E.A.C.H.® Early Childhood Minnesota scholarship program (Teacher Education and Compensation Helps) is an education scholarship program for early care and education providers to attain higher education degrees, with the goal of increasing their competency, and reducing staff turnover by providing incentives to stay in the field.

The CDA/MN Child Care Credential Support Project focuses on financial support and guidance to child care professionals who are working toward and completing their National Child Development Associate (CDA) Credential or the Minnesota Child Care Credential, with a special emphasis on providers serving infants and toddlers and pre-school age children.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

1. ORGANIZATION (Continued)

The R.E.E.T.A.I.N. workforce retention program (Retaining Early Educators Through Attaining Incentives Now) both rewards quality and reduces turnover in the field by providing grants to child care providers who have already graduated with at least a two-year associate degree or currently hold a Child Development Associate (CDA) Credential.

Eager-to-Learn is an internet-based program offering high quality, online education for providers. Eager-to-Learn courses offer a continuum of research-based topics that promote developmentally appropriate care and effective early care and education strategies, and fill a niche between self-study/individual training opportunities, and the formal higher education system.

Race to the Top activities are focused primarily on increasing the education and training of the early care and education workforce in Minnesota, and providing additional support for their participation in Parent Aware. This work is funded by Minnesota's Race to the Top "Early Learning Challenge Grant" which is due to sunset December 31, 2016.

Other programs consist of statewide conference support, and additional funding that supports the basic work of the Child Care Aware system.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

- Unrestricted net assets represent the portion of net assets that are not subject to donor restrictions.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. At this time, the Organization has no permanently restricted net assets.

Concentration of Credit Risk – The Organization maintains cash balances in one large banking institution. At September 30, 2016, account balances exceeded the FDIC insured limit by \$900,691. The Organization does not believe it is exposed to any significant credit risk on these funds.

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

Contributions Receivable – Promises to give that are expected to be collected within one year are recorded at their net realizable value. Promises that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. As of September 30, 2016, all receivables are due within one year. Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections.

Accounts Receivable – Accounts receivable are stated at the amount management expects to collect. Management reviews receivable balances at year end and establishes an allowance for doubtful accounts based on expected collections. Receivables are written off as a charge to the allowance when, in management's estimation, it is probable the receivable is worthless. As of September 30, 2016, no allowance for uncollectible amounts has been recorded since management believes all receivables are collectible.

Equipment – Equipment with a value of at least \$5,000 and a useful life greater than one year is carried at cost, with the exception of contributed equipment, which is recorded at its fair market value at the date of the contribution. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the straight-line method over estimated useful lives of three to five years. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of equipment are capitalized.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Deferred Revenue – Deferred revenue includes class payments which will be recognized in a future period when the class occurs.

Donated Materials and Services – Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Government Grants and Contracts – Government grants and contract funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as refundable advances. Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

Scholarships and Grants – Scholarships and grants awarded by the Organization are recorded as liabilities when they become unconditional. R.E.E.T.A.I.N., CDA, and Adult Ed grants are unconditional and are recorded when the award is made. T.E.A.C.H. scholarship grants generally cover multiple semesters of education and are considered conditional upon continued enrollment. Liabilities are recorded at the time confirmation of enrollment for the semester is received. At September 30, 2016, they have approximately \$1.5 million of encumbered T.E.A.C.H. scholarships. Most of the refundable advances could be used for this purpose.

Office Rent – Base rent expense is recognized evenly over the term of the lease. Excess rent recognized over payments due is reporting as deferred excess rent. Common area maintenance costs are recognized when invoiced.

Functional Expenses – Expenses have been recorded in program service and support service categories based on whether an expense can be identified to either area. In the absence of specific identification, expenses have been allocated based on staff time spent in each category or by square footage. The time allocations are based on management estimates.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes – The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from businesses that are not related to its exempt purpose. Management believes the Organization did not have any unrelated business income or uncertain tax positions in 2016 or 2015.

Prior Year Summarized Information – The financial statements include certain prior year summarized information in total but not by net asset class or by functionalized expenses. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended September 30, 2015, from which the summarized information was derived.

3. UNEMPLOYMENT FUND DEPOSIT

Child Care Aware of Minnesota has elected to opt out of participation in the Minnesota Unemployment Insurance Program. Child Care Aware of Minnesota is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. UST also monitors and processes claims on the Organization’s behalf. Child Care Aware of Minnesota could be required to make additional payments if claims exceed the UST account balance. The UST account balance of \$31,429 and \$36,378, is included in prepaid expenses at September 30, 2016 and 2015, respectively.

4. REFUNDABLE ADVANCES

Refundable advances are for the following programs:

	<u>2016</u>	<u>2015</u>
CCR&R System Support	\$ 689,387	\$ 985,656
Scholarship Programs –T.E.A.C.H.	160,289	160,243
Race to the Top	338,139	339,766
Adult Education	33,312	18,750
	<u>\$ 1,221,127</u>	<u>\$ 1,504,415</u>

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

5. RESTRICTED NET ASSETS

The Organization has board restricted net assets of \$582,356 and \$267,867 at September 30, 2016 and 2015, respectively. These funds are program income generated by Eager-to-Learn related to the federal funds and are restricted for future use on the Eager-to-Learn program.

Temporarily restricted net assets are restricted for the following purposes:

	<u>2016</u>	<u>2015</u>
Parent Outreach	\$ 11,669	\$ -

Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Cash	\$ 4,169	\$ -
Contributions receivable	7,500	-
	<u>\$ 11,669</u>	<u>\$ -</u>

6. ECONOMIC DEPENDENCY

The Organization received approximately 90% of its support and revenue from one state governmental agency for the years ended September 30, 2016 and 2015. A significant reduction in the level of this support would have an effect on Child Care Aware of Minnesota's programs and services and could prevent Child Care Aware of Minnesota from continued existence in its present form.

7. RETIREMENT PLAN

The Organization has a 401(k) retirement savings plan. Subject to certain plan requirements, employees of the Organization are eligible to participate in the plan. The plan is a matched plan under which voluntary employee contributions are matched by the employer. Matching contributions are made by the Organization at a maximum rate up to 5% of gross salaries to be determined annually and based on the availability of funds. For 2016 and 2015, the match was set at 5%. The Organization's retirement plan expense was \$47,018 and \$48,012 in 2016 and 2015, respectively.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

8. LEASED OFFICE SPACE

The Organization leased office space under the terms of an operating lease that expired on December 31, 2015. The Organization moved and entered into a new operating lease that expires June 30, 2023, with an option to renew for three additional years at fair market rents. Under this lease, the Organization received the first eight months' rent-free, and then began paying rent of \$54,400 per year (\$4,533 per month) increasing 2.5% annually. In addition to base rent, the Organization pays a proportionate share of common area expenses (CAM). No CAM was due for the first eight months of the lease. The abated CAM was recorded as a contribution of \$25,082 in 2016.

Total rental expense was \$100,220 and \$77,805 for the years ended September 30, 2016 and 2015, respectively.

Future minimum base lease payments required are as follows:

2017	\$	54,625
2018		55,981
2019		57,381
2020		58,825
2021		60,311
Thereafter		<u>114,421</u>
	\$	<u>401,544</u>

9. CONTINGENCIES

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

10. RELATED PARTIES

Certain members of the Board of Directors teach courses at the Organization. During 2016, the Organization paid the members a total of \$22,296.

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO FINANCIAL STATEMENTS

For the Year Ended September 30, 2016
(With Comparative Totals for 2015)

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 27, 2017, the date on which the financial statements were available for issue, and identified no significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2016

Federal Grantor/ Pass-through Grantor/ Program Title/Grant Number	Federal CFDA Number	Federal Expenditures
Department of Health and Human Services, Administration for Children and Families:		
Passed through the State of Minnesota Department of Human Services, Community Partnerships Division		
CCDF Cluster: Child Care and Development Block Grant	93.575	
Award #94351		\$ 1,949,808
Award #94582		142,951
Program Income		<u>491,322</u>
<i>Total Department of Health and Human Services, Administration for Children and Families</i>		<u>2,584,081</u>
Department of Education		
Passed through the State of Minnesota Department of Human Services, Community Partnerships Division		
Race to the Top - Early Learning Challenge Grant	84.412A	
Award #94351		1,066,253
Award #94582		77,627
Award #2015-00290		<u>21,012</u>
<i>Total Department of Education</i>		<u>1,164,892</u>
		<u>\$ 3,748,973</u>

(Continued)

CHILD CARE AWARE OF MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2016

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Child Care Aware of Minnesota under programs of the federal government for the year ended September 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Child Care Aware of Minnesota, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Child Care Aware of Minnesota.

Note 2. Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, or the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

(3) The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3. Program Income on Child Care and Development Block Grant

In accordance with terms of the Child Care and Development Block Grant, program income totaling \$491,322 was used to reduce the amount of federal funds for the program. Program income is included in the schedule of expenditures of federal awards when received.



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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Child Care Aware of Minnesota
Saint Paul, Minnesota

We have audited the financial statements of Child Care Aware of Minnesota (a nonprofit organization), which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated March 27, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Aware of Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Care Aware of Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of Child Care Aware of Minnesota's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Care Aware of Minnesota's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
March 27, 2017



Mahoney Ulbrich Christiansen Russ P.A.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Child Care Aware of Minnesota
Saint Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Child Care Aware of Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Child Care Aware of Minnesota's major federal programs for the year ended September 30, 2016. Child Care Aware of Minnesota'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 Child Care Aware of Minnesota'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* (the Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child Care Aware of Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Child Care Aware of Minnesota's compliance.

(Continued)

Opinion on Each Major Federal Program

In our opinion, Child Care Aware of Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of Child Care Aware of Minnesota is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Care Aware of Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on 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 Child Care Aware of Minnesota's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Saint Paul, Minnesota
March 27, 2017

*Mahoney Ulbrich
Christiansen Russ P.A.*

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified		
"Going concern" emphasis-of-matter paragraph included in the auditor's report?	_____ yes	_____ <u>X</u> no	
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
• Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	

FEDERAL AWARDS

Internal control over major programs:			
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
• Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> none reported	
Type of auditor's report issued on compliance for major programs	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	_____ <u>X</u> no	
Identification of major programs:			
• CCDF Cluster			
• CFDA Number 84.412A – Race to the Top – Early Learning Challenge			
Dollar threshold used to distinguish between type A and type B programs		_____ <u>\$ 750,000</u>	
Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no	

(Continued)

CHILD CARE AWARE OF MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended September 30, 2016

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No matters were reported.

CHILD CARE AWARE OF MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2016

DEPARTMENT OF HEALTH AND HUMAN SERVICES

FINDING 2015-001: Monitoring Scholarship Eligibility Determinations

Condition: This finding was a significant deficiency stating that the Organization did not document or always perform monitoring controls for eligibility determination for scholarship recipients

Recommendation: The auditor recommended the Organization develop and implement a second review process for all scholarship files and document the performance of this review. The auditor also recommended that the Organization document this process in writing so future staff changes will not result in the practice being abandoned again.

Current Status: The recommendation was adopted in December 2015. No similar findings were noted in the 2016 audit.