

CHILDCARE RESOURCES

**Financial Statements
and
Supplemental Information**

**For The Year Ended
September 30, 2020
With Comparative Totals for the
Year Ended September 30, 2019**

CHILDCARE RESOURCES

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CHILDCARE RESOURCES

Nature of Operations For the Year Ended September 30, 2020

MISSION STATEMENT

Childcare Resources' mission is to make quality care and education of children happen by providing information, education and assistance to families, providers of child care and the community.

SERVICES FOR FAMILIES

- **Child Care Resource & Referral** - Provides referrals to legally operating child care providers and resources on selecting the appropriate care for children.
- **Child Care Financial Assistance** - Provides child care financial assistance to working families who are over income to receive state subsidies.
- **Parent Resources & Support** – Provides information and materials to assist parents/families in parenting their children. Resources offered include child development information, including age-appropriate expectations, activities and positive parenting practices, among other topics.

SERVICES FOR CHILD CARE PROVIDERS

- **Training and Technical Assistance** - Training sessions, courses and conferences are offered for providers to assist them in meeting the needs of children in their care. Technical assistance is available to current and potential providers looking to improve the quality of care being provided, open a new child care program or seek CDA or national accreditation. Programs include:
 - **Early Learning Library and Resource Van** - offers an array of resources and services for early care educators.
 - **RISE Assistance to Accreditation** - offers assistance to child care programs interested in working towards national accreditation standards and improving the quality of early care they offer at their child care center.
 - **Infant Toddler Program** - offers assistance to child care centers that want to improve the quality of care in their infant and toddler classrooms.

SERVICES FOR THE COMMUNITY

- **Meeting the Demand for Child Care** - Childcare Resources recruits, trains and provides technical assistance to child care providers so that parents have access to quality care and are able to be successful in the workplace. Childcare Resources offers referral services to match child care needs with available resources. Through these referrals, families are educated about their options for quality child care relative to cost, location and enhancement services. Providing families with tools to help them identify indicators for quality child care is an essential component of referral services.
- **Education** - Childcare Resources provides employers and the community with information surrounding quality child care issues through the *Status of Child Care Report*, which is published periodically and provides data on early care and education in Blount, Jefferson, Shelby, and Walker counties.
- **Public Awareness** - Childcare Resources educates parents and providers so they can serve as advocates for child care issues and support quality care locally, statewide and nationally. Families, providers and the community are encouraged to educate their legislators on issues important for young children. Since children cannot vote, we must be their voice.

BORLAND | BENEFIELD

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Childcare Resources
Birmingham, Alabama

We have audited the accompanying financial statements of Childcare Resources (the Agency) which comprise the statement of financial position as of September 30, 2020, and 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Childcare Resources as of September 30, 2020, 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

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that comprise the Agency's basic combined financial statements. The combining statement of financial position and statement of activities are presented for purposes of additional analysis and are not a required part of the financial statements of Childcare Resources. 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 combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined 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 1, 2021 on our consideration of Childcare Resources' 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 the Agency's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Childcare Resources' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 31, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Borland Benefield, P.C.
Birmingham, Alabama
March 1, 2021

CHILDCARE RESOURCES

Statement of Financial Position
As of September 30, 2020

With Comparative Totals for the Year Ended September 30, 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 441,179	\$ 272,504
Grants receivable	455,104	80,371
Pledges receivable, net	69,952	90,439
Prepaid expenses	7,875	7,875
Property and equipment, net	<u>27,382</u>	<u>48,904</u>
Total Assets	<u>\$ 1,001,492</u>	<u>\$ 500,093</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 377,776	\$ 27,487
Accrued expenses	<u>45,992</u>	<u>28,389</u>
Total Liabilities	<u>423,768</u>	<u>55,876</u>
Net Assets		
Without donor restrictions	473,157	399,055
With donor restrictions	<u>104,567</u>	<u>45,162</u>
Total Net Assets	<u>577,724</u>	<u>444,217</u>
Total Liabilities and Net Assets	<u>\$ 1,001,492</u>	<u>\$ 500,093</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES

Statement of Activities For the Year Ended September 30, 2020 With Comparative Totals for the Year Ended September 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2020 Total</u>	<u>2019 Total</u>
Revenue and Support				
Governmental grants	\$ -	\$ 1,128,291	\$ 1,128,291	\$ 569,475
United Way of Central Alabama	611,298	-	611,298	623,509
Contributions	63,862	133,912	197,774	188,727
Special events	135,622	-	135,622	243,430
Corporate contracts & program revenue	14,027	85,767	99,794	109,647
In-kind	-	-	-	31,539
Other revenue	1,526	-	1,526	8,365
Net assets released from restrictions	<u>1,288,565</u>	<u>(1,288,565)</u>	<u>-</u>	<u>-</u>
Total Revenue and Support	<u>2,114,900</u>	<u>59,405</u>	<u>2,174,305</u>	<u>1,774,692</u>
Expenses				
Program Services				
Training and technical assistance	779,935	-	779,935	742,314
Supplemental child care program	176,923	-	176,923	239,107
RISE	81,684	-	81,684	80,709
Early learning resource van/center	71,712	-	71,712	69,573
Infant toddler	87,090	-	87,090	97,246
Resource and referral	38,193	-	38,193	35,956
Head Start	<u>355,482</u>	<u>-</u>	<u>355,482</u>	<u>-</u>
Total Program Services	<u>1,591,019</u>	<u>-</u>	<u>1,591,019</u>	<u>1,264,905</u>
Supporting Services				
Management and general	210,630	-	210,630	189,931
Fundraising	<u>239,149</u>	<u>-</u>	<u>239,149</u>	<u>334,540</u>
Total Expenses	<u>2,040,798</u>	<u>-</u>	<u>2,040,798</u>	<u>1,789,376</u>
Change in Net Assets	74,102	59,405	133,507	(14,684)
Net Assets, Beginning of Year	<u>399,055</u>	<u>45,162</u>	<u>444,217</u>	<u>458,901</u>
Net Assets, End of Year	<u>\$ 473,157</u>	<u>\$ 104,567</u>	<u>\$ 577,724</u>	<u>\$ 444,217</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES

Statement of Functional Expenses
For the Year Ended September 30, 2020
With Summary Totals for 2019

	Training & Technical Assistance	Supplemental Child Care Program	RISE	Early Learning Resource Van/Center	Infant Toddler	Resource Referral	Head Start	Total Program Services	Management & General	Fundraising	2020 Total	2019 Total
Functional Expenses												
Salaries	\$ 409,288	\$ 82,779	\$ 54,781	\$ 46,723	\$ 54,254	\$ 24,926	\$ 18,339	\$ 691,090	\$ 103,416	\$ 154,352	\$ 948,858	\$ 880,610
Employee benefits	50,392	11,829	3,083	3,026	3,080	2,113	667	74,190	11,764	16,338	102,292	100,289
Payroll taxes	31,154	6,237	4,272	3,694	4,126	2,049	1,423	52,955	6,976	11,645	71,576	64,347
Retirement	21,548	4,998	3,837	3,269	3,796	892	627	38,967	6,684	10,925	56,576	45,566
Total Salaries and Related Costs	<u>512,382</u>	<u>105,843</u>	<u>65,973</u>	<u>56,712</u>	<u>65,256</u>	<u>29,980</u>	<u>21,056</u>	<u>857,202</u>	<u>128,840</u>	<u>193,260</u>	<u>1,179,302</u>	<u>1,090,812</u>
Other Expenses												
Contractual services	110,375	1,175	773	759	791	366	333,290	447,529	30,917	10,320	488,766	131,819
Occupancy	88,355	9,181	6,212	6,138	6,380	2,922	-	119,188	12,479	14,337	146,004	144,094
Child care payments	-	48,910	-	-	-	-	-	48,910	-	-	48,910	108,831
Professional fees	11,511	8,264	1,289	1,231	1,367	3,745	-	27,407	3,817	4,870	36,094	36,881
Incentives	18,100	-	4,988	-	10,624	-	-	33,712	-	-	33,712	34,097
Insurance	10,450	1,663	1,169	1,126	1,215	566	-	16,189	1,559	2,700	20,448	18,949
Program supplies	7,201	329	720	790	645	92	-	9,777	290	5,932	15,999	22,721
Telephone	2,783	795	315	1,442	323	149	-	5,807	1,851	1,582	9,240	8,298
Production of material	6,306	-	-	-	-	-	-	6,306	-	1,900	8,206	24,419
Dues and subscriptions	2,256	429	25	23	27	7	-	2,767	1,799	155	4,721	6,089
Office supplies	2,744	183	126	192	362	74	-	3,681	650	382	4,713	7,278
Honorariums	4,700	-	-	-	-	-	-	4,700	-	-	4,700	10,352
Agency sponsored events	284	-	-	-	-	-	-	284	2,340	2,000	4,624	42,745
Meetings and conventions	162	-	-	-	-	250	-	412	1,928	678	3,018	6,006
Postage and shipping	1,174	132	91	89	96	37	-	1,619	127	730	2,476	5,839
Miscellaneous	69	19	3	5	4	-	1,136	1,236	1,236	1	2,473	2,658
Educational resources	-	-	-	2,060	-	-	-	2,060	-	-	2,060	2,544
Repair and maintenance	-	-	-	1,145	-	-	-	1,145	313	-	1,458	5,214
Staff reimbursements	1,083	-	-	-	-	5	-	1,088	277	52	1,417	4,162
Interest	-	-	-	-	-	-	-	-	551	-	551	-
Advertising	-	-	-	-	-	-	-	-	-	250	250	-
Equipment	-	-	-	-	-	-	-	-	135	-	135	4,686
Total Other Expenses	<u>267,553</u>	<u>71,080</u>	<u>15,711</u>	<u>15,000</u>	<u>21,834</u>	<u>8,213</u>	<u>334,426</u>	<u>733,817</u>	<u>60,269</u>	<u>45,889</u>	<u>839,975</u>	<u>627,682</u>
Total Expenses Before Depreciation	779,935	176,923	81,684	71,712	87,090	38,193	355,482	1,591,019	189,109	239,149	2,019,277	1,718,494
Uncollectable Pledges	-	-	-	-	-	-	-	-	-	-	-	18,712
In-Kind	-	-	-	-	-	-	-	-	-	-	-	31,539
Depreciation	-	-	-	-	-	-	-	-	21,521	-	21,521	20,631
Total Functional Expenses	<u>\$ 779,935</u>	<u>\$ 176,923</u>	<u>\$ 81,684</u>	<u>\$ 71,712</u>	<u>\$ 87,090</u>	<u>\$ 38,193</u>	<u>\$ 355,482</u>	<u>\$ 1,591,019</u>	<u>\$ 210,630</u>	<u>\$ 239,149</u>	<u>\$ 2,040,798</u>	<u>\$ 1,789,376</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES

Statement of Cash Flows
For the Year Ended September 30, 2020
With Comparative Totals for the Year Ended September 30, 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from United Way	\$ 611,298	\$ 623,509
Governmental grant revenue received	753,558	542,889
Contributions received	318,384	253,712
Special event income	135,622	224,718
Other cash received	-	6,755
Cash paid for programs and operations	(1,650,834)	(1,712,889)
Interest received	647	1,611
Net Cash Provided/(Used) by Operating Activities	<u>168,675</u>	<u>(59,695)</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	-	(15,352)
Net Cash (Used) by Investing Activities	<u>-</u>	<u>(15,352)</u>
Net Change in Cash and Cash Equivalents	168,675	(75,047)
Cash and Cash Equivalents, Beginning of Year	<u>272,504</u>	<u>347,551</u>
Cash and Cash Equivalents, End of Year	<u>\$ 441,179</u>	<u>\$ 272,504</u>

See accompanying notes to financial statements.

CHILDCARE RESOURCES

Notes to Financial Statements For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies

Introduction – Childcare Resources (the Agency) was incorporated under the laws of the State of Alabama in 1984 as a nonprofit organization and serves the greater Birmingham, Alabama area. The mission of the Agency is to make quality childcare and education of children happen by providing information, education and assistance to families, providers of childcare and the community.

Use of Estimates – The preparation of financial statements in conformity with *Generally Accepted Accounting Principles* requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Basis of Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with *Generally Accepted Accounting Principles*. Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions.

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Agency, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

Cash and Cash Equivalents – For purposes of the Statement of Cash Flows, the Agency considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

Fair Value of Financial Instruments – Financial Accounting Standards Board ASC 820-10, Fair Value Measurement and Disclosures, requires the Agency to disclose estimated fair values for its financial instruments. Fair value estimates, methods and assumptions are set forth below for the Agency's financial instruments.

The carrying amounts of cash, accounts receivable, accounts payable, and accrued liabilities approximates fair value because of the short-term maturity of those instruments.

Receivables and Revenue Recognition – Management reviews all receivables annually for uncollectible accounts. At year end, management believes that all amounts included in receivables are collectible and an allowance for uncollectible accounts would be immaterial to the financial statements. Revenues from grant contracts are recognized by the Agency when the grantor organization is billed.

CHILDCARE RESOURCES

Notes to Financial Statements (continued) For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Promises to Give – Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of cash flows. Management has determined the discounts on those amounts to be \$2,881 and \$9,161 as of September 30, 2020 and 2019, respectively.

Property and Equipment – Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Agency reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Agency reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment is capitalized at cost if purchase price exceeds \$500 or fair market value, if donated. Property and equipment is depreciated using the straight-line method over the estimated useful life of the asset.

Contributions – Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Concentration of Contributions – The Agency receives approximately 34% of its annual budget income from the Alabama Department of Human Resources and 35% from the United Way of Central Alabama. At year-end, approximately 78% of the Agency's grants receivable balance was due from the Department of Health and Human Services. Any changes in the State Department or United Way budgets would significantly affect the Agency and its operations.

Functional Expense Allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited through the indirect cost allocation based on employees under the various programs.

Fundraising Expenses - Fundraising expenses of \$239,149 and \$334,540 are included in supporting service costs for the year ended September 30, 2020 and 2019, respectively.

Income Taxes – The Agency is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code. Accordingly, all exempt function income received by the Agency is not subject to income tax.

As of September 30, 2020, the Agency had no uncertain tax positions that qualify for disclosure in the financial statements. The Agency files an annual Form 990 with the Internal Revenue Service and its tax return for the year ended 2017 and subsequent years remain subject to examination by tax authorities.

See independent auditor's report.

CHILDCARE RESOURCES

Notes to Financial Statements (continued) For the Year Ended September 30, 2020

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue from Contracts with Customers - During fiscal year 2020, the Agency adopted ASC Topic 606, Revenue from Contracts with Customers (“ASC 606”), which provides guidance for reporting revenue from the Agency’s contracts to provide goods or services to customers. The guidance requires recognition of revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied. The majority of the Agency’s revenue-generating transactions are excluded from the scope of ASC 606, including revenue generated from financial instruments.

The Agency did not have an aggregate effect of modification resulting from adoption of ASC 606, and no financial statement line items were affected by this change in accounting standard.

Recent Pronouncements – In February 2016, the FASB issued ASU 2016-02, Leases. The standard’s core principle is that a company will reflect virtually all leases on their balance sheet. The FASB retained a dual model that includes financing leases, which are similar to today’s capital leases, and operating leases, with expense recognized on a straight-line basis. Under the FASB’s dual approach, determining whether a lease is finance or operating will be based on guidance similar to the classification model under current US GAAP. The FASB’s standard is effective for non-profit organizations for interim and annual reporting periods beginning after December 15, 2021. Entities are required to adopt the standard using a modified retrospective transition approach, which requires application of the new guidance at the beginning of the earliest comparative period presented in the year of adoption. Early adoption is permitted. We recommend that management review the update’s provisions and plan accordingly.

Note 2 – Liquidity and Availability of Financial Assets

The Agency manages liquidity by maintaining an operating line of credit of \$100,000 with a bank that is drawn upon as needed during the year to manage cash flow and is then repaid in full by the end of the fiscal year as applicable. See Note 7 for further description of this line.

The following reflects the Agency’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date.

	<u>2020</u>	<u>2019</u>
Financial Assets at Year-End, Consisting of Cash and Receivables:	\$ 966,235	\$ 443,314
Board restricted assets - Money Market Savings Account	(397,550)	(251,855)
Donor restricted assets - Detailed in Note 11	<u>(104,567)</u>	<u>(45,162)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 464,118</u>	<u>\$ 146,297</u>

Note 3 – Cash and Cash Equivalents

The Agency maintains accounts at a single financial institution. The accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At September 30, 2020, the Agency had deposits in excess of FDIC coverage in the amount of \$183,652.

See independent auditor's report.

CHILDCARE RESOURCES

Notes to Financial Statements (continued) For the Year Ended September 30, 2020

Note 3 – Cash and Cash Equivalents (continued)

At September 30, 2020 and 2019, the Agency had total cash on hand and deposits with the financial institution totaling \$441,179 and \$272,504, respectively, as follows:

	<u>2020</u>	<u>2019</u>
Checking account	\$ 43,353	\$ 20,374
Money market	397,551	251,855
Petty cash	275	275
Total Cash and Cash Equivalents	<u>\$ 441,179</u>	<u>\$ 272,504</u>

Note 4 – Grants Receivable

Grants receivable consist of the following:

	<u>2020</u>	<u>2019</u>
Department of Health and Human Services	\$ 355,482	\$ -
Department of Human Resources	94,305	63,306
Community Development Block Grant	2,692	12,426
Other	2,625	4,639
Total	<u>\$ 455,104</u>	<u>\$ 80,371</u>

Note 5 – Pledges Receivable

The Agency had unconditional promises to give in the amount of \$69,952 and \$90,439, net of allowance for uncollected pledges, at September 30, 2020 and 2019, respectively. As of September 30, 2020, and 2019, the pledge receivable balances consisted of the following:

	<u>2020</u>	<u>2019</u>
Pledges receivable due:		
Receivable in less than one year	\$ 25,350	\$ 27,600
Receivable in one to five years	47,483	72,000
	<u>72,833</u>	<u>99,600</u>
Allowance for uncollected pledges	(2,881)	(9,161)
Total	<u>\$ 69,952</u>	<u>\$ 90,439</u>

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See independent auditor's report.

CHILDCARE RESOURCES

Notes to Financial Statements (continued) For the Year Ended September 30, 2020

Note 6 – Property and Equipment

Depreciation of buildings and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Software	\$ 67,524	\$ 67,524
Vehicles	47,324	47,324
Computer equipment	53,515	53,515
Furniture	30,461	30,461
Office equipment	14,132	14,132
	<u>212,956</u>	<u>212,956</u>
Less: Accumulated depreciation	<u>(185,574)</u>	<u>(164,052)</u>
Property and Equipment, net	<u>\$ 27,382</u>	<u>\$ 48,904</u>

The total amount of depreciation expense was \$21,521 and \$20,631, as of September 30, 2020 and 2019, respectively.

Note 7 - Line of Credit

The Agency has a line of credit held with CenterState Bank. The unsecured line of credit matured at September 10, 2020 and a principle limit of \$100,000 with a variable interest rate that is 0.250% above the Wall Street prime lending rate of 3.25% resulting in an initial rate of 3.50%. As of September 30, 2020, and 2019, the Agency had no outstanding balance on the line of credit.

Note 8 – Pension Plan

The Agency sponsors a tax deferred annuity plan covering all regular employees over the age of 21 with one year of service. For the year ended September 30, 2020 and 2019, the Agency contributed 5% of employee salaries into the plan and matched up to 2% of employee contributions. Agency contributions amounted to approximately \$56,576 and \$45,566 for the years ended September 30, 2020 and 2019, respectively.

Note 9 – Leases

The Agency leases facilities and equipment under operating leases expiring through 2027. The following is a schedule of future minimum lease obligations at September 30, 2020:

For the year ending September 30:	
2021	\$ 132,449
2022	144,306
2023	144,306
2024	142,488
2025 and thereafter	432,820
Total	<u>\$ 996,369</u>

Lease expense amounted to \$155,533 and \$153,697 for the years ended September 30, 2020 and 2019, respectively.

See independent auditor's report.

CHILDCARE RESOURCES

Notes to Financial Statements (continued) For the Year Ended September 30, 2020

Note 10 – Paycheck Protection Program Loan

On April 24, 2020, the Agency received loan proceeds in the amount of \$208,914 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four week period. The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first six months.

The Agency has elected to recognize the PPP loan funds under FASB *Accounting Standards Codification* (ASC) 958-605, *Revenue Recognition*, initially recognizing the proceeds received from the PPP loan as a conditional contribution. Based on the criteria of the loan, the Agency believes that it represents a grant that is expected to be forgiven.

As of the end of the Agency’s fiscal year, all of the proceeds have been utilized and meet forgiveness qualifications. The full amount has been recognized as grant revenue.

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions totaled \$104,567 and \$45,162 at September 30, 2020 and 2019, respectively. This amount was restricted for scholarships, training sessions, remaining grant funding for multiple programs, and financial assistance as part of the Supplemental Child Care Program. Total net assets with donor restrictions are comprised of the following:

	<u>2020</u>	<u>2019</u>
Training Programs	\$ 27,334	\$ 13,939
Healthy Kids Healthy Families Program	18,276	-
Early Learning Demonstration Classroom (ELDC)	15,923	798
Alabama COVID-19 Relief	15,000	-
Supplemental Child Care Program (SCCP)	14,833	17,590
Resource and Referral Program	10,000	12,500
Talk With Me Baby Program	2,610	-
Infant Toddler Program	394	218
Resource Library	197	117
Total Net Assets With Donor Restrictions	<u>\$ 104,567</u>	<u>\$ 45,162</u>

Note 12 – Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with general accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency’s financial statements for the year ended September 30, 2019, from which the summarized information was derived.

See independent auditor's report.

CHILDCARE RESOURCES

Notes to Financial Statements (continued) For the Year Ended September 30, 2020

Note 13 – Subsequent Events

As of the date of these financial statements, the recent spread of coronavirus has had a significant impact on the local, national, and global economies. The extent to which these events will affect our results of operations and financial position remains uncertain.

On January 14, 2021, Childcare Resources entered into a new lease agreement which extended the lease on their current Homewood office space through 2027. The future minimum payments related to this lease are properly disclosed in Note 9.

The Agency's management has evaluated subsequent events through March 1, 2021, the date the financial statements were available to be issued.

**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
Childcare Resources

We have audited, in accordance with the 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 Childcare Resources as of and for the year ended September 30, 2020, and have issued our report thereon dated March 1, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Childcare Resources internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.

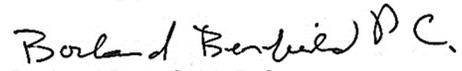
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Childcare Resources' financial statements are free of 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 financial statements. 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 *Governmental Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Borland Benefield, P.C.
Birmingham, Alabama
March 1, 2021

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

To the Board of Directors
Childcare Resources

Report on Compliance for Each Major Program

We have audited Childcare Resources compliance with types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Agency's major federal programs for the year ended September 30, 2020. The Agency'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Childcare Resources 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, 2020.

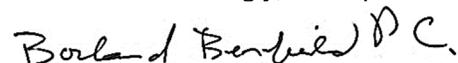
Report on Internal Control Over Compliance

Management of Childcare Resources 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 Childcare Resources' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency'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.


Borland Benefield, P.C.
Birmingham, Alabama
March 1, 2021

CHILDCARE RESOURCES

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2020**

Federal Grantor/ Pass-through Grantor Program Title	CFDA Number	Pass-Through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services			
Child Care and Development Block Grant	93.575		
Passed through AL Department of Human Resources		2003-Q	\$ 527,743
Head Start	93.600		<u>355,482</u>
Total U.S. Department of Health and Human Services			<u>883,225</u>
Department of Housing and Urban Development			
Community Development Block Grants/Entitlement Grants	14.218		
Passed through the City of Birmingham		PY44, PY45	18,259
Passed through Jefferson County			<u>2,893</u>
Total U.S. Department of Housing and Urban Development			<u>21,152</u>
Total			<u>\$ 904,377</u>

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal award activity of Childcare Resources under programs of the federal government for the year ended September 30, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Childcare Resources, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Childcare Resources.

Note B – 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Childcare Resources has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CHILDCARE RESOURCES

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2020**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:
Material weakness(es) identified? yes X no

Significant deficiency(s) identified that are not considered to be
material weaknesses? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes X no

Significant deficiency(s) identified that are not considered to be
material weaknesses? yes X no

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) of the Uniform Guidance? yes X no

Identification of major programs:
U.S. Department of Health and Human Services
CFDA #93.575 - Childcare and Development Block Grant

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

Auditee qualified as low-risk auditee? X yes no

Section II - Financial Statement Findings

None Reported

Section III - Federal Award Findings and Questioned Costs

None Reported

Section IV - Prior Year Findings

Findings - Financial Statements Audit

None Reported

Findings and Questioned Costs - Major Federal Award Programs Audit

None Reported