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September 22, 2020

Board of Directors
Community Coordinated Child Care of St. Joseph County, Inc.
224 W. Jefferson Blvd., Suite 102
South Bend, IN 46601

We have reviewed the audit report of Community Coordinated Child Care of St. Joseph County, Inc., which was opined upon by Cullar & Associates, PC, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Community Coordinated Child Care of St. Joseph County, Inc. as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding in the report on pages 21-22. Please see the Schedule of Findings and Questioned Costs for further detail. Management's Corrective Action Plan appears on pages 23-24.

The audit report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

FINANCIAL AND COMPLIANCE REPORT

**COMMUNITY COORDINATED CHILD CARE OF
ST. JOSEPH COUNTY, INCORPORATED**

December 31, 2019 and 2018

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**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

To the Board of Directors
Community Coordinated Child Care of St. Joseph County, Incorporated
South Bend, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Community Coordinated Child Care of St. Joseph County, Incorporated, which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Community Coordinated Child Care of St. Joseph County, Incorporated as of December 31, 2019

and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on 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, 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 September 4, 2020, on our consideration of Community Coordinated Child Care of St. Joseph County, Incorporated'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 Community Coordinated Child Care of St. Joseph County, Incorporated's internal control over financial reporting and compliance.

Cullen & Associates, P.C.

South Bend, Indiana
September 4, 2020

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	\$ 125,825	\$ 112,636
Service fees receivable	148,033	137,253
Prepaid expenses	1,680	2,010
Office equipment, net of accumulated depreciation of \$10,517 for both years	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 275,538</u>	<u>\$ 251,899</u>
 Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 132,441	\$ 122,493
Accrued liabilities	2,889	1,986
Refundable advances	<u>28,788</u>	<u>22,373</u>
<i>Total liabilities</i>	<u>164,118</u>	<u>146,852</u>
 Net Assets - in total and without donor restrictions	 <u>111,420</u>	 <u>105,047</u>
 <i>Total liabilities and net assets</i>	 <u>\$ 275,538</u>	 <u>\$ 251,899</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Support and Revenues:		
Service fees	\$ 1,725,817	\$ 1,729,531
Contributions	-	2,186
United Way of Marshall County	123	120
Interest income	<u>6</u>	<u>6</u>
<i>Total support and revenues</i>	<u>1,725,946</u>	<u>1,731,843</u>
Expenses:		
Program services expenses:		
Child care services	1,666,662	1,671,732
Supporting services expenses:		
Management and general	<u>52,911</u>	<u>55,362</u>
<i>Total expenses</i>	<u>1,719,573</u>	<u>1,727,094</u>
Change in net assets - in total and without		
donor restrictions	6,373	4,749
Net assets - in total and without donor restrictions,	<u>105,047</u>	<u>100,298</u>
beginning of year		
<i>Net assets - in total and without donor restrictions,</i>		
<i>end of year</i>	<u>\$ 111,420</u>	<u>\$ 105,047</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2019 and 2018

	2019			2018		
	Child Care Services	Management and General	Totals	Child Care Services	Management and General	Totals
Nutritional assistance to centers	\$ 1,555,641	\$ -	\$ 1,555,641	\$ 1,565,041	\$ -	\$ 1,565,041
Salaries and wages	59,328	23,890	83,218	55,328	27,099	82,427
Payroll taxes and related	9,051	3,644	12,695	8,239	4,036	12,275
Professional services	-	13,215	13,215	-	13,415	13,415
Office supplies	2,692	946	3,638	6,998	1,642	8,640
Postage	328	115	443	294	69	363
Communications	11,595	4,074	15,669	14,095	3,306	17,401
Occupancy	10,709	2,677	13,386	10,661	2,665	13,326
Insurance	-	2,349	2,349	-	2,266	2,266
Equipment and maintenance	4,194	1,473	5,667	563	132	695
Travel	6,739	-	6,739	5,386	-	5,386
Education, conferences, and training	6,385	-	6,385	5,127	-	5,127
Dues	-	199	199	-	278	278
Other	-	329	329	-	454	454
<i>Totals</i>	<u>\$ 1,666,662</u>	<u>\$ 52,911</u>	<u>\$ 1,719,573</u>	<u>\$ 1,671,732</u>	<u>\$ 55,362</u>	<u>\$ 1,727,094</u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2019 and 2018

Change in Cash and Cash Equivalents:	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Cash received from service fees, contributors, and others	\$ 1,721,575	\$ 1,749,615
Cash paid to employees, subcontractors, and others	(1,708,392)	(1,735,515)
Interest income received	<u>6</u>	<u>6</u>
<i>Net cash provided by operating activities</i>	13,189	14,106
Cash and cash equivalents, beginning of year	<u>112,636</u>	<u>98,530</u>
<i>Cash and cash equivalents, end of year</i>	<u><u>\$ 125,825</u></u>	<u><u>\$ 112,636</u></u>

Reconciliation of Change in Net Assets to Net Cash

Provided by Operating Activities:

Change in net assets	\$ 6,373	\$ 4,749
Add (deduct) items not requiring (providing) cash:		
(Increase) decrease in service fees receivable	(10,780)	6,307
Decrease in prepaid expenses	330	1,123
Increase (decrease) in accounts payable	9,948	(9,233)
Increase (decrease) in accrued liabilities	903	(311)
Increase in refundable advances	<u>6,415</u>	<u>11,471</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 13,189</u></u>	<u><u>\$ 14,106</u></u>

The accompanying notes are an integral part of these financial statements.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

NOTE 1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Community Coordinated Child Care of St. Joseph County, Incorporated (the Organization, we, us, our) is an Indiana nonprofit corporation organized to provide a coordinated resource and referral service for childcare. Our operations are supported primarily by fees from contracts with the State of Indiana.

Significant Accounting Policies:

Use of Estimates:

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts. Significant estimates used in the accompanying financial statements include:

- Revenue earned from cost-reimbursement contracts. The majority of our revenue is earned on such awards from governmental agencies that are governed by cost principles and other administrative and programmatic regulations and are subject to audit by regulatory authorities. It is at least reasonably possible that revenue earned under such awards will be adjusted upon audit.
- Allocations of costs between the program and the supporting service, which are based on time and facility usage studies and other cost allocation methods.

Net Asset Classes:

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions* – Net assets available for use in general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity; however, to date, we have not received such net assets. 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.

Cash and Cash Equivalents:

We consider all time deposits, certificates of deposits, and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Service Fees Receivable and Promises to Give:

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value, using present value techniques incorporating risk-adjusted discount rates that reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The allowance for uncollectable promises to give is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written-off when deemed uncollectable.

Property and Equipment:

Property and equipment is stated at cost, if purchased or at fair market value at the date of receipt, if donated. Depreciation is recorded by the straight-line method over the estimated useful lives of the assets, generally from three to five years.

Most of our equipment has been purchased with governmental grant funds. Disposition of these assets, as well as the ownership of any sale proceeds, is subject to funding source and other regulatory directives.

Revenue and Revenue Recognition:

As discussed later in this note, effective January 1, 2019, we adopted new revenue recognition guidance using the modified retrospective transition method, applying the guidance to contracts with customers that were not substantially complete at that date.

Contributions and grants-

Grants under cost-reimbursable contracts are recognized as revenue when allowable expenditures are incurred. Amounts received in advance of incurring allowable costs are reported as refundable advances in the statement of financial position.

Other types of contributions and grants are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. We consider all contributions to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions.

Contributions and grants expected to be collected within one year are recorded at net realizable value. Contributions and grants expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using interest rates applicable to the periods in which the promises are received. Amortization of the discounts is included in contributions revenues. Conditional promises to give are not recognized as revenues until the conditions are substantially met.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

December 31, 2019 and 2018

Donated marketable securities and other noncash donations are recorded as contributions at their fair values at the date of donation. Our policy is to sell donated securities as soon as practical after receipt. Contributions of property and equipment are recorded at fair value at the date of contribution, and are reported as increases in net assets without donor restrictions unless the donor has restricted the contributed asset to a specific purpose. Assets contributed with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as net assets with donor restrictions. Absent donor stipulations regarding how long such donated assets must be maintained, we report expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. We reclassify net assets with donor restrictions to net assets without donor restrictions at that time.

Contributions of services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated, are recorded at their fair value in the period received. We received no such contributed services in either 2019 or 2018.

Functional Allocation of Expenses:

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function and report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, which are allocated on a square footage basis, as well as personnel, insurance, office expense, postage, communications, and equipment expenses, which are allocated on the basis of estimates of time and effort or other factors driving expenses.

Because we receive the majority of our support from grants and contracts awarded through competitive bidding and from private entities interested in our purpose, fundraising costs are not material and are not separately presented in the accompanying financial statements.

Income Taxes:

We are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Indiana Code, except for taxes on unrelated business income. Consequently, the accompanying financial statements generally do not include any provision for income taxes. The Internal Revenue Service classifies the Organization as other than a private foundation under Internal Revenue Code Section 509(a)(1).

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the position will be sustained on examination by taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Examples of tax positions include our tax-exempt status and positions related to the potential sources of unrelated business taxable income. Management has not identified any uncertain tax positions taken or expected to be taken in a tax return, and there are no unrecognized tax benefits recorded as liabilities in the

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

accompanying financial statements. We classify interest and penalties, if any, associated with uncertain tax positions as a component of income tax expense. There was no accrued interest or any penalties related to unrecognized tax benefits at either December 31, 2019 or 2018, or any interest or penalties expense related to unrecognized tax benefits for the years then ended. We are no longer subject to examination by the Internal Revenue Service or the State of Indiana for years prior to 2016.

Recent Accounting Pronouncements and Accounting Changes:

Effective January 1, 2019, we adopted the provisions of Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which superseded most revenue recognition guidance as well as certain cost recognition guidance. That update, together with other clarifying updates, requires that the recognition of revenue for the transfer of goods or services to customers reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The update also requires additional qualitative and quantitative disclosures about the nature, amount, timing, and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and information about contract balances and performance obligations.

We adopted the new revenue recognition guidance using the modified retrospective method for contracts not substantially complete at January 1, 2019. However, we determined that there was no material difference between revenue previously reported from such contracts and revenue determined under the new guidance, and so no cumulative adjustment has been made to net assets at January 1, 2019. The effect on the 2019 financial statements of adopting the new guidance was not material.

Subsequent Events:

The date through which events occurring subsequent to December 31, 2019 have been evaluated for possible adjustment to the financial statements or disclosure September 4, 2020, the date on which the financial statements were available to be issued.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. On March 23, 2020 the Governor of Indiana declared a health emergency and issued an executive order that closed all nonessential businesses, ordered residents to stay-at-home, and placed restrictions on public gatherings until further notice. This order was modified on May 1, 2020 by another executive order that provided a “roadmap” to re-open Indiana by July 4, 2020. Most daycare facilities that we provide assistance to have remained open, but some have closed and our revenues have declined so far in 2020. While the full impact of the pandemic is not yet known, we believe it will have a material negative impact on our revenues and cash flows in 2020.

NOTE 2. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure (that is, without donor or other restrictions limiting their use) within one year of December 31, 2019 are as follows:

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

Cash and cash equivalents	\$ 125,825
Service fees receivable	<u>148,033</u>
<i>Total financial assets available for general expenditure</i>	<u>\$ 273,858</u>

NOTE 3. SERVICE FEES RECEIVABLE

Service fees receivable consist of reimbursements due under cost-reimbursable contracts. All amounts are due within one year and no allowance for uncollectables is considered necessary.

NOTE 4. SERVICE FEES

We contract with various public and private entities to coordinate and administer childcare. These services are provided by other entities under subcontract agreements with us. We earn administrative fees under these contracts. Administrative fees were earned from the following sources for the years ended December 31, 2019 and 2018, respectively:

	<u>2019</u>	<u>2018</u>
Indiana Department of Education - Child and Adult Food Program	<u>\$ 170,176</u>	<u>\$ 164,490</u>

A summary of amounts received to reimburse subcontractors is as follows for the years ended December 31, 2019 and 2018, respectively:

Indiana Department of Education - Child and Adult Food Program	<u>\$1,555,641</u>	<u>\$1,565,041</u>
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NOTE 5. LEASE INFORMATION

We lease our office facility under a lease that expired in December 2019 and has continued since then on a month-to-month basis. Total rent expense was \$13,296 for each of the years ended December 31, 2019 and 2018.

NOTE 6. RETIREMENT PLAN

We maintain a tax-deferred annuity pension plan covering substantially all of our employees. Pension costs are funded in the period that they accrue. There was no pension expense in either year ended December 31, 2019 or 2018.

NOTE 7. RELATED PARTY INFORMATION

We provided \$28,914 and \$28,192 in nutritional assistance for the years ended December 31, 2019 and 2018, respectively, to entities controlled or managed by members of our Board of Directors. At December 31, 2019 and 2018, we owed these entities \$1,809 and \$1,870,

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

respectively, which is included in accounts payable in the accompanying statements of financial position.

NOTE 8. CONCENTRATIONS

Financial instruments that expose us to concentrations of credit risk consist primarily of service fees receivable. At both December 31, 2019 and 2018, 100% of total service fees receivable were due from the Indiana Department of Education.

Our contributors and service recipients are concentrated in Northern Indiana. Accordingly, our contributions, grants, and service fees may be affected by conditions in that area. In addition, approximately 100% of total revenues for each the years ended December 31, 2019 and 2018 were earned from contracts with the Indiana Department of Education.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U. S. Department of Agriculture:				
Passed-Through Indiana Department of Education:				
Child and Adult Care Food Program	10.558	1710210	\$ <u> -</u>	\$ <u>1,725,817</u>

The accompanying notes are an integral part of this schedule.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Community Coordinated Child Care of St. Joseph County, Incorporated. The information in the 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 Community Coordinated Child Care of St. Joseph County, Incorporated, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Coordinated Child Care of St. Joseph County, Incorporated.

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 COST RATES

Community Coordinated Child Care of St. Joseph County, Incorporated has not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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

To the Board of Directors
Community Coordinated Child Care of St. Joseph County, Incorporated
South Bend, Indiana

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 Community Coordinated Child Care of St. Joseph County, Incorporated (the Organization), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements, and have issued our report thereon dated September 4, 2020.

Internal Control over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 an instance of noncompliance or other matters that is required to be

reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization'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 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.

Cullen & Associates, P.C.

South Bend, Indiana
September 4, 2020



**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
Community Coordinated Child Care of St. Joseph County, Incorporated
South Bend, Indiana

Report on Compliance for Each Major Federal Program

We have audited Community Coordinated Child Care of St. Joseph County, Incorporated'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 Community Coordinated Child Care of St. Joseph County, Incorporated's major federal programs for the year ended December 31, 2019. Community Coordinated Child Care of St. Joseph County, Incorporated'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 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 Community Coordinated Child Care of St. Joseph County, Incorporated'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 Community Coordinated Child Care of St. Joseph County, Incorporated'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 Community Coordinated Child Care of St. Joseph County, Incorporated's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Coordinated Child Care of St. Joseph County, Incorporated 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 December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

Community Coordinated Child Care of St. Joseph County, Incorporated's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Coordinated Child Care of St. Joseph County, Incorporated response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Community Coordinated Child Care of St. Joseph County, Incorporated 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 Community Coordinated Child Care of St. Joseph County, Incorporated'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 Community Coordinated Child Care of St. Joseph County, Incorporated 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item Finding 2019-001, that we consider to be a significant deficiency.

Community Coordinated Child Care of St. Joseph County, Incorporated's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the accompanying corrective action plan. Community Coordinated Child Care of St. Joseph County, Incorporated's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Cullen & Associates, P.C.

South Bend, Indiana
September 4, 2020

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America- Unmodified

Internal control over financial reporting-

- Material weaknesses identified? No
- Significant deficiencies identified? None reported

Noncompliance material to the financial statements noted? No

FEDERAL AWARDS

Internal control over major federal programs-

- Material weaknesses identified? No
- Significant deficiencies identified? Yes

Type of auditor’s report issued on compliance for major federal programs- Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes

Identification of major federal programs-

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish between type A and type B programs- \$750,000

Auditee qualified as low-risk auditee? Yes

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Section II - Financial Statement Findings

There were no findings in the financial statement audit.

Section III – Federal Award Findings and Questioned Costs

DEPARTMENT OF AGRICULTURE
PASSED-THROUGH INDIANA DEPARTMENT OF EDUCATION
CHILD AND ADULT CARE FOOD PROGRAM
CFDA Number 10.558

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

FINDING 2019-001

Criteria: A policy instruction from the Indiana Department of Education “FDC Administrative Carry Over Funds” about changes enacted by The Healthy, Hunger-Free Kids Act of 2010 states that the changes-

“..permit FDCH sponsors to carry over a maximum of ten percent of administrative payments into the succeeding fiscal year. In accordance with section 17(f)(3)(B)(iii) of the NSLA, as amended by the Act, the ten percent maximum on the amount of administrative funds may be carried over must be based on the total amount of homes times administrative payments received by the FDCH sponsor for the fiscal year.”

Condition: The Organization carried-over administrative funds at the end of the September 30, 2019 grant period in excess of the amount allowable under the grant. They did not accurately calculate the amount that should have been returned to the State.

Cause: Management improperly included \$9,918 of expenditures incurred during the 2018-2019 grant year that were reimbursed by the 2017-2018 administrative carryover funds in calculating the 2019-2020 allowable administrative carryover funds.

Effect: The Organization did not comply with grant requirements regarding administrative carry over funds.

Context: During the 2018-2019 grant year, the Organization received \$143,572 in administrative funds, and incurred \$116,254 in administrative costs, leaving an excess of \$27,318. The allowable carryover of 10% administrative funds available was \$14,357, leaving an excess of \$12,961 that should have been refunded to the Department of Education. The Organization returned \$3,043, which was \$9,918 less than should have been returned.

Questioned Cost: \$9,918.

COMMUNITY COORDINATED CHILD CARE OF ST. JOSEPH COUNTY, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Recommendations: We recommend that management review its policies and procedures to determine how to properly calculate the refund of excess administrative carry over funds at the grant year-end so that they can prevent future noncompliance.

Views of Responsible Officials and Planned Corrective Action: Management has reviewed the full audit findings, noting that a major contributor to the miscalculation was the fact that the prior year allowed carryover amount was not included in the year-end calculation for current year allowed carryover and mandatory payback. Since this PY allowed carryover amount, which becomes revenue in the CY, was not included, it distorts the 10% allowable carryover calculation year over year. Approved carryovers are also not allowed to be accumulated, per se, they must be spent in the following year. When the funds that have been carried over from the prior grant period are spent appropriately, the 4c's statement of activity by class (for Homes) should show a loss on the grant year that is equal to the amount of the funds carried over.

To remedy this situation, 4c's has engagement Kruggel, Lawton & Co., LLC as its outsourced accounting and CFO advisory team, who has now instituted a monthly calculation to track the over/under spend on a monthly basis. This will allow the organization to better understand throughout the year its current cash position, and position relative to a projected carryover and/or a projected payback of administrative funds that have not been used. Tracking this monthly will provide necessary information to the organization to manage cash flow and approved expenses to help ensure we stay in compliance with the grant guidelines and do not have a miscalculation and additional paybacks at the end of the year. By tracking this monthly, we will also be able to calculate any deferred revenue portion on hand as of the yearend audit, since our calendar year does not specifically match the grant period.



Corrective Plan of Action

Community Coordinated Child Care of St. Joseph County, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2019.

Name and address of independent public accounting firm: Cullar & Associates, PC, CPA's, 218 West Washington Street, Suite 200, South Bend, IN 46601.

Audit period: January 1 to December 31, 2019

The findings from the December 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in that schedule.

Federal Award Findings

NONCOMPLIANCE AND SIGNIFICANT DEFICIENCY

Finding 2019-001 – Child and Adult Care Food Program, CFDA 10.558 – Excess Carryover of Funds

Recommendations: The auditor recommends that management review its policies and procedures to determine how to properly calculate the refund of excess administrative carryover funds at the grant year-end so that they can prevent future noncompliance.

Action taken: Management has reviewed the full audit findings, noting that a major contributor to the miscalculation was the fact that the prior year allowed carryover amount was not included in the year-end calculation for current year allowed carryover and mandatory payback. Since this PY allowed carryover amount, which becomes revenue in the CY, was not included, it distorts the 10% allowable carryover calculation year over year. Approved carryovers are also not allowed to be accumulated, per se, they must be spent in the following year. When the funds that have been carried over from the prior grant period are spent appropriately, the 4c's statement of activity by class (for Homes) should show a loss on the grant year that is equal to the amount of the funds carried over. To remedy this situation, 4c's has engagement Kruggel, Lawton & Co., LLC as its outsourced accounting and CFO advisory team, who has now instituted a monthly calculation to track the over/under spend on a monthly basis. This will allow the organization to better understand throughout the year its current cash position, and position relative to a projected carryover and/or a projected payback of administrative funds that have not been used. Tracking this monthly will provide necessary information to the organization to manage cash flow and

approved expenses to help ensure we stay in compliance with the grant guidelines and do not have a miscalculation and additional paybacks at the end of the year. By tracking this monthly, we will also be able to calculate any deferred revenue portion on hand as of the yearend audit, since our calendar year does not specifically match the grant period. A copy of the calculation that is used is shown below, and this calculation is completed monthly:

Community Coordinated Child Care dba 4c's CACFP Carryover Calculation 10/1/19 - 9/30/20			
PY carryover revenue		14,357	
CY admin funds available	A	83,607	October 1, 2019 to June 2020 (from financials)
CY admin funds spent	B	(104,608)	October 1, 2019 to June 2020 (from financials)
	C	(21,001)	Excess available for Carryover to FY21
	D	8,361	Carryover limit allowable (10% of FY20 funds available (A))
	E	8,361	Maximum allowable carry-over (lesser of C or D)
	F	(21,001)	Homes net revenue 10/1/20 to 5/31/20 (not including py carryover, that must be spent in cy)
E-F (if F is greater than E)		-	Projected payback, as of June 30

Management and the auditing firm are now both in agreement on the calculation going forward. Payback calculations will be performed monthly and it should be noted that the accumulated carryforward has been spent and cleared out.

If there are questions regarding this plan, please contact Brian Ledbetter, Executive Director, at either (574)-289-7815, or brian@4csindiana.org.

Sincerely,



Brian Ledbetter
Executive Director



**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2019**

There were no audit findings in the December 31, 2018 audit.