

**CHILD DAY CARE ASSOCIATION OF ST. LOUIS
D/B/A UNITED 4 CHILDREN
(A NONPROFIT ORGANIZATION)**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND INDEPENDENT AUDITORS' REPORT
WITH ACCOMPANYING SINGLE AUDIT AND
UNIFORM GUIDANCE REPORTS
FOR THE
YEARS ENDED DECEMBER 31, 2019 AND 2018**

Child Day Care Association of St. Louis
d/b/a United 4 Children

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Child Day Care Association of St. Louis
d/b/a United 4 Children
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Child Day Care Association of St. Louis d/b/a United 4 Children (a nonprofit 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 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.

Auditors' 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 auditors' 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 United 4 Children 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations 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.

Schmersahl Treloar & Co.

St. Louis, Missouri
August 19, 2020

FINANCIAL STATEMENTS

Child Day Care Association of St. Louis
d/b/a United 4 Children
STATEMENTS OF FINANCIAL POSITION

ASSETS

	December 31,	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 622,859	\$ 693,184
Accounts receivable	407,627	394,563
United Way receivable	153,392	158,187
Prepaid expenses and deposits	28,917	20,110
Total Current Assets	1,212,795	1,266,044
FURNITURE AND EQUIPMENT, NET		
	17,138	19,999
Total Assets	\$ 1,229,933	\$ 1,286,043

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Due to child care providers	\$ 277,534	\$ 286,706
Accounts payable	20,300	45,816
Current portion of capital lease obligation	2,440	2,440
Accrued liabilities	33,137	98,667
Deferred revenue	110,740	117,435
Total Current Liabilities	444,151	551,064
CAPITAL LEASE OBLIGATION		
	6,510	8,950
Total Liabilities	450,661	560,014
NET ASSETS		
Without donor restrictions	625,880	567,842
With donor restrictions	153,392	158,187
Total Net Assets	779,272	726,029
Total Liabilities and Net Assets	\$ 1,229,933	\$ 1,286,043

See accompanying notes to financial statements

Child Day Care Association of St. Louis
d/b/a United 4 Children
STATEMENTS OF ACTIVITIES

	Year Ended December 31, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Agency fees:			
Amounts received or receivable	\$ 4,214,061	\$ -	\$ 4,214,061
Less: amounts remitted or payable to others	(3,732,505)	-	(3,732,505)
Net Agency Fees	481,556	-	481,556
United Way Annual allocation	25	153,392	153,417
Government grants	360,729	-	360,729
Contributions	36,199	-	36,199
Program service fees	77,234	-	77,234
Foundation and corporate grants	1,189,681	-	1,189,681
Fundraising events	203,368	-	203,368
Less: cost of direct benefit to donors	(41,093)	-	(41,093)
Miscellaneous income	88,780	-	88,780
Net assets released from restrictions:			
Satisfaction of time restrictions	158,187	(158,187)	-
Total Support and Revenue	<u>2,554,666</u>	<u>(4,795)</u>	<u>2,549,871</u>
EXPENSES			
Program Services	1,918,010	-	1,918,010
Supporting Services:			
Management and general	440,064	-	440,064
Fundraising	138,554	-	138,554
Total Expenses	<u>2,496,628</u>	<u>-</u>	<u>2,496,628</u>
CHANGE IN NET ASSETS	58,038	(4,795)	53,243
NET ASSETS, Beginning of year	<u>567,842</u>	<u>158,187</u>	<u>726,029</u>
NET ASSETS, End of year	<u>\$ 625,880</u>	<u>\$ 153,392</u>	<u>\$ 779,272</u>

See accompanying notes to financial statements

Year Ended December 31, 2018

Without Donor Restrictions	With Donor Restrictions	Total
\$ 4,342,013	\$ -	\$ 4,342,013
(3,834,378)	-	(3,834,378)
507,635	-	507,635
-	158,187	158,187
357,071	-	357,071
52,608	-	52,608
56,804	-	56,804
1,242,172	-	1,242,172
160,493	-	160,493
(39,680)	-	(39,680)
101,427	-	101,427
<u>162,288</u>	<u>(162,288)</u>	<u>-</u>
<u>2,600,818</u>	<u>(4,101)</u>	<u>2,596,717</u>
1,954,038	-	1,954,038
473,338	-	473,338
<u>130,376</u>	<u>-</u>	<u>130,376</u>
<u>2,557,752</u>	<u>-</u>	<u>2,557,752</u>
43,066	(4,101)	38,965
<u>524,776</u>	<u>162,288</u>	<u>687,064</u>
<u>\$ 567,842</u>	<u>\$ 158,187</u>	<u>\$ 726,029</u>

Child Day Care Association of St. Louis
d/b/a United 4 Children
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2019

	Program Services				Supporting Services			Cost of Direct Benefits to Donors	Total
	Child Nutrition Services - Missouri	Child Nutrition Services - Illinois	Inclusion Services	Quality Improvement Services	Total Program Services	Management and General	Fund-Raising		
EXPENSES									
Salaries	\$ 158,715	\$ 82,123	\$ 88,719	\$ 500,448	\$ 830,005	\$ 259,613	\$ 73,166	\$ -	\$ 1,162,784
Employee benefits	15,039	7,781	8,406	47,419	78,645	24,599	6,933	-	110,177
Payroll taxes	12,285	6,356	6,867	38,735	64,243	20,094	5,663	-	90,000
Assistance to individuals	-	-	-	408,533	408,533	-	-	-	408,533
Professional fees	7,127	3,599	167,808	35,480	214,014	67,140	36,480	-	317,634
Occupancy	19,902	10,298	11,125	65,249	106,574	32,555	9,175	-	148,304
Travel	22,557	10,847	40,002	15,213	88,619	169	15	-	88,803
Special events - fundraising	-	-	-	-	-	-	-	41,093	41,093
Office equipment	5,142	2,964	2,776	13,469	24,351	9,985	2,761	-	37,097
Miscellaneous	2,832	1,362	650	12,548	17,392	18,711	592	-	36,695
Supplies	11,852	1,717	2,996	15,989	32,554	241	1,320	-	34,115
Conferences and meetings	-	-	141	27,964	28,105	1,221	549	-	29,875
Insurance	1,934	1,046	1,710	6,579	11,269	1,316	693	-	13,278
Printing and publications	192	4,944	1,461	1,058	7,655	542	614	-	8,811
Postage and shipping	3,275	1,850	256	520	5,901	968	518	-	7,387
Depreciation	-	-	-	-	-	2,861	-	-	2,861
Membership dues	75	75	-	-	150	49	75	-	274
	260,927	134,962	332,917	1,189,204	1,918,010	440,064	138,554	41,093	2,537,721
Less expenses included with support on the statement of activities	-	-	-	-	-	-	-	(41,093)	(41,093)
Total Expenses	\$ 260,927	\$ 134,962	\$ 332,917	\$ 1,189,204	\$ 1,918,010	\$ 440,064	\$ 138,554	\$ -	\$ 2,496,628

See accompanying notes to financial statements

Child Day Care Association of St. Louis
d/b/a United 4 Children
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended December 31, 2018

	Program Services					Supporting Services		Cost of Direct Benefits to Donors	Total
	Child Nutrition Services - Missouri	Child Nutrition Services - Illinois	Inclusion Services	Quality Improvement Services	Total Program Services	Management and General	Fund-Raising		
EXPENSES									
Salaries	\$ 146,678	\$ 81,385	\$ 221,045	\$ 428,464	\$ 877,572	\$ 330,348	\$ 84,719	\$ -	\$ 1,292,639
Employee benefits	15,461	8,135	6,421	60,923	90,940	18,612	8,171	-	117,723
Payroll taxes	13,551	8,325	8,040	43,137	73,053	32,015	8,357	-	113,425
Assistance to individuals	-	-	-	394,737	394,737	-	-	-	394,737
Professional fees	31,700	17,714	32,772	96,381	178,567	51,911	12,409	-	242,887
Occupancy	17,035	9,436	809	82,835	110,115	25,060	8,456	-	143,631
Travel	17,135	7,873	30,246	18,150	73,404	204	238	-	73,846
Special events - fundraising	-	-	-	-	-	-	-	39,680	39,680
Office equipment	4,474	2,491	2,402	18,803	28,170	3,875	1,993	-	34,038
Miscellaneous	1,357	927	2,591	11,059	15,934	2,323	974	-	19,231
Supplies	11,510	754	3,588	26,448	42,300	2,071	958	-	45,329
Conferences and meetings	2,158	970	6,701	14,951	24,780	1,486	661	-	26,927
Insurance	3,020	1,677	1,235	8,970	14,902	3,383	1,492	-	19,777
Printing and publications	10,352	6,543	858	1,329	19,082	269	483	-	19,834
Postage and shipping	4,094	1,685	156	211	6,146	370	1,152	-	7,668
Depreciation	575	345	38	2,876	3,834	846	299	-	4,979
Membership dues	102	102	246	52	502	565	14	-	1,081
	<u>279,202</u>	<u>148,362</u>	<u>317,148</u>	<u>1,209,326</u>	<u>1,954,038</u>	<u>473,338</u>	<u>130,376</u>	<u>39,680</u>	<u>2,597,432</u>
Less expenses included with support on the statement of activities	-	-	-	-	-	-	-	(39,680)	(39,680)
Total Expenses	<u>\$ 279,202</u>	<u>\$ 148,362</u>	<u>\$ 317,148</u>	<u>\$ 1,209,326</u>	<u>\$ 1,954,038</u>	<u>\$ 473,338</u>	<u>\$ 130,376</u>	<u>\$ -</u>	<u>\$ 2,557,752</u>

See accompanying notes to financial statements

Child Day Care Association of St. Louis
d/b/a United 4 Children
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 53,243	\$ 38,965
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation	2,861	4,979
(Increase) decrease in assets:		
Accounts receivable	(13,064)	21,893
United Way receivable	4,795	4,101
Prepaid expenses and deposits	(8,807)	7,527
Increase (decrease) in liabilities:		
Due to child care providers	(9,172)	(17,020)
Accounts payable	(25,516)	(21,890)
Accrued liabilities	(65,530)	(43,353)
Deferred revenue	<u>(6,695)</u>	<u>910</u>
 Net Change in Cash and Cash Equivalents from Operating Activities	 (67,885)	 (3,888)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligation	<u>(2,440)</u>	<u>(610)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	 (70,325)	 (4,498)
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>693,184</u>	 <u>697,682</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 622,859</u>	<u>\$ 693,184</u>
 SUPPLEMENTAL CASH FLOW INFORMATION		
 Cash paid for:		
Income taxes	<u>\$ -</u>	<u>\$ -</u>
 Interest	 <u>\$ 527</u>	 <u>\$ 572</u>

See accompanying notes to financial statements

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018

A. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization

Child Day Care Association of St. Louis d/b/a United 4 Children is a nonprofit organization formed in 1969. United 4 Children's mission is to improve quality and accessibility to services for children and youth by empowering and inspiring families, professionals and the community. United 4 Children is involved in a wide range of activities related to child care and after school programming, including supporting providers through training, technical assistance, consultation, and assessment; supporting child nutrition programs throughout the bi-state area; supporting families through its resource and referral service, disabilities inclusion programs, and consultation; and various other programs.

Change in Accounting Principle

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Subsequent to May 2014, the FASB issued six ASUs to clarify certain matters related to Topic 606.

Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The updates address the complexity of revenue recognition and provide sufficient information to enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

United 4 Children's financial statements reflect the application of ASC 606 guidance beginning in 2018. No cumulative-effect adjustment in net assets was recorded because the adoption of ASU 2014-09 did not significantly impact United 4 Children's reported historical revenue.

Additionally in June 2018, FASB issued Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made (Topic 958-605)*. This ASU was issued to clarify accounting guidance for contributions received and contributions made. The amendments to this ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The implementation of this standard had no impact on the financial statements.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

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

Basis of Presentation

The financial statements of United 4 Children have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). United 4 Children is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

Net Assets without Donor Restrictions

Net assets available for use in general operations and not subject to donor or certain grantor restrictions.

Net Assets with Donor Restrictions

Net assets subject to donor or certain grantor 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 such assets be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

United 4 Children considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. United 4 Children maintains cash deposits and other investment accounts which at times may exceed the federally insured limits of up to \$250,000 for each account. United 4 Children has not experienced and does not anticipate any losses in such accounts.

Financial Instruments

The carrying amount of cash, receivables, prepaid expenses, deposits, due to child care providers, other payables, accrued liabilities, and deferred revenue approximates fair value due to the short-term maturities of these instruments.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from balances outstanding at year-end. Accounts receivable are recognized as revenue in the period earned. The organization considers accounts receivable at December 31, 2019 and 2018, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Furniture and Equipment

Furniture and equipment are stated at cost. Depreciation is computed on a straight-line basis over the assets' estimated useful lives ranging from five to ten years. Expenditures for repairs and maintenance are charged to operations while renewals and betterments are capitalized. Donations of furniture and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

Deferred Revenue

United 4 Children is the recipient of several cost reimbursement grants. Revenue is recognized as the specified costs described in the grant are incurred. Amounts collected in advance of incurring specified costs are reflected as deferred revenue.

Support and Revenue Recognition

United 4 Children recognizes contributions when cash, securities or other assets; an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measureable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Fundraising Event Revenue

The portion of ticket sales and sponsorship revenue that relates to the commensurate value the attendee receives in return is recognized when the related events are held and performance obligations are met. Adoption of ASC 606 had no impact on the recognition of Fundraising Event Revenue.

Government Grants

A portion of United 4 Children's revenue is derived from cost-reimbursable federal, state, and local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when United 4 Children has incurred expenditures in compliance with specific contract or grant provisions. Application of ASU 2018-08 had no impact on the recognition of Government Grants.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

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

Support and Revenue Recognition (Continued)

Contributions

Contributions are recognized when a donor makes a promise to give to United 4 Children that is, in substance, unconditional. Restricted contributions received and expended in the same fiscal year are reported as increases in net assets without donor restrictions. Amounts received that are restricted by the donor for use in future periods or for specific purposes are reported as support with donor restrictions that increases net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Application of ASU 2018-08 had no impact on the recognition of Contributions.

Functional Expense Allocation

The Statements of Functional Expenses report certain categories of expenses that are attributable to one or more program or supporting functions of United 4 Children. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of time and effort include: salaries, employee benefits, payroll taxes, miscellaneous expenses and certain occupancy, supplies, office equipment, telephone, and insurance expenses.

Income Taxes

United 4 Children qualifies as a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. United 4 Children does not have unrelated business income, excise taxes, or activities that would threaten United 4 Children's tax-exempt status. Accordingly, no provision for federal or state income taxes is provided. United 4 Children files an information return, IRS Form 990. United 4 Children's tax returns for tax years 2016 and later remain subject to examination by taxing authorities, generally for three years after they are filed. United 4 Children adopted the provisions relating to Accounting for Uncertainty in Income Taxes and management is not aware of any uncertain tax positions of United 4 Children related to the tax filings.

Reclassification

Certain amounts in the prior period presented have been reclassified to conform to the current period consolidated financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Subsequent Events

In preparing these financial statements, United 4 Children has evaluated subsequent events and transactions for potential disclosure through August 19, 2020, the date the financial statements were available to be issued.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

B. AGREEMENTS AND CONTRACTS

United Way of Greater St. Louis Allocation

United 4 Children receives a monetary allocation from the United Way of Greater St. Louis to support the organization in improving the quality and accessibility of services to children and youth by empowering and inspiring families, professionals, and the community.

St. Louis Mental Health Board Contracts

United 4 Children receives contract payments to implement two programs. The Social Emotional Early Childhood Competencies program teaches classroom teachers strategies to address challenging behaviors in preschool environments. This program ended in fiscal year 2018. The Non-Public Afterschool Project provides training and on-site coaching to promote program quality improvement and staff professional development.

Community Impact Network – Programs Achieving Quality

United 4 Children receives contract payments to implement Programs Achieving Quality in the Normandy area, which provides training and on-site coaching to promote program quality improvement and staff professional development in early childcare settings.

Community Impact Network – Early Childhood Learning Center

United 4 Children receives contract payments to provide high quality preschool education to children who are currently not enrolled in preschool or daycare in the Normandy Collaborative School District with the overarching goal of bridging the educational gap by improving kindergarten readiness.

Missouri Department of Health and Senior Services

United 4 Children receives contract payments to implement Inclusion Referral and Training for early childhood programs. Inclusion Specialists work with teachers and parents to address a spectrum of special needs, develop best practices for inclusive care, and conduct trainings, improving the quality and availability of inclusive care throughout the state of Missouri.

Child and Adult Care Food Program Contracts

United 4 Children is a sponsoring agency, through contracts with the Missouri Department of Health and Senior Services and the Illinois State Board of Education, for the Child and Adult Care Food Program of the United States Department of Agriculture (“USDA”). This program encourages good nutrition by educating home day care providers and reimbursing them for meals served to children in their care. United 4 Children is reimbursed for its program management and administrative expenses by the USDA.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

B. AGREEMENTS AND CONTRACTS (Continued)

Other Programs

United 4 Children has contracts with various other organizations and entities for quality improvement services consisting of Program Assessment, Technical Assistance, Coaching/Consultation, and Training for early childhood and afterschool programs.

Agent Activity

In connection with its Child and Adult Care Food Program Contracts, United 4 Children serves as an agent in disbursing funds to various day care providers and retains an administrative fee for processing these funds. Amounts related to receiving and processing these transactions were as follows:

	December 31,	
	2019	2018
Amounts received and receivable from:		
U.S. Department of Agriculture		
Passed through Missouri	\$2,776,876	\$2,932,390
Passed through Illinois	1,437,185	1,409,623
	4,214,061	4,342,013
Amounts remitted to or payable to others from:		
U.S. Department of Agriculture		
Passed through Missouri	2,472,397	2,616,128
Passed through Illinois	1,260,108	1,218,250
	3,732,505	3,834,378
Net Agency Fees	\$ 481,556	\$ 507,635

C. FURNITURE AND EQUIPMENT

Furniture and equipment consists of the following:

	December 31,	
	2019	2018
Leasehold improvements	\$18,536	\$11,036
Office furniture and equipment	32,903	53,977
	51,439	65,013
Less accumulated depreciation	(34,301)	(45,014)
Total Furniture and Equipment, Net	\$17,138	\$19,999

Depreciation expense was \$2,861 and \$4,979 for the years ended December 31, 2019 and 2018, respectively.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

D. CAPITAL LEASE OBLIGATION

United 4 Children had a noncash investing and financing transaction related to a capital lease for new office equipment for \$12,000 in 2018. The capital lease expires in August 2023. The economic substance of the lease is that United 4 Children is financing the acquisition of the equipment through the lease, and accordingly, it is recorded in United 4 Children's assets and liabilities. The asset is depreciated over the estimated useful life.

Following is a summary of equipment held under capital lease:

	December 31,	
	2019	2018
Office equipment	\$12,000	\$12,000
Accumulated depreciation	(1,300)	(300)
	\$10,700	\$11,700

Minimum future lease payments under the capital lease as of December 31, 2019 are as follows:

Year Ending	Amount
2020	\$ 2,928
2021	2,928
2022	2,928
2023	1,952
Net minimum lease payments	10,736
Amount representing interest	(1,786)
Present value of net minimum lease payments	\$ 8,950

E. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restrictions are available for the following purposes or periods:

	December 31,	
	2019	2018
Subsequent Year United Way Allocation	\$153,392	\$158,187

F. NET ASSETS RELEASED FROM DONOR RESTRICTION

Net assets were released from donor restrictions by occurrence of the passage of time as follows:

	December 31,	
	2019	2018
Time Restrictions Expired		
Passage of Time	\$158,187	\$162,288

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

G. OPERATING LEASES

In December 2012, United 4 Children executed a lease agreement for office space in St. Louis which expired in December 31, 2017. In December 2017, United 4 Children moved to a new office in St. Louis and executed a new lease agreement which expires in December 2022. In August 2015, United 4 Children executed a lease agreement in the City of Wellston to operate the Early Childhood Learning Center which expires in December 2020. Rent expense for these agreements was \$130,956 and \$126,900 for the years ended December 31, 2019 and 2018, respectively.

United 4 Children also leases office equipment under several operating leases that expire at various dates between 2019 and 2023. Expense for office equipment leases was \$33,588 and \$32,846 for the years ended December 31, 2019 and 2018, respectively.

The future minimum lease payments required under these non-cancellable leases, as of December 31, 2019, are as follows:

Year Ending	
2020	\$151,116
2021	112,548
2022	114,840
2023	<u>15,713</u>
	<u>\$394,217</u>

H. EMPLOYEE RETIREMENT PLAN

United 4 Children employees aged 21 and older are eligible to make voluntary salary reduction contributions into a 401(k) plan administered by the organization. Beginning in 2017, all employees aged 21 or older with at least one year of service (minimum of 1,000 hours worked) were additionally entitled to employer contributions equal to 1% of their base salaries. Employees are always 100% vested in their own salary contributions. Employees become vested in employer contributions as follows: 20% after two years of service, 50% after three years of service, 60% after four years of service, and fully vested after five years of service. Contributions, net of forfeitures, to the plan were \$8,438 and \$3,715 for 2019 and 2018, respectively.

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO FINANCIAL STATEMENTS
December 31, 2019 and 2018
(Continued)

I. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

United 4 Children regularly monitors liquidity required to meet its operating needs and other contractual commitments. United 4 Children receives government grants, and contributions with and without donor restriction, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. United 4 Children has a goal to maintain financial assets consisting of cash on hand to meet 90 days of ordinary business expenses. Operating expenses are compared to budgeted expenses on a monthly basis and financial assets on hand are adjusted as necessary. As part of its liquidity management, United 4 Children invests cash in excess of daily requirements in a REPO Sweep account.

United 4 Children's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2019	2018
Cash and cash equivalents	\$622,859	\$693,184
Accounts receivable: less amount due to child care providers	130,093	107,857
United Way receivable	153,392	158,187
Total financial assets	906,344	959,228
Total financials assets not available to be used within one year	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$906,344	\$959,228

J. SUBSEQUENT EVENT

As the spread of the COVID-19 coronavirus continues worldwide, economic uncertainties have arisen that are likely to impact United 4 Children's financial results. While management expects this impact to be temporary, the severity and duration of the impact is uncertain at this time.

As a part of navigating United 4 Children through these unprecedented times, management submitted an application with their bank for SBA loan funding under the Paycheck Protection Program (PPP) as provided by the recently passed Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

This application has been approved and loan funding in the amount of \$270,205 was received on May 9, 2020. The terms are as follows: Loan is amortized over 24 months at 1% interest and there are no payments required for 6 months. Under certain circumstances all or part of the loan may be forgiven and converted to a grant. Whatever balance is not forgiven during that 6 months will be repaid over the remaining 18 months at equal principal payments plus interest monthly. The loan is unsecured and is guaranteed by the SBA.

**SUPPLEMENTAL
INFORMATION**

Child Day Care Association of St. Louis
d/b/a United 4 Children
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditure
<u>United States Department of Agriculture</u>			
Passed through Missouri Department of Health and Senior Services			
Child and Adult Care Food Program	10.558	ERS46110041	\$2,776,876*
Passed through Illinois State Board of Education			
Child and Adult Care Food Program	10.558	41057038P00	<u>1,437,185*</u>
Total United States Department of Agriculture			4,214,061
<u>United States Department of Health and Human Services</u>			
Passed through Missouri Department of Health and Senior Services			
Maternal and Child Health Services Block Grant to the States	93.994	C313040001	<u>360,729</u>
Total Expenditures of Federal Awards			<u><u>\$4,574,790</u></u>

*Denotes major program

Child Day Care Association of St. Louis
d/b/a United 4 Children
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2019

A. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, for the year ended December 31, 2019, includes the federal award activity of Child Day Care Association of St. Louis d/b/a United 4 Children. 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 United 4 Children, it is not intended to and does not present the financial position, changes in net position, or cash flows of United 4 Children.

B. 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.

C. OTHER UNIFORM GUIDANCE INFORMATION

For the year ended December 31, 2019, United 4 Children had no expenditures in the form of noncash assistance, no sub-recipients, no federally provided insurance in effect, and no loans or loan guarantees outstanding. The Organization elected to use the 10% de minimis indirect cost rate under the Maternal and Child Health Services Block Grant to the States.

**ADDITIONAL
INDEPENDENT
AUDITORS'
REPORTS**



**INDEPENDENT AUDITORS' 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 of
Child Day Care Association of St. Louis
d/b/a United 4 Children
St. Louis, Missouri

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 Child Day Care Association of St. Louis d/b/a United 4 Children (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 19, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered United 4 Children'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 United 4 Children's internal control. Accordingly, we do not express an opinion on the effectiveness of United 4 Children'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 United 4 Children's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Schmersahl Treloar & Co.

St. Louis, Missouri
August 19, 2020



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

To the Board of Directors of
Child Day Care Association of St. Louis
d/b/a United 4 Children
St. Louis, Missouri

Report on Compliance for Each Major Federal Program

We have audited Child Day Care Association of St. Louis d/b/a United 4 Children'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 United 4 Children's major federal programs for the year ended December 31, 2019. United 4 Children's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of United 4 Children'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 United 4 Children'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 United 4 Children's compliance.

Opinion on Each Major Federal Program

In our opinion, United 4 Children 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.

Report on Internal Control over Compliance

Management of United 4 Children 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 United 4 Children'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 United 4 Children'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.

Schmersahl Treloar & Co.

St. Louis, Missouri
August 19, 2020

Child Day Care Association of St. Louis
d/b/a United 4 Children
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2019

Section 1 – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	<u> x </u>	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	Yes	_____	<u> x </u>	None reported
Noncompliance material to financial statements notes?	_____	Yes	_____	<u> x </u>	No

Federal Awards

Internal control over major federal program:

Material weakness(es) identified?	_____	Yes	_____	<u> x </u>	No
Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____	Yes	_____	<u> x </u>	None reported
Type of auditors' 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	_____	<u> x </u>	No
Identification of major federal program:					
<u>CFDA Number(s)</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 a low-risk auditee?	_____	Yes	_____	<u> x </u>	No

Child Day Care Association of St. Louis
d/b/a United 4 Children
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2019

Section 2 – Financial Statement Findings

Financial Statement Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Summary Schedule of Current Audit Findings:

None

Summary Schedule of Prior Audit Findings:

None

Child Day Care Association of St. Louis
d/b/a United 4 Children
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 2019

Section 3 – Federal Award Findings and Questioned Costs

Federal Award Findings Required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

Summary Schedule of Current Audit Findings:

None

Summary Schedule of Prior Audit Findings:

None

Child Day Care Association of St. Louis
d/b/a United 4 Children
CORRECTIVE ACTION PLAN
Year Ended December 31, 2019

Current Finding Number	Comment	Corrective Action Plan	Anticipated Date of Completion
<hr/> None reported			