

**Adults & Childrens Alliance, Inc.**

**Financial Statements**

**September 30, 2020 and 2019**



**Adults & Childrens Alliance, Inc.**  
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## Independent Auditor's Report

To the Board of Directors  
Adults & Childrens Alliance, Inc.  
St. Paul, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Adults & Childrens Alliance, Inc., which comprise the statements of financial position as of September 30, 2020 and 2019, 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 Organization'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 Organization'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 in the first paragraph present fairly, in all material respects, the financial position of Adults & Childrens Alliance, Inc., as of September 30, 2020 and 2019, 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***

#### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). Our opinion is not modified with respect to this matter.

#### ***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as identified in the table of contents, including the 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* (Uniform Guidance), 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 a report dated March 12, 2021, on our consideration of the Organization'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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
March 12, 2021

## **FINANCIAL STATEMENTS**

**Adults & Childrens Alliance, Inc.**  
**Statements of Financial Position**  
**As of September 30, 2020 and 2019**

	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 199,079	\$ 206,772
Investments	101,263	83,372
Grants receivable	238,326	236,932
Prepaid expenses	102	63
Inventory	2,216	3,096
Total current assets	540,986	530,235
Equipment, net	7,996	13,326
Total assets	\$ 548,982	\$ 543,561
<b>Liabilities and Net Assets</b>		
Current liabilities		
Current maturities on long-term debt	\$ 2,970	\$ -
Accounts payable	2,415	3,325
Providers payable	201,139	196,480
Other accrued liabilities	357	13,612
Refundable advances	48,263	74,482
Total current liabilities	255,144	287,899
Long-term liabilities		
Long-term debt, net of current maturities	66,330	-
Total liabilities	321,474	287,899
Net assets		
Without donor restrictions	227,508	255,662
Total liabilities and net assets	\$ 548,982	\$ 543,561

**Adults & Childrens Alliance, Inc.**  
**Statements of Activities**  
**Years Ended September 30, 2020 and 2019**

	2020	2019
<b>Public Support and Revenues</b>		
Public support		
CACFP		
Provider payments	\$ 2,247,940	\$ 2,633,219
Administration reimbursements	453,105	494,834
Expansion grant	2,631	-
Other grant revenue	770	3,576
Contributions	1,974	1,055
Total public support	2,706,420	3,132,684
 Revenues		
Program service fees	1,575	3,730
Sales of program products, net of direct costs	(245)	2,142
Investment income (loss), net	18,117	(200)
Total revenues	19,447	5,672
Total public support and revenues	2,725,867	3,138,356
 <b>Expenses</b>		
Program services		
Child and Adult Care Food Program (CACFP)	2,688,195	3,111,793
Supporting services		
Management and general	65,826	42,678
Total expenses	2,754,021	3,154,471
 Change in net assets	(28,154)	(16,115)
 <b>Net Assets</b>		
Beginning of year	255,662	271,777
End of year	\$ 227,508	\$ 255,662

**Adults & Childrens Alliance, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2020**

	Program Services	Supporting Services		Total
	CACFP	Management and General	Fundraising	
<b>Salaries and Related Taxes and Benefits</b>				
Salaries	\$ 270,003	\$ 36,157	\$ -	\$ 306,160
Employee benefits	17,382	5,339	-	22,721
Payroll taxes	18,332	3,193	-	21,525
Total salaries and related taxes and benefits	305,717	44,689	-	350,406
<b>Expenses</b>				
Provider payments	2,247,940	-	-	2,247,940
Contract services	45,518	3,305	-	48,823
Professional fees	14,540	2,397	-	16,937
Supplies	9,314	569	-	9,883
Telephone	8,367	1,365	-	9,732
Occupancy	20,848	4,952	-	25,800
Equipment rental and maintenance	7,146	833	-	7,979
Postage and shipping	4,193	586	-	4,779
Printing and design	8,349	102	-	8,451
Travel	12,581	26	-	12,607
Insurance	3,613	231	-	3,844
Cost of goods sold				
- program products	2,103	-	-	2,103
Miscellaneous	69	1,441	-	1,510
Total expenses before depreciation	2,690,298	60,496	-	2,750,794
Depreciation	-	5,330	-	5,330
Total expenses by function	2,690,298	65,826	-	2,756,124
Less expenses included with revenues on the statement of activities				
Cost of goods sold				
- program products	(2,103)	-	-	(2,103)
Total expenses included in the expenses section on the statement of activities	<u>\$ 2,688,195</u>	<u>\$ 65,826</u>	<u>\$ -</u>	<u>\$ 2,754,021</u>

See notes to financial statements.



**Adults & Childrens Alliance, Inc.**  
**Statement of Functional Expenses**  
**Year Ended September 30, 2019**

	Program Services	Supporting Services		Total
	CACFP	Management and General	Fundraising	
<b>Salaries and Related Taxes and Benefits</b>				
Salaries	\$ 301,391	\$ 24,926	\$ -	\$ 326,317
Employee benefits	19,805	1,895	-	21,700
Payroll taxes	22,070	1,658	-	23,728
Total salaries and related taxes and benefits	343,266	28,479	-	371,745
<b>Expenses</b>				
Provider payments	2,633,219	-	-	2,633,219
Contract services	41,148	7,583	-	48,731
Professional fees	4,084	714	-	4,798
Supplies	2,746	135	-	2,881
Telephone	6,289	212	-	6,501
Occupancy	24,250	750	-	25,000
Equipment rental and maintenance	5,969	292	-	6,261
Postage and shipping	3,002	681	-	3,683
Printing and design	8,166	876	-	9,042
Travel	31,409	34	-	31,443
Insurance	3,974	123	-	4,097
Cost of goods sold				
- program products	375	-	-	375
Miscellaneous	4,271	134	-	4,405
Total expenses before depreciation	3,112,168	40,013	-	3,152,181
Depreciation	-	2,665	-	2,665
Total expenses by function	3,112,168	42,678	-	3,154,846
Less expenses included with revenues on the statement of activities				
Cost of goods sold				
- program products	(375)	-	-	(375)
Total expenses included in the expenses section on the statement of activities	<u>\$ 3,111,793</u>	<u>\$ 42,678</u>	<u>\$ -</u>	<u>\$ 3,154,471</u>

See notes to financial statements.

**Adults & Childrens Alliance, Inc.**  
**Statements of Cash Flows**  
**Years Ended September 30, 2020 and 2019**

	2020	2019
<b>Cash Flows - Operating Activities</b>		
Change in net assets	\$ (28,154)	\$ (16,115)
Adjustments to reconcile change in net assets to net cash flows - operating activities		
Depreciation	5,330	2,665
Net unrealized loss (gain) on investments	(17,891)	624
Change in operating assets and liabilities:		
Grants receivable	(1,394)	897
Prepaid expenses	(39)	198
Inventory	880	375
Accounts payable	(910)	(1,506)
Providers payable	4,659	(4,684)
Other accrued liabilities	(13,255)	(1,213)
Refundable advances	(26,219)	(889)
Total adjustments	(48,839)	(3,533)
Net cash flows - operating activities	(76,993)	(19,648)
 <b>Cash Flows - Investing Activities</b>		
Purchases of equipment	-	(15,991)
 <b>Cash Flows - Financing Activities</b>		
Proceeds from long-term debt	69,300	-
Net change in cash and cash equivalents	(7,693)	(35,639)
 <b>Cash and Cash Equivalents</b>		
Beginning of year	206,772	242,411
End of year	\$ 199,079	\$ 206,772

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Adults & Childrens Alliance, Inc. ("the Organization") is a nonprofit organization operating exclusively for charitable and educational purposes and incorporated in 1981 under the laws of the State of Minnesota. The purpose of the Organization is to be a source of public education, information, services and research regarding parents, families, children and those persons and organizations who provide services to them; by providing services which facilitate the psychological and physical development of individuals of all ages, with the expectation that the quality of life for all persons will be improved.

The Child and Adult Care Food Program (CACFP) is the major activity of the Organization. The program involves the sponsorship of approximately 445 licensed family child care homes within the CACFP operated by the U.S. Department of Agriculture (USDA) and administered by the Minnesota Department of Education (MDE). The Organization is required to train, monitor, reimburse certain food costs, and maintain information supplied by the providers under the terms of the agreements.

**Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, revenues are recorded as earned and expenses when incurred. The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America (U.S. GAAP) applicable to nonprofit organizations.

**Use of Estimates**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from these estimates.

**Cash and Cash Equivalents**

The Organization considers cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

**Investments**

The Organization considers financial instruments with a maturity greater than three months to be investments. Investments are valued using fair value methods described in Note 3.

**Grants Receivable**

Grants receivable are government and pass-through grants received subsequent to September 30, 2020 and 2019, and specifically allocated to the Organization's operations for 2020 and 2019. No allowance is deemed necessary due to the nature of the government grants.

**Inventory**

Inventory consists primarily of goods held for resale such as clothing, calendars and supplies. Inventory is valued at the lower of cost or realizable value using the first-in-first-out (FIFO) method.

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equipment**

The Organization capitalizes equipment with a value greater than \$1,000 and an estimated life of greater than 1 year. Contributed property and equipment is recorded at fair value at the date of the donation. Depreciation of equipment is provided on a straight-line basis, over the estimated useful lives estimated at three years. The funding sources have a reversionary interest in the equipment purchased with grant funds. Dispositions and ownership of any proceeds are subject to funding source requirements.

**Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flows resulting from the use of the asset and its eventual disposition. Measurement of an impairment loss for long-lived assets is based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell. Management has determined that no impairment existed at September 30, 2020 and 2019.

**Providers Payable**

Providers payable represents amounts of claims submitted by providers after year end related to meals provided through September 30 and paid by the Organization in subsequent months upon receipt of funds from the granting agency.

**Refundable Advances**

Refundable advances includes advance payments for subsequent year CACFP administration reimbursements as well as allowed carryover of CACFP administrative funds not spent in the previous year. For 2020 this balance also includes conditional grant dollars from MDE for expanding the CACFP.

**Paycheck Protection Program Loan**

The Organization follows the Financial Accounting Standards Board's Topic 470-*Debt* in accounting for its Paycheck Protection Program (PPP) loan. The loan is accounted for as a financial liability and interest is accrued at the specified rate of 1.00%. The proceeds from the loan remain as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been legally released or (2) the Organization pays off the loan to the creditor. Once the loan is (in part or wholly) forgiven and legal release is received, the Organization will reduce the liability by the amount forgiven and record a gain on extinguishment.

**Net Assets**

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 (or certain grantor) restrictions.

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Assets (Continued)**

*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 resources be maintained in perpetuity. Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

**Revenue and Revenue Recognition**

The majority of the Organization's revenue is in the form of federal grants connected to its sponsorship of the Child and Adult Care Food Program (CACFP). Sponsors of the CACFP receive both administrative reimbursements and meal payments for disbursement to providers which are conditioned upon the incurrence of allowable qualifying expenses. The Organization recognizes these reimbursements as revenue when expenditures in compliance with program provisions have been incurred and approved by the Minnesota Department of Education (MDE) on behalf of the United States Department of Agriculture. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursement grants for administration reimbursements and carryover of \$423,240 and \$503,310, respectively, that have not been recognized at September 30, 2020 and 2019 because qualifying expenditures have not yet been incurred, with an advance payment of \$0 and \$25,000, respectively recognized in the statements of financial position as a refundable advance. The Organization also has carryforward funds that can be used to offset future provider administrative costs in the subsequent year totaling \$44,894 and \$49,482, respectively, as of September 30, 2020 and 2019. In 2020 the Organization was awarded a \$12,000 conditional grant from MDE for expanding the CACFP of which \$6,000 was received and \$3,369 is included in refundable advances.

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 defined as those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

The Organization also derives program service fee revenue from trainings and classes held. The Organization provides license required CPR training for a fee. The price of fee is fixed. The Organization charges fees in advance, and recognizes the revenue at a point in time, when training is completed. There were no unfulfilled performance obligations at the end of the fiscal year requiring service fee revenue to be deferred. There were no outstanding refunds for future services at year end.

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Revenue and Revenue Recognition (Continued)**

The Organization recognizes sales of program products, such as calendars designed for childcare professional, at a point in time, when the sale occurs. The price for program products is listed on the website and payment is due upon sale. Items are refundable; however, refunds are rare.

**Functional Allocation of Expenses**

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expense present the natural classification detail of expenses by function. Costs that are directly related to the program or supporting services are coded directly. Other costs have been allocated among the program and supporting services benefited and based on an estimate of staff time spent on each function.

**Tax Status**

The Organization is organized as a Minnesota nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and have been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. Management has determined that the Organization is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

**Recently Adopted Accounting Pronouncements**

*Revenue Recognition*

On October 1, 2019, the Organization adopted FASB ASU No. 2014-09 (Topic 606) *Revenue from Contracts with Customers*, which provides guidance for revenue recognition that superseded the revenue recognition requirements in ASC Topic 605, Revenue Recognition and most industry specific guidance. Under ASU 2014-09, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services. The Organization adopted ASU 2014-09 under the modified retrospective approach, applying the amendments to prospective reporting periods. Results for reporting periods beginning after October 1, 2019, are presented under Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historic accounting under Topic 605. The impact of the adoption of the new standard was insignificant to the financial statements.

*Clarifying Guidance for Contributions Received and Contributions Made*

On October 1, 2019, FASB ASU 2018-08, Not-for-Profit Entities (Topic 958) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* became effective. This update clarifies the guidance for evaluating whether a transaction is reciprocal (i.e., an exchange transaction) or nonreciprocal (i.e., a contribution) and for distinguishing between conditional and unconditional contributions. The impact of the clarified guidance was insignificant to the financial statements.

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements**

*Leases*

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new guidance will require all leases to be recorded as assets and liabilities on the statement of financial position. This update would require capitalization of the "right to use" an asset and recognition of an obligation for future lease payments for most leases currently classified as operating leases. Other leases currently classified as capital leases will be referred to as financing leases and will continue to be recorded as assets and liabilities in a similar manner. In June 2020, the FASB issued ASU No. 2020-05 which defers the effective date one year making it effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. The provisions of this ASU are to be applied using either the retrospective approach or modified retrospective approach. The Organization is currently evaluating the impact this standard will have on its financial statements.

*Contributed Nonfinancial Assets*

In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. In addition to enhanced disclosures for contributed nonfinancial assets, this ASU requires non-for-profit organizations to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The amendments in this ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization is currently evaluating the impact this standard will have on its financial statements.

**Subsequent Events**

The Organization has evaluated subsequent events through March 12, 2021, the date which the financial statements were available to be issued.

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**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 the statement of financial position date, comprise of the following:

	2020	2019
Cash and cash equivalents	\$ 199,079	\$ 206,772
Investments	101,263	83,372
Grants receivable	238,326	236,932
Inventory	2,216	3,096
Less providers payable	(201,139)	(196,480)
Less: refundable advances	(44,894)	(74,482)
Total financial assets available for general expenditures	\$ 294,851	\$ 259,210

The Organization does not have a formal policy, however it structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization would invest cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

**NOTE 3 – FAIR VALUE MEASUREMENTS**

The Organization uses a fair value hierarchy established by U.S. GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The asset's or liability's fair value measurement level is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. On the following page is a description of the valuation methodology used for assets measured at fair value.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted market prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – unobservable inputs for assets or liability. In these situations, the Organization develops inputs using the best information available in the circumstances.



**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 3 – FAIR VALUE MEASUREMENTS (CONTINUED)**

There have been no changes in the methodologies used at September 30, 2020 and 2019.

Investments are mutual funds recorded at fair value using quoted market prices.

Fair values of assets measured on a recurring basis are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2020				
Mutual Funds	<u>\$ 101,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,263</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
September 30, 2019				
Mutual Funds	<u>\$ 83,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,372</u>

**NOTE 4 – EQUIPMENT**

	<u>2020</u>	<u>2019</u>
Equipment	\$ 26,428	\$ 26,428
Less accumulated depreciation	<u>(18,432)</u>	<u>(13,102)</u>
Equipment, net	<u>\$ 7,996</u>	<u>\$ 13,326</u>

**NOTE 5 – LONG-TERM DEBT**

	<u>2020</u>	<u>2019</u>
Paycheck Protection Program (PPP) loan that calls for monthly installments of \$3,900 including interest at 1.00% beginning September 4, 2021 with balance due May 2022, with loan proceeds potentially being forgiven if funds are used in accordance with program guidance (A).	\$ 69,300	\$ -
Less current maturities	<u>(2,970)</u>	<u>-</u>
Total long-term debt	<u>\$ 66,330</u>	<u>\$ -</u>

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

(A) The Organization applied for and obtained the loan, administered by the U.S. Small Business Administration, established under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the terms of the loan, the Organization can apply for and be granted forgiveness for a portion or all of the loan. Forgiveness will be determined, if during a specified period after the loan origination, the Organization maintains certain employee levels and uses the proceeds on eligible expenses including payroll, benefits, rent, and utilities. The Organization intends to use the loan proceeds for eligible expenses, however, because of uncertainty in the program guidance there is a possibility that the loan in part or whole will not be forgiven.

Future maturities on the note payable are as follows the years ending September 30:

2021	2,970
2022	<u>66,330</u>
Total	<u><u>\$ 69,300</u></u>

**NOTE 6 – RETIREMENT PLAN**

Employees of the Organization participate in a defined contribution retirement plan covering substantially all employees. Under the plan, the Organization matches 50% on the first 3% of a participant's eligible compensation. The plan also allows for discretionary profit-sharing contributions. There were no profit sharing contributions for the years ended 2020 and 2019. The Organization made matching contributions of \$3,826 and \$3,764 for 2020 and 2019, respectively.

**NOTE 7 – OPERATING LEASES**

The Organization leases office space expiring in 2021 and certain equipment, the last which expires in 2024, under operating leases. Total lease expense for 2020 and 2019 was \$31,294 and \$31,258, respectively.

Future minimum lease payments are as follows for the years ending September 30:

2021	\$ 12,902
2022	4,302
2023	4,070
2024	<u>1,940</u>
Total minimum future lease payments	<u><u>\$ 23,214</u></u>

**Adults & Childrens Alliance, Inc.**  
**Notes to Financial Statements**

**NOTE 8 – CONCENTRATIONS**

**Cash**

At various times during the year, the Organization had cash on deposit with banks in excess of Federal Deposit Insurance Corporation (FDIC) insured limits. The Organization has not experienced any losses from such accounts.

**Revenue and Receivables**

The Organization receives substantially all of its support from the State of Minnesota. A significant reduction in the level of this support could have a major effect on the Organization's programs, activities, and ability to leverage other federal and private grants. Revenue from MDE comprises 99% of total revenue and support for both 2020 and 2019, respectively. In addition, grants receivable from MDE accounts for all of the receivables for both fiscal year ended September 30, 2020 and 2019.

**NOTE 9 – CONTINGENCIES**

**Federal and State Program Activities**

The Organization operates in a heavily regulated environment. The operations of the Organization are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the USDA and MDE. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by USDA or MDE. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. To the extent that any expenditures are disallowed, a liability to the respective federal or state agency could result.

**NOTE 10 – RISKS AND UNCERTAINTIES**

On March 13, 2020, a national emergency was declared for COVID-19 outbreak in the United States of America. This event affects the economy and financial markets. The extent of the impact on the Organization may be both direct and indirect and will vary based on the duration of the outbreak and various other factors. An estimate of the financial effect on the Organization's financial statements cannot be determined at this time.

**NOTE 11 – RECLASSIFICATIONS**

The prior year financial statements have been reclassified to conform to the presentation used for the current year financial statements.

**SUPPLEMENTARY INFORMATION**

**Adults & Childrens Alliance, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

<u>Federal Grantors/Pass-Through Grantor/Program or Cluser Title/Project Name</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Agriculture</b>				
Minnesota Department of Education				
Child and Adult Care Food Program	10.558	8-013-503-4	\$ -	\$ 2,701,045
Child and Adult Care Food Program - Expansion	10.558	N/A	-	2,631
Total U.S. Department of Agriculture			<u>-</u>	<u>2,703,676</u>
 Total expenditures of federal awards			<u>\$ -</u>	<u>\$ 2,703,676</u>

**Adults & Childrens Alliance, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2020**

**NOTE 1 – BASIS OF PRESENTATION**

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule are reported on the accrual basis of accounting, which conform to accounting principles generally accepted in the United States of America. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – INDIRECT COST RATE**

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

**Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

**Independent Auditor's Report**

To the Board of Directors  
Adults & Childrens Alliance, Inc.  
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Adults & Childrens Alliance, Inc., which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year ended September 30, 2020, and the related notes to financial statements, and have issued our report thereon dated March 12, 2021.

**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) as a basis for designing 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying, schedule of findings and questioned costs, we did identify certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 to be a material weakness.

### **Internal Control Over Financial Reporting (Continued)**

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a significant deficiency.

### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The Organization's Response to Findings**

The Organization's response to the findings 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.



St. Cloud, Minnesota  
March 12, 2021



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

**Independent Auditor's Report**

To the Board of Directors  
Adults & Childrens Alliance, Inc.  
St. Paul, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Adults & Childrens Alliance, Inc.'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 the Organization's major federal programs for the year ended September 30, 2020. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Adults & Childrens Alliance, Inc. complied, in all material respects, with the types of compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

## **Report on Internal Control over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to in the first paragraph. In planning and performing our audit of compliance, we considered the Organization'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 the Organization'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.

## **Purpose of Report**

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.

*BergankDV, Ltd.*

St. Cloud, Minnesota  
March 12, 2021

**Adults & Childrens Alliance, Inc.**  
**Schedule of Findings and Questioned Costs**

**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes, 2020-001
- Significant deficiency(ies) identified? Yes, 2020-002

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major federal programs:

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

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**

CFDA No.: 10.558

Name of Federal Program or Cluster Children 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

**Adults & Childrens Alliance, Inc.**  
**Schedule of Findings and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Material Weakness**

**2020-001 – Material Audit Adjustment**

*Criteria:*

Management is responsible for reconciling financial statement accounts, including grants receivable and revenue at year end.

*Condition:*

There were insufficient internal controls over financial reconciliations and a material audit adjustment was required to reduce grants receivable and grants revenue by \$236,932 to prevent the Organization's financial statements from being materially misstated.

*Cause:*

Management recorded revenue in the current year for provider payments and administration reimbursements recorded as a receivable at September 30, 2019 in error. Management relied on auditors to propose the entry after audit procedures and had not recorded the entry needed at the time of the audit.

*Effect:*

Management not reconciling accounts could result in undetected errors and irregularities and misstated financial statements.

*Recommendation:*

It is recommended management improve internal controls over financial statement reconciliations to prevent these types of adjustments. We also recommend documenting which accounting procedures are needed to be completed on a recurring basis to detect material adjustments.

*Views of Responsible Officials:*

The Board and Executive Director discussed this mistake and support contracting with an outside CPA as of October 1, 2020 to ensure this does not happen again moving forward.

**Adults & Childrens Alliance, Inc.**  
**Schedule of Findings and Questioned Costs**

**SECTION II – FINANCIAL STATEMENT FINDINGS**

**Significant Deficiency**

**2020-002 - Lack of Segregation of Accounting Duties (Repeat of Finding 2019-001)**

*Criteria:*

Proper internal control structure includes review of journal entries, bank reconciliations and the schedule of expenditures of federal awards, as well as an adequate system for recording and processing entries to the financial statements, in accordance with generally accepted accounting principles.

*Condition:*

The limited number of staff in the accounting department results in certain functions that are not properly segregated which normally would enhance internal control, including the lack of review of journal entries, bank reconciliations, and the schedule of expenditures of federal awards.

*Cause:*

The internal control structure does not provide an appropriate segregation of duties for the financial reporting process.

*Effect:*

Although this condition is not unusual for an entity the size of the Organization, the condition may affect the Organization's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

*Recommendation:*

It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other conditions. We recommend the Organization evaluate current procedures and segregate where possible and implement compensating controls.

*Views of Responsible Officials:*

Per discussion with Board - due to COVID-19, reduction in revenue, and uncertain times an additional person was not hired during 2020. As a result, this is a repeat finding for the 2020 audit, the Executive Director and Board are both in support of hiring an addition person or delegating accounting duties to addition ACA staff to improve lack of segregation.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.