

Financial Report with
Federal Award Supplementary Information



Comprehensive Adult
Student Assessment Systems

June 30, 2020



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***INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND
THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of CASAS – Comprehensive Adult Student Assessment Systems (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CASAS – Comprehensive Adult Student Assessment Systems as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

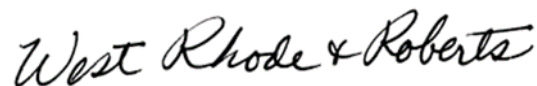
We have previously audited CASAS – Comprehensive Adult Student Assessment Systems' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2019. In our opinion, the summarized comparative information presented herein as of and for the year then ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2019, on our consideration of CASAS – Comprehensive Adult Student Assessment Systems' 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 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 CASAS – Comprehensive Adult Student Assessment Systems' internal control over financial reporting and compliance.



WEST RHODE & ROBERTS

San Diego, California
October 7, 2020

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Summarized Financial information for June 30, 2019)

	<u>2020</u>	<u>2019</u> (Note 10)
ASSETS		
Cash and cash equivalents	\$ 1,380,879	\$ 946,878
Investments	4,830,543	4,191,450
Accounts receivable	744,213	1,731,689
Prepaid expenses and other assets	182,835	130,272
Assessment materials inventory	279,142	237,839
Equipment	16,245	19,562
Total assets	<u>\$ 7,433,857</u>	<u>\$ 7,257,690</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 590,042	\$ 1,080,894
Refundable advance	750,000	-
Deferred revenue	96,200	42,875
Total liabilities	<u>1,436,242</u>	<u>1,123,769</u>
Commitments (Note 7)		
Net assets:		
Without donor restrictions	<u>5,997,615</u>	<u>6,133,921</u>
Total liabilities and net assets	<u>\$ 7,433,857</u>	<u>\$ 7,257,690</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	2020	2019 (Note 10)
<u>Operating Activities</u>		
Support and revenue		
Contracts and program revenue	\$ 2,436,305	\$ 3,273,573
Assessment materials and service revenue	4,416,107	4,700,402
Total support and revenue	<u>6,852,412</u>	<u>7,973,975</u>
EXPENSES		
Program development and service	6,593,542	7,242,436
General and administrative	530,637	562,926
Total expenses	<u>7,124,179</u>	<u>7,805,362</u>
Operating revenues and support in excess of expenses	(271,767)	168,613
<u>Non-operating Activities</u>		
Interest and dividends	110,572	93,693
Realized and unrealized gains	24,888	49,691
Total non-operating activities	<u>135,460</u>	<u>143,384</u>
Change in net assets	(136,307)	311,997
NET ASSETS AT BEGINNING OF YEAR	<u>6,133,922</u>	<u>5,821,925</u>
NET ASSETS AT END OF YEAR	<u>\$ 5,997,615</u>	<u>\$ 6,133,922</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2020
(With Summarized Financial Information for the Year Ended June 30, 2019)

	Program		Total	2019 (Note 10)
	Development and Service	General and Administrative		
EXPENSES				
Salaries	\$ 1,992,478	\$ 299,656	\$ 2,292,134	\$ 1,990,727
Payroll taxes & employee benefits	540,837	89,944	630,781	598,286
	<u>2,533,315</u>	<u>389,600</u>	<u>2,922,915</u>	<u>2,589,013</u>
Program development fees	1,978,245	-	1,978,245	2,220,126
Consulting and contract fees	559,169	18,060	577,229	585,607
Occupancy and equipment	566,223	39,696	605,919	683,740
Cost of assessment materials	612,427	-	612,427	862,352
Travel and conferences	117,499	151	117,650	467,511
Printing and reproduction	12,394	-	12,394	57,457
Supplies and other expenses	145,978	67,216	213,194	246,370
Professional fees	28,280	6,590	34,870	43,378
Insurance	31,871	7,427	39,298	36,841
Depreciation	8,141	1,897	10,038	12,967
Total expenses	<u>\$ 6,593,542</u>	<u>\$ 530,637</u>	<u>\$ 7,124,179</u>	<u>\$ 7,805,362</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2020

(With Summarized Financial Information for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u> <u>(Note 10)</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (136,307)	\$ 311,997
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	10,038	12,967
Realized and unrealized gain on investments	(24,888)	(49,691)
Change in operating assets and liabilities:		
Accounts receivable	987,476	(568,353)
Assessment materials inventory	(41,303)	21,303
Prepaid expenses	(52,563)	58,284
Accounts payable and accrued expenses	(490,852)	204,216
Refundable advance	750,000	-
Deferred revenue	53,325	(296,705)
Net cash provided by (used in) operating activities	<u>1,054,926</u>	<u>(305,982)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(6,721)	(14,160)
Net (sales) purchase of investments	77,461	(19,530)
Net cash provided by (used in) investing activities	<u>70,740</u>	<u>(33,690)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under capital lease obligation	-	(940)
Net cash used in financing activities	<u>-</u>	<u>(940)</u>
Change in cash and cash equivalents	1,125,666	(340,612)
Cash and cash equivalents at beginning of year	1,569,934	1,910,546
Cash and cash equivalents at end of year	<u>\$ 2,695,600</u>	<u>\$ 1,569,934</u>
Cash and cash equivalents consist of:		
Cash and cash equivalents	\$ 1,380,879	\$ 946,878
Cash and cash equivalents included in long-term investments	1,314,721	623,056
	<u>\$ 2,695,600</u>	<u>\$ 1,569,934</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Organization and Activities

CASAS – Comprehensive Adult Student Assessment Systems (CASAS) is a nonprofit organization whose mission is to help adult learners attain the basic literacy skills necessary to function effectively on the job, in the community, in the family, and in postsecondary education and training.

To accomplish its mission, CASAS partners with customers, such as, federal and state education and workforce agencies, local education and workforce training providers, social service programs, business and industry, other organizations, nationally and internationally. CASAS brings to these partnerships its expertise, products and services, including assessment and certification systems linked directly to competencies, content standards, and curriculum resources, database management and reporting tools (including software applications), classroom instructional resources, research, consulting, evaluation, and professional development services. The partners use CASAS' programs, products, and services to provide quality education and training programs that meet the needs of adult learners, document progress and certify learning outcomes, and implement continuous program improvement based on data analysis.

Significant Accounting Policies

Method of Accounting – The financial statements have been prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CASAS management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CASAS or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity. At June 30, 2020, CASAS had no net assets with donor restrictions.

Measure of Operations – The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CASAS' ongoing programs. Nonoperating activities are limited to resources that generate return from long-term investments and other activities of a nonrecurring nature.

Revenue Recognition – Revenues from cost-reimbursement contracts and grants are recognized as expenditures are incurred. Revenues from fixed-fee service contracts are recognized as contract requirements are met and as services are performed. Sales are recognized as revenue when products are shipped or when services are performed. Expenses related to fixed-fee contracts are deferred until the contract requirements are met.

Cash and Cash Equivalents – All unrestricted cash accounts that are not subject to withdrawal restrictions or penalties, with initial maturity of three months or less are considered to be cash equivalents.

Investments – CASAS reports investments at fair market value.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS

Accounts Receivable – Accounts receivable is primarily comprised of reimbursements due from contracted services pursuant to contractual agreements. The allowance for doubtful accounts balance represents management’s estimate of uncollectible accounts based upon historical information and examination of specific individual accounts. At June 30, 2020, management has estimated an allowance of \$10,000 related to its accounts receivables at year-end.

Assessment Material Inventory – Inventory, which consists of educational and assessment materials, is stated at the lower of cost (first-in, first-out method) or market.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Property and Equipment – Equipment, vehicles, furniture, and fixtures are stated at historical cost, if purchased, or at estimated fair value as of the date of receipt if acquired by gift. Maintenance, repairs, and renewals, which neither materially add to the value of the furniture or equipment nor appreciably prolong its life, are charged to expense as incurred. Acquisitions of property and equipment which equals or exceeds \$5,000 are capitalized. Depreciation is calculated on the straight-line method and is based upon estimated useful lives as follows:

Vehicles	5 to 7 years
Furniture and equipment	3 to 10 years

Depreciation expense totaled \$10,038 for the year ended June 30, 2020.

Shipping and Handling Costs – Shipping and handling charges billed to customers are considered product and service revenue and the related shipping and handling costs as supplies and postage expense.

Income Taxes – CASAS, a California not-for-profit corporation, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the State Revenue and Taxation Code. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes*, which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. CASAS has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Refundable Advance – CASAS received a loan in the amount of \$750,000 under the Paycheck Protection Program (PPP). The PPP was established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is forgivable if it is used for qualifying expenses as described in the CARES Act. CASAS believes the PPP loan qualifies for forgiveness and has elected to account for the PPP loan under FASB ASC 958-605. Under this model, CASAS has recorded a refundable advance and will record revenue when the PPP loan is forgiven. As of June 30, 2020, CASAS has utilized approximately \$500,000 of the PPP Loan on payroll and allowable expenses. The balance of the loan amount will be utilized before the end the 24-week Coverage Period, which ends in October 2020.

Functional Allocation of Expenses – The statement of functional expenses presents expense by function and natural classification. Expenses directly attributable to a specific functional area of CASAS are reported as expenses of those functional areas. A portion of costs that benefit multiple functional areas (indirect costs) have been allocated across programs and supporting services based on the full-time employee equivalents of a programs or supporting service.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include those assumed in computing accounts receivable.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
NOTES TO FINANCIAL STATEMENTS

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. CASAS recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing financial statements. CASAS' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after that date and before the financial statements are available to be issued.

CASAS has evaluated subsequent events through October 7, 2020, which is the date the financial statements are available for issuance, and concluded that the following event needs to be disclosed:

CASAS' operations may be affected by the ongoing impact from the Coronavirus pandemic. The ultimate disruption which may be caused by the pandemic is uncertain; however, it may result in a material adverse impact on CASAS' financial position, operations, and cash flows. Possible effects may include, but are not limited to, disruption to the CASAS' revenue, absenteeism in CASAS' workforce, unavailability of products and supplies used in operations, and a fluctuation in value of assets held by CASAS, including property and equipment and investments. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Recently Adopted Accounting Standards – In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (ASU 2016-18). This update requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows.

In June 2018, the FASB issued ASU 2018-08, Not-for-profit Entities, Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made, this update to clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The update assists in demining if transactions should be accounted for as exchange transaction or a contribution and determining if a contribution is conditional.

Note 2. Liquidity and Availability of Resources

CASAS' financial assets available for general expenditure, that is without donor restrictions limiting their use within one year of the statement of financial position date, are as follows:

Financial assets	
Cash and cash equivalents	\$ 1,380,879
Investments	4,830,543
Accounts receivable	<u>744,213</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 6,955,635</u>

CASAS maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3. Fair Value Measurements

Due to the short-term nature of cash equivalents, investments, receivables, prepaid expense, accounts payable, and deferred revenue, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that CASAS would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS

FASB ASC 820 also establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk; inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect CASAS' own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The statement of financial position includes investments which have been considered Level 1 assets and are reported at fair value based on quoted prices. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

Management is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of CASAS has established an accounting and financial reporting process for determining the fair value measurements and disclosures.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at June 30, 2020, Using:			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments	\$ 4,830,543	\$ 4,830,543	\$ -	\$ -

Note 4. Investments

Investments consist of the following on June 30, 2020:

Certificates of deposit	\$ 1,717,692
Cash and cash equivalents	1,314,721
Mutual funds	1,260,151
Stocks and exchange traded funds	473,258
Money market	64,721
	<u>\$ 4,830,543</u>

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS
 NOTES TO FINANCIAL STATEMENTS

Note 5. Equipment

Equipment consist of the following on June 30, 2020:

Equipment	\$ 262,587
Furniture and fixtures	21,037
Vehicles	<u>9,022</u>
	292,646
Accumulated depreciation	<u>(276,401)</u>
	<u>\$ 16,245</u>

Note 6. Accounts Receivable

Accounts receivable consist of the following on June 30, 2020:

Programs and products receivables	\$ 754,213
Less allowance for doubtful accounts	<u>(10,000)</u>
	<u>\$ 744,213</u>

Note 7. Commitments and Contingencies

Operating Leases – CASAS leases certain facilities and equipment under non-cancelable operating leases, which expire at various times through July 2022. Rent expense under these leases was approximately \$362,000 for the year ended June 30, 2020.

Future minimum lease payments required under the operating leases are as follows:

<u>Years Ending June 30:</u>	<u>Operating Leases</u>
2021	\$ 221,396
2022	152,560
2023	<u>423</u>
	<u>\$ 374,379</u>

Note 8. Employee Benefit Plans

CASAS established a defined contribution plan under Section 403(b) of the Internal Revenue Code, which became effective as of July 1, 2008. Participation in the plan is limited to employees who have completed one year and 1,000 hours of service. Employer contributions are discretionary and are calculated at 3% of each employee’s base compensation. The employer contribution for 2018 was approximately \$96,000.

Participants hired on or before July 1, 2008, shall be fully vested immediately upon entry into the plan. The vested employer contribution portion of any participant hired after July 1, 2008, shall be a percentage of the total amount credited to the participant’s account determined on the basis of the participant’s number of years of service. The participants vest at a rate of 20% per year and are fully vested after five years.

CASAS has a salary reduction plan, which became effective as of July 1, 2008, to which the employees make pretax contributions. The plan does not provide for any contribution from CASAS and, accordingly, employee benefit expense for this plan has not been recorded.

Note 9. Concentrations

Concentration of Credit Risk – CASAS maintains cash balances at two financial institution. Accounts at the institution are secured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. There have been no losses in such accounts. Management believes that the organization is not exposed to any significant credit risk with respect to its cash.

Concentration of Revenue – In 2020, two governmental agencies accounted for approximately \$2,427,000 and \$903,000 of revenues, which represents approximately 35% and 13% of CASAS' total revenues. At June 30, 2020, receivables for these customers amounted to approximately \$279,000 and \$187,000. In the event funding is significantly decreased, CASAS' operations would be greatly impacted.

Concentration of Expenses – In 2020, one major supplier accounted for approximately \$942,000, which represents approximately 13% of CASAS' total expenses. At June 30, 2020, the amount payable to this supplier amounted to approximately \$41,000.

Note 10. June 30, 2019 Financial Information

The prior year summarized financial information is for comparative purposes only. The prior year information is presented in the financial statements in total, but not by asset class as required by accounting principles generally accepted in the United States. The summarized financial information was derived from the CASAS' June 30, 2019 financial statements. Accordingly, the summarized information should be read in conjunction with the CASAS' complete financial statements for the year ended June 30, 2019.

Certain reclassifications have been made to the summarized 2019 financial information to conform to the classifications adopted for the 2020 financial statements. This reclassification had no effect on the change in net assets.

SUPPLEMENTARY INFORMATION

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Federal Grantor	Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Education				
Pass-through Programs				
California Department of Education	Adult Education - Basic Grants to States	84.002	CN160035	\$ 1,423,965
California Department of Education	Adult Education - Basic Grants to States	84.002	CN190072	1,060,576
New York State Education Department	Adult Education - Basic Grants to States	84.002	C013038	<u>75,468</u>
Total expenditures of federal awards				<u>\$ 2,560,009</u>

Note A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of CASAS under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Because the Schedule presents only a selected portion of the operation of CASAS, it is not intended to and does not present the financial position, changes in net assets and cash flows of CASAS.

Note B. Basis of Accounting

This Schedule is prepared on the same basis of accounting as CASAS financial statements. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Note C. Relationship of Schedule of Expenditures of Federal Awards to Financial Statements

Consistent with management's policy, federal awards are recorded in various revenue categories. As a result, the amount of total federal awards on the Schedule does not agree to the total grant revenue on the Statement of Activities.

Note D. Indirect Cost Rate

CASAS did not elect to use the 10% de minimis cost rate as allowed under the uniform guidance.



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

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems
San Diego, California

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 CASAS – Comprehensive Adult Student Assessment Systems (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered CASAS – Comprehensive Adult Student Assessment Systems' (CASAS) 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 CASAS' internal control. Accordingly, we do not express an opinion on the effectiveness of CASAS' 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 CASAS' 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 CASAS' 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.

A handwritten signature in black ink that reads "West Rhode & Roberts". The script is cursive and elegant.

WEST RHODE & ROBERTS

San Diego, California
October 7, 2020



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

Board of Directors
CASAS – Comprehensive Adult Student Assessment Systems
San Diego, California

Report on Compliance for Each Major Federal Program

We have audited CASAS – Comprehensive Adult Student Assessment Systems' (CASAS) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CASAS' major federal programs for the year ended June 30, 2020. CASAS' 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 CASAS' 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 CASAS' 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 CASAS' compliance.

Opinion on Each Major Federal Program

In our opinion, CASAS 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 June 30, 2020.

Report on Internal Control over Compliance

Management of CASAS 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 CASAS' 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 CASAS' 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 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.



WEST RHODE & ROBERTS

San Diego, California
October 7, 2020

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant control deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported
- Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant control deficiency(ies) identified that are not considered to be material weakness(es)? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200.516(a)? Yes No

Identification of Major Programs

CFDA Numbers _____

Name of Federal Programs or Cluster

Department of Education
84.002

Adult Education – Basic Grants to States

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

Auditee qualified as low-risk auditee? Yes No

CASAS – COMPREHENSIVE ADULT STUDENT ASSESSMENT SYSTEMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)

Year Ended June 30, 2020

B. Findings – Financial Statements Audit

No reportable findings were noted during the June 30, 2020, financial statement audit.

C. Finding and Questioned Costs – Major Federal Award Programs Audit

No reportable findings were noted during the June 30, 2020, audit of CASAS' major federal awards.

D. Prior Year Findings and Questioned Costs

No reportable findings were noted during the June 30, 2019, financial statement audit.