

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

EIGHTEEN MONTHS ENDED JUNE 30, 2016

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
EIGHTEEN MONTHS ENDED JUNE 30, 2016



www.childcare.org

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

November 3, 2016

Board of Directors
Child Care Resources
Seattle, Washington

We have audited the accompanying financial statements of Child Care Resources (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2016 and the related statements of activity, functional expenses and cash flows for the eighteen months then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Child Care Resources as of June 30, 2016, and the changes in its net assets and its cash flows for the eighteen months then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of non-federal governmental awards is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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) and is also 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 November 3, 2016 on our consideration of Child Care Resources' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Care Resources' internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Current Assets	
Cash and cash equivalents	\$ 1,962,699
Certificates of deposit	1,260,847
Accounts receivable	1,785,671
Promises to give	41,393
Prepaid expenses	<u>275,935</u>
	Total Current Assets 5,326,545
Equipment, net of accumulated depreciation of \$294,676	<u>187,446</u>
	<u>\$ 5,513,991</u>

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 284,307
Accrued liabilities	531,614
Cash held for others	<u>21,570</u>
	Total Current Liabilities <u>837,491</u>
Net Assets	
Unrestricted	
Board designated	1,666,527
Undesignated	<u>2,822,763</u>
	Total Unrestricted Net Assets 4,489,290
Temporarily restricted	<u>187,210</u>
	Total Net Assets <u>4,676,500</u>
	<u>\$ 5,513,991</u>

CHILD CARE RESOURCES

STATEMENT OF ACTIVITY

EIGHTEEN MONTHS ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Public support			
Government contracts and grants	\$12,945,451		\$12,945,451
United Way of King County	352,000	\$ -	352,000
Contributions and private grants	908,945	172,637	1,081,582
In-kind contributions	<u>72,543</u>	<u>-</u>	<u>72,543</u>
Total Public Support	<u>14,278,939</u>	<u>172,637</u>	<u>14,451,576</u>
Revenue			
Program services fees	246,058		246,058
Investment income	12,271		12,271
Other income	<u>13,104</u>		<u>13,104</u>
Total Revenue	<u>271,433</u>		<u>271,433</u>
Net Assets Released from Restrictions			
Satisfaction of purpose restrictions	406,983	(406,983)	-
Satisfaction of time restrictions	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>14,977,355</u>	<u>(254,346)</u>	<u>14,723,009</u>
Expenses			
Program services	11,469,080		11,469,080
Management and general	1,237,605		1,237,605
Fundraising	<u>598,145</u>		<u>598,145</u>
Total Expenses	<u>13,304,830</u>		<u>13,304,830</u>
Change in Net Assets	1,672,525	(254,346)	1,418,179
Net Assets - December 31, 2014	<u>2,816,765</u>	<u>441,556</u>	<u>3,258,321</u>
Net Assets - June 30, 2016	<u>\$ 4,489,290</u>	<u>\$ 187,210</u>	<u>\$ 4,676,500</u>

CHILD CARE RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES

EIGHTEEN MONTHS ENDED JUNE 30, 2016

	Provider Services	Family Services	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 4,566,451	\$ 1,183,688	\$ 5,750,139	\$ 746,949	\$ 320,084	\$ 6,817,172
Employee benefits	759,094	182,818	941,912	98,210	41,163	1,081,285
Payroll taxes	379,540	120,060	499,600	56,741	24,902	581,243
	<u>5,705,085</u>	<u>1,486,566</u>	<u>7,191,651</u>	<u>901,900</u>	<u>386,149</u>	<u>8,479,700</u>
Parent and provider assistance	593,916	1,167,766	1,761,682	-	50	1,761,732
MIS expense	385,241	103,917	489,158	18,204	19,102	526,464
Occupancy	272,968	85,346	358,314	53,232	27,685	439,231
Professional fees	131,638	117,531	249,169	108,083	59,729	416,981
Subcontracts services	372,873	-	372,873	-	-	372,873
Supplies	264,096	24,899	288,995	43,538	39,275	371,808
Travel, lodging, and meals	169,692	15,438	185,130	1,589	1,656	188,375
Equipment rent and repair	69,194	15,314	84,508	32,787	10,831	128,126
Communication	108,423	9,393	117,816	5,894	1,905	125,615
Staff development, training, and meetings	82,496	14,715	97,211	19,279	6,150	122,640
In-kind expenses	33,712	25,787	59,499	3,637	9,406	72,542
Dues, subscriptions, and advertising	21,399	38,111	59,510	7,051	4,465	71,026
Printing and publications	43,371	13,140	56,511	1,021	9,823	67,355
Depreciation	29,939	11,213	41,152	9,794	3,873	54,819
Other expenses	9,259	3,788	13,047	17,125	14,132	44,304
Insurance	19,571	5,685	25,256	12,257	1,071	38,584
Postage and shipping	9,282	8,316	17,598	2,214	2,843	22,655
Total Expenses	<u>\$ 8,322,155</u>	<u>\$ 3,146,925</u>	<u>\$ 11,469,080</u>	<u>\$ 1,237,605</u>	<u>\$ 598,145</u>	<u>\$ 13,304,830</u>

CHILD CARE RESOURCES

STATEMENT OF CASH FLOWS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

Cash Flows from Operating Activities

Cash received from:

Government agencies	\$12,130,209
Donors	1,591,779
Program participants	245,612
Investment income	3,890
Other income	15,913

Cash paid to:

Employees	(8,453,346)
Vendors	(4,443,957)

Net Cash Provided by Operating Activities 1,090,100

Cash Flows from Investing Activities

Purchases of certificates of deposit	(250,000)
Proceeds from maturity of certificates of deposit	266,762
Purchases of equipment	<u>(97,964)</u>

Net Cash Used by Investing Activities (81,202)

Change in Cash and Cash Equivalents 1,008,898

Cash and Cash Equivalents - December 31, 2014 953,801

Cash and Cash Equivalents - June 30, 2016 \$ 1,962,699

CHILD CARE RESOURCES

STATEMENT OF CASH FLOWS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

Reconciliation of Change in Net Assets to Net Cash

Flows from Operating Activities:

Change in net assets	\$ 1,418,179
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	54,819
Reinvested investment earnings	(8,381)
(Increase) decrease in	
Accounts receivable	(812,879)
Promises to give	169,757
Prepaid expenses	(58,570)
Increase in	
Accounts payable	114,090
Accrued liabilities	207,820
Cash held for others	<u>5,265</u>
Net Cash Provided by Operating Activities	<u>\$ 1,090,100</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Child Care Resources ("CCR" or "the Agency") promotes equity for children, community stability, and school readiness as a Washington State leader with a King County and Pierce County focus. We work with families, caregivers, and providers, and collaborate with community partners to ensure that every child has a great start. CCR delivers programs and advocates for policy – both independently and in collaboration with partners – that increases the ability of families, caregivers, and providers to nurture the social emotional, physical, and intellectual growth of young children. CCR exercises leadership in the early learning community, using our competitive advantages of field expertise and cultural competence that allows us to play a translator role between caregivers and policy makers, and use our ability to leverage our expertise and data in a responsive way to inform decision-making.

CCR's Vision

Every child has a great start in school and in life.

CCR's Mission

Child Care Resources improves all children's access to high quality early learning experiences by engaging with families, caregivers, and communities. Embedded in Child Care Resources' daily work is identifying and addressing racism so that all children thrive in their early learning environments.

The Agency provides child care referral and related services to parents, employers, and employees. It provides training, coaching, and technical assistance to child care providers and offers coordination for the community in addressing major child care policy issues. The Agency provides services through the following programs:

Provider Services and Capacity Building

Early Achievers - Includes Technical Assistance, Training, and Coaching for a focused group of providers who enroll in the state's Quality Rating Improvement System, known as Early Achievers. Eligibility and process are determined by the Department of Early Learning's guidelines.

City of Seattle Early Learning Academy (ELA) - CCR's participation in the City of Seattle's Early Learning Academy supports children's optimal development by offering professional development and coaching (with a focus on the HighScope approach). CCR provides culturally and linguistically responsive professional development (onsite coaching and quarterly training) for teachers of pre-k children.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Technical Assistance - Offers walk-in assistance, telephone assistance, and site visits to child care providers and the general community. Helps family and center-based child care providers throughout King County, Washington with many topics, including marketing, business practices, environment, and accreditation process; seeks to improve quality and accessibility of child care to underserved populations, including communities of color, rural communities, families with children with special needs, and low-income families; and provides leadership in child care issues, including adequacy of supply of child care facilities and the quality of services. A workroom, library, and conference room are available at the Seattle office. The Kent and Redmond offices are mainly used for field staff and trainings (appointments and work space).

Training - Provides workshops to licensed child care providers at each of the Agency's sites and in the community on a variety of topics designed to increase the quality of care.

King County Housing Authority (KCHA) Project - CCR provides Technical Assistance (TA) to a specific group of family child care providers residing in properties owned by King County Housing Authority. The TA mirrors the general TA we provide: onsite, phone and email. In addition, our TA focuses on helping family child care providers create pathways for meeting the 2017 deadline for the WAC requiring certain educational attainment in order to continue as a family child care.

Careers - Careers is CCR's program where we recruit and train low-income, immigrant, and refugee individuals for employment in the child care field. CCR will provide a quarterly training series of over 60 hours of basic child development, health and safety, and other early childhood education topics. CCR helps place the participants in internships in the child care field, and then supports them in finding employment.

Department of Early Learning (DEL) Infant-Toddler Consultation Project - CCR is the lead agency in coordinating service delivery implementation and system building of a coaching model for infant and toddler classrooms, primarily using the FIND approach. Eligibility is determined by DEL and Child Care Aware of WA and focuses on providers engaged in Early Achievers. The social-emotional health of children is a focus of this program.

ECEAP - The Early Childhood Education and Assistance Program is the Washington State-funded preschool for low-income children and families. CCR implements ECEAP under a contract through the Puget Sound Educational Service District. CCR supports 90 child care slots across seven programs, providing support to meet ECEAP guidelines, support to families, and the provision of an array of comprehensive services.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

PICH – With a focus on Spanish-speaking and Somali family child care providers, engaging with these providers to include more movement, healthy activities, and eating into their daily schedules with children.

Dirt Alert – Dissemination of educational materials to families regarding environmental health and safety, with a specific focus on STEM trainings for Spanish and Somali family child care providers.

Family Services

Child Care Aware of WA Call Center/Information and Referral - Provides child care referral information and consumer education to parents throughout Washington, using a computerized database. Services are provided via telephone and internet. Educational information is provided verbally, on the web site, by email, and by mail.

Enhanced Public Referral Services - Provides specified populations with enhanced child care search and referral.

Employer Contracts - Provides child care referrals and parent consultations on related issues to employees, by conducting seminars for the employees at the worksite on child development and child care issues, and by providing employers with information and technical assistance on child care options.

Homeless Child Care Project - Provides child care subsidies, transportation services, and bus tickets to homeless families with children. Services are provided so that families can work towards finding stable housing and economic security.

Child Care Financial Assistance Program - Administers a child care scholarship fund to assist eligible families living in designated cities.

Family Friend and Neighbor Program (FFN) - Builds a delivery system of resources to support FFN caregivers. The purpose of this project is to improve the school readiness and school success of children in FFN care by providing targeted, age-appropriate resources to FFN caregivers through the community-based organizations that serve them. CCR facilitates the development of educational Play & Learn groups for FFN caregivers and the children in their care. CCR provides training and technical assistance to community-based organizations to facilitate their start-up and operation of Play & Learn groups. The program builds public awareness of the prevalence and importance of care by family members, friends, and neighbors.

Boeing Family Engagement – Working with family child care providers from diverse racial, cultural and linguistic backgrounds to increase their engagement with their families, ultimately creating a curriculum that can be used by all family child care programs.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Needs for Children - This project recruits specific family child care populations, Somali and Spanish-speaking, to engage in intensive professional development around caring for a child with Autism Spectrum Disorder (ASD). In addition to training, providers receive technical assistance to apply what they have learned in the classroom. Enhanced trainings for Family and Provider staff improve their ability to work with families and providers in support of children with ASD.

Change of fiscal year

Effective June 30, 2016, the Agency changed their fiscal year end from December 31 to June 30. As such, these financial statements have been prepared for the eighteen months ended June 30, 2016. Due to this change, amounts included in these financial statements may not be comparable to those reported for the year ended December 31, 2014.

Basis of presentation

The Agency reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The net assets of the Agency are classified as follows:

Unrestricted net assets are available without restriction for support of the Agency's operations.

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets are available as follows as of June 30, 2016:

Homeless Child Care Project	\$	82,307
Boeing Family Engagement Curriculum		80,000
Accreditation		14,573
Child Care Careers		5,500
Child Care Financial Assistance		<u>4,830</u>
Total temporarily restricted net assets	\$	<u>187,210</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity. The Agency had no permanently restricted net assets as of June 30, 2016.

Operating reserve

In December 1998, the Board created a policy for the Agency to maintain a three-month operating reserve. The Agency continued to achieve this level of reserves with the undesignated unrestricted net assets on hand.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board designation

The Board designated \$1,403,027 to be used to support services provided through Early Achievers in future years. These funds came from meeting 100% performance on this grant by June 30, 2016. These funds were reflected at the close of the agency's 2016 financial position as stated on June 30, 2016.

The Board has also designated \$100,000 of agency unrestricted net assets to be used to support the Homeless program during FY2017. These funds will be used to support staffing while identifying new funding streams to stabilize the program during this year of transition due to the loss of HUD funding.

The Board designated \$163,500 of the 2014 increase in unrestricted net assets to be used for the agency's Innovation and Opportunity Fund created by the Board on December 4, 2014. The Innovation and Opportunity Fund is designed to catalyze creative solutions by allowing CCR to pursue opportunities to implement new strategies, projects, and programs that go beyond merely extending or expanding existing programs. These new strategies, projects, and programs must have the potential for demonstrable positive impact on CCR's stakeholders.

Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts.

Cash deposits in excess of insured limits

The Agency maintains its cash and cash equivalents in bank accounts that may exceed federally-insured limits at times. The Agency has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Certificates of deposit

Certificates of deposit are stated at fair value and bear interest ranging from 0.15% to 1.03%.

Fair value measurement

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as 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. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Government contracts and grants and related receivables

A substantial portion of public support is derived from contracts and grants administered by federal, state, and local government agencies. Revenue from these contracts and grants is subject to audits, which could result in adjustments.

The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the eighteen months ended June 30, 2016, no such adjustments were made. Approximately 73% of total government contracts and grants revenue during the eighteen months ended June 30, 2016 was received from one grantor and, as of June 30, 2016, 76% of accounts receivable was due from this grantor.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. The fair value of promises to give is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

All promises to give are current at June 30, 2016. Uncollectible promises are expected to be insignificant. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Equipment

Equipment is stated at cost, or if donated, at market value at date of donation. The Agency capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally three to five years.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and unrestricted support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

In-kind goods and services

Contributed goods and services have been recorded on the basis of rates that otherwise would have been paid for similar goods and services. Donated services are recorded as in-kind contributions and are recognized as revenue at estimated values at the date of receipt if they (a) create or enhance non-financial assets, or (b) require specialized skills and would need to be purchased if not provided by donation. Corresponding expenses are recognized as the assets and services are utilized by the Agency.

Many people volunteered their time by serving on advisory and task force committees that meet the matching requirements of various grants. However, as the service on these committees does not meet the above criteria, the value of the volunteer time is not reflected in these financial statements.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal income taxes

The Internal Revenue Service has recognized Child Care Resources as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. Therefore, no provision for federal income taxes has been made in the financial statements.

NOTE B - FAIR VALUE MEASUREMENTS

Assets carried at fair value on a recurring basis (at least annually) are as follows:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2016			
Certificates of deposit	\$ -	\$ 1,260,847	\$ -

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return, which is a level 3 input.

NOTE C – LINE OF CREDIT

The Agency has a \$650,000 revolving line of credit that will expire in December 2016. Bank advances on the line of credit are payable on demand and carry interest at 3 percentage points over the LIBOR rate (3.4% at June 30, 2016). The line of credit is collateralized by all personal property of the Agency. There was no outstanding balance under the line of credit as of June 30, 2016.

NOTE D - COMMITMENTS

The Agency leases their office space under a non-cancelable operating lease which expires in February 2018. Rent expense related to this lease was \$416,740 for the eighteen months ended June 30, 2016. Future minimum lease payments under this lease are as follows for the years ending June 30:

2017	\$ 330,874
2018	246,729
2019	32,346
	<u>\$ 609,949</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE E - RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution plan (the Plan), as defined by the Internal Revenue Code. The Plan is for the benefit of all qualifying employees and permits voluntary contributions by employees to the maximum allowable, as determined by the Internal Revenue Service. The Agency has a matching program, whereby it contributes fifty cents for each dollar a participant contributes on the first 3% of the participant's earnings. Employer matching contributions in the amount of \$82,601 and profit-sharing in the amount of \$34,984 were made for the eighteen months ended June 30, 2016.

NOTE F - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2016 through November 3, 2016, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2016, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

Federal Grantor

<i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Department of Housing and Urban Development				
"Supportive Housing Program: Regional Homeless Child Care Program Project"	WA0047L0T001407	14.235	\$ -	\$ 479,095
"Supportive Housing Program: Regional Homeless Child Care Program Project"	WA0047L0T001306	14.235	-	38,287
			-	517,382
Department of Early Learning				
<i>Child Care Aware of Washington</i>				
"Race to the Top - Early Learning Challenge"	--	84.412*	-	622,191
"Race to the Top - Early Learning Challenge"	--	84.412*	-	166,000
"Race to the Top - Early Learning Challenge"	--	84.412*	-	568,197
			-	1,356,388
Department of Health and Human Services				
<i>Diocese of Olympia</i>				
"Refugee and Entrant Assistance - Voluntary Agency Programs"	--	93.567	-	20,645
<i>Seattle-King County Public Health</i>				
"Partnership to Improve Community Health"	CDIO3904-1	93.331	-	47,899
<i>Washington State Department of Early Learning - Homeless Child Care Program</i>				
"Community-Based Child Abuse Prevention Grants"	16-1080	93.590	-	30,000
"Community-Based Child Abuse Prevention Grants"	14-1311	93.590	-	20,829
			-	50,829
<i>Washington State Department of Early Learning - Homeless Child Care Program</i>				
"Child Care and Development Block Grant"	14-1005-03	93.575	-	210,451
"Child Care and Development Block Grant"	16-1057-02	93.575	-	301,011
<i>Washington State Department of Early Learning</i>				
"Child Care and Development Block Grant"	--	93.575	-	818,756
"Child Care and Development Block Grant"	--	93.575	-	265,751
"Child Care and Development Block Grant"	--	93.575	-	1,071,167
			-	2,667,136
Total Expenditures of Federal Awards			\$ -	\$ 4,660,279

* Denotes a major program.

CHILD CARE RESOURCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Resources and is presented on the accrual basis of accounting. 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 (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

Child Care Resources has a negotiated indirect cost rate for use on Federal grants and contracts. For the eighteen months ended June 30, 2016, the provisional rate was 13.5% based on total modified direct costs. As such, Child Care Resources is not eligible to elect use of the 10% *de minimus* indirect cost rate.

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2015 - 06/30/2016
City of Seattle				
"Information and Referral"	DC15GF014	01/01/15 - 12/31/15	\$ 53,782	\$ 53,782
"Information and Referral"	DC16PA002	01/01/16 - 12/31/16	53,782	29,862
"Early Learning Academy (ELA)"	DA14FE021	09/01/14 - 06/30/15	515,772	385,512
"Family Child Care Outreach Project"	DA14-1517	04/01/14 - 03/31/15	148,500	37,850
"Homeless Child Care Assistance Program"	DC16PA016	03/01/16 - 12/31/16	300,000	131,410
City of Seattle Sub-Total			1,071,836	638,416
State of Washington				
"Puget Sound Educational Service District: ECEAP"	8947	07/01/14 - 06/30/15	946,964	666,083
"DEL Infant Toddler Regional Systems & Services - King"	14-1067-01	07/01/13 - 06/30/15	399,323	84,930
"DEL Infant Toddler Regional Systems & Services - Pierce"	16-1138-01 Amendment #1	8/4/15 - 6/30/17	260,000	122,147
"DEL Infant Toddler Regional Systems & Services - King"	16-1136-01 Amendment #1	7/1/15 - 6/30/17	298,000	134,162
"DEL Homeless Child Care Program Data Collection"	16-1556	7/1/15 - 6/30/16	1,000	1,000
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract"	Amendment #2	07/01/14 - 12/31/15	538,758	272,457
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract"	Amendment #2	7/1/15 - 6/30/16	4,706,740	4,282,611
"Child Care Aware of Washington: Child Care Aware of Pierce County Core/EA Services Contract"	Amendment #2	7/1/15 - 6/30/16	1,334,407	1,269,568
"WA State Dept of Early Learning: Homeless Child Care Program"	Amendment #2	7/1/15 - 6/30/17	7,690	1,315
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract - Preprobationary Onsite Consultation"	Amendment #1	07/01/14 - 12/31/15		200
"Child Care Aware of Washington: Family, Friend & Neighbor Network"	--	7/1/14 - 6/30/15	26,000	11,739
"Child Care Aware of Washington: Tacoma/Pierce County Acquisition Start Up"	--	6/15/15 - 8/30/15	30,400	30,400
"Child Care Aware of Washington: King County Train-the-Trainer & ERS Training Series"	--	6/1/15 - 12/31/15	13,370	13,770
"Child Care Aware of Washington: Pierce County Train-the-Trainer & ERS Training Series"	--	6/1/15 - 12/31/15	9,180	9,180
State of Washington Sub-Total			8,571,832	6,899,562
King County				
"Seattle- King County Public Health- Family, Friend & Neighbor Network and Play & Learn Project"	CHS4131	1/1/16 - 12/31/16	53,000	22,039
"Seattle- King County Public Health- Family, Friend & Neighbor Network and Play & Learn Project"	CHS3766	1/1/15 - 12/31/15	53,000	53,000
"Seattle- King County Public Health- King County Dirt Alert: Environmental Health Outreach and Education"	EHS3973	7/1/15 - 6/30/17	50,000	18,127
"Seattle- King County Public Health- King County Dirt Alert: Environmental Health Outreach and Education"	EHS3249	1/24/14 - 6/30/15	25,000	12,778
King County Sub-Total			181,000	105,944

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2015 - 06/30/2016
Suburban Cities				
"City of Bellevue Consumer Education & Provider Quality Improvement"	GF181	1/1/15 - 12/31/16	94,699	70,640
"City of Bellevue Child Care Financial Assistance"	GF200	1/1/15 - 12/31/16	328,523	237,332
"City of Bellevue Child Care Services for Homeless Families"	GF261	1/1/15 - 12/31/16	44,068	20,376
"City of Burien Child Care Resource and Referral"	--	1/1/15 - 12/31/16	10,000	7,500
"City of Covington Child Care Resource and Referral"	--	1/1/15 - 12/31/16	7,090	5,316
"City of Issaquah Consumer Education & Provider Quality Improvement"	GF181	1/1/15 - 12/31/16	4,000	3,000
"City of Kenmore Homeless Child Care"	GF261	1/1/15 - 12/31/16	4,000	4,000
"City of Kent Child Care Scholarship"	--	1/1/15 - 12/31/16	70,640	52,980
"City of Kirkland Consumer Education & Provider Quality Improvement"	GF181	1/1/15 - 12/31/16	17,104	12,828
"City of Redmond Child Care Financial Assistance"	GF200	1/1/15 - 12/31/16	68,666	46,338
"City of Redmond Homeless Child Care"	GF261	1/1/15 - 12/31/16	25,404	12,216
"City of Redmond Consumer Education & Provider Quality Improvement"	GF181	1/1/15 - 12/31/16	31,872	23,904
"City of Renton Child Care Resource and Referral"	--	1/1/15 - 12/31/16	10,068	7,554
"City of Sammamish Consumer Education & Provider Quality Improvement"	GF181	1/1/15 - 12/31/16	2,686	2,016
"City of SeaTac Child Care Resource and Referral"	--	1/1/15 - 12/31/16	10,618	7,962
"City of Shoreline Consumer Education & Provider Quality Improvement"	GF181	1/1/15 - 12/31/16	9,916	7,440
"City of Tukwila Child Care Resource and Referral"	--	1/1/15 - 12/31/16	10,000	7,500
Suburban Cities Sub-Total			<u>749,354</u>	<u>528,902</u>
Public School Districts				
"Highline School District Kaleidoscope Play & Learn"	--	2/15/15 - 8/31/15	15,000	15,000
"Seattle School District Kaleidoscope Play & Learn"	--	9/1/14 - 8/31/15	25,100	25,100
"Tukwila School District"	--	1/1/16 - 12/31/16	3,600	3,600
"Tukwila School District"	--	9/14 - 8/15	5,000	5,000
"Elkton School District"	--	4/11/16 - 4/10/17	1,700	1,700
"Southern Oregon ESD Early Learning Services Kaleidoscope Play & Learn"	--	3/31/16 - 3/30/17	17,100	17,100
Public School Districts Sub-Total			<u>67,500</u>	<u>67,500</u>
Other Agencies				
"King County Housing Authority Family, Friend & Neighbor Network"	10259	1/1/15 - 12/31/15	29,000	11,356
"King County Housing Authority TA & TR - Child Care & Early Learning Support"	10267	4/1/15 - 12/31/16	60,000	31,092
"School's Out Washington"	--	6/1/16 - 6/30/17	38,600	2,400
Other Agencies Sub-Total			<u>127,600</u>	<u>44,848</u>
Total Non-Federal Governmental Grants/Contracts			<u>\$ 10,769,122</u>	<u>\$ 8,285,172</u>

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

November 3, 2016

Board of Directors
Child Care Resources
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Child Care Resources, which comprise the statement of financial position as of June 30, 2016, and the related statements of activity, functional expenses and cash flows for the eighteen months then ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Resources' 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 Child Care Resources' internal control. Accordingly, we do not express an opinion on the effectiveness of Child Care Resources' 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 Child Care Resources' 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 Child Care Resources' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Child Care Resources' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

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

November 3, 2016

Board of Directors
Child Care Resources
Seattle, Washington

Report on Compliance with Each Major Federal Program

We have audited Child Care Resources' compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Child Care Resources' major federal programs for the eighteen months ended June 30, 2016. Child Care Resources' major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Child Care Resources' 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 Child Care Resources' 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 Child Care Resources' compliance.

Opinion on Each Major Federal Program

In our opinion, Child Care Resources complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the eighteen months ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Child Care Resources is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Care Resources' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Care Resources' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

EIGHTEEN MONTHS ENDED JUNE 30, 2016

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Child Care Resources.
2. No material weaknesses relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Child Care Resources were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award programs for Child Care Resources expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for Child Care Resources are reported in Part C of this Schedule.
7. The program tested as major was the Race to the Top - Early Learning Challenge, CFDA No. 84.412.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Child Care Resources was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None