

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2014 AND 2013

OMB A-133 SUPPLEMENTAL FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2014



www.childcare.org

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2
STATEMENTS OF FINANCIAL POSITION December 31, 2014 and 2013	4
STATEMENTS OF ACTIVITY Years ended December 31, 2014 and 2013	5
STATEMENTS OF FUNCTIONAL EXPENSES Years ended December 31, 2014 and 2013	6
STATEMENTS OF CASH FLOWS Years ended December 31, 2014 and 2013	7 - 8
NOTES TO FINANCIAL STATEMENTS	9 - 17
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards Year ended December 31, 2014	19
Schedule of Expenditures of Non-Federal Governmental Awards Year ended December 31, 2014	20 - 21
Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	24
Schedule of Findings and Questioned Costs	26

May 7, 2015

Board of Directors
Child Care Resources
Seattle, Washington

We have audited the accompanying financial statements of Child Care Resources, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 present fairly, in all material respects, the financial position of Child Care Resources as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the accompanying schedule of expenditures of non-federal governmental awards, are presented for purposes of additional analysis and are 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 May 7, 2015 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

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets		
Cash and cash equivalents	\$ 953,801	\$ 1,096,802
Certificates of deposit	1,269,228	1,015,364
Accounts receivable	972,792	1,156,948
Promises to give	211,150	244,620
Prepaid expenses	<u>217,365</u>	<u>218,459</u>
Total Current Assets	3,624,336	3,732,193
Equipment, net of accumulated depreciation of \$291,727 and \$262,374	<u>144,301</u>	<u>125,283</u>
	<u>\$ 3,768,637</u>	<u>\$ 3,857,476</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ 170,217	\$ 145,536
Accrued liabilities	323,794	261,297
Cash held for others	<u>16,305</u>	<u>19,963</u>
Total Current Liabilities	<u>510,316</u>	<u>426,796</u>
Net Assets		
Unrestricted		
Board designated	464,781	464,000
Undesignated	<u>2,351,984</u>	<u>2,472,026</u>
Total Unrestricted Net Assets	2,816,765	2,936,026
Temporarily restricted	<u>441,556</u>	<u>494,654</u>
Total Net Assets	<u>3,258,321</u>	<u>3,430,680</u>
	<u>\$ 3,768,637</u>	<u>\$ 3,857,476</u>

See notes to financial statements.

CHILD CARE RESOURCES

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue						
Public support						
Government contracts and grants	\$ 5,020,138		\$ 5,020,138	\$ 5,224,896		\$5,224,896
United Way of King County	5,000	\$ 327,800	332,800	26,535	\$ 306,061	332,596
Contributions and private grants	536,382	84,314	620,696	424,036	173,070	597,106
In-kind contributions	33,550	-	33,550	123,521	-	123,521
Total Public Support	<u>5,595,070</u>	<u>412,114</u>	<u>6,007,184</u>	<u>5,798,988</u>	<u>479,131</u>	<u>6,278,119</u>
Revenue						
Program services fees	97,282		97,282	108,079		108,079
Investment income	9,387		9,387	26,108		26,108
Other income	17,308		17,308	13,707		13,707
Total Revenue	<u>123,977</u>		<u>123,977</u>	<u>147,894</u>		<u>147,894</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	425,212	(425,212)	-	399,333	(399,333)	-
Satisfaction of time restrictions	40,000	(40,000)	-	-	-	-
Total Public Support, Revenue, and Other Support	<u>6,184,259</u>	<u>(53,098)</u>	<u>6,131,161</u>	<u>6,346,215</u>	<u>79,798</u>	<u>6,426,013</u>
Expenses						
Program services	5,203,468		5,203,468	4,697,348		4,697,348
Management and general	747,585		747,585	669,093		669,093
Fundraising	352,467		352,467	317,378		317,378
Total Expenses	<u>6,303,520</u>		<u>6,303,520</u>	<u>5,683,819</u>		<u>5,683,819</u>
Change in Net Assets	(119,261)	(53,098)	(172,359)	662,396	79,798	742,194
Net Assets - beginning of year	<u>2,936,026</u>	<u>494,654</u>	<u>3,430,680</u>	<u>2,273,630</u>	<u>414,856</u>	<u>2,688,486</u>
Net Assets - end of year	<u>\$ 2,816,765</u>	<u>\$ 441,556</u>	<u>\$ 3,258,321</u>	<u>\$ 2,936,026</u>	<u>\$ 494,654</u>	<u>\$3,430,680</u>

CHILD CARE RESOURCES

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014						2013					
	Provider Services and Capacity <u>Building</u>	Family Services	Total Program Services	Management and <u>General</u>	<u>Fundraising</u>	Total <u>Expenses</u>	Provider Services and Capacity <u>Building</u>	Family Services	Total Program Services	Management and <u>General</u>	<u>Fundraising</u>	Total <u>Expenses</u>
Salaries and wages	\$ 1,770,916	\$ 747,377	\$ 2,518,293	\$ 392,908	\$ 193,915	\$ 3,105,116	\$ 1,381,766	\$ 684,019	\$ 2,065,785	\$ 374,553	\$ 173,963	\$ 2,614,301
Employee benefits	259,069	119,550	378,619	42,188	25,434	446,241	196,909	105,354	302,263	38,808	22,454	363,525
Payroll taxes	152,506	60,358	212,864	29,499	15,133	257,496	111,370	53,486	164,856	28,200	12,902	205,958
	<u>2,182,491</u>	<u>927,285</u>	<u>3,109,776</u>	<u>464,595</u>	<u>234,482</u>	<u>3,808,853</u>	<u>1,690,045</u>	<u>842,859</u>	<u>2,532,904</u>	<u>441,561</u>	<u>209,319</u>	<u>3,183,784</u>
Parent and provider assistance	345,460	841,945	1,187,405	-	-	1,187,405	362,132	802,581	1,164,713	-	-	1,164,713
Professional fees	51,594	46,397	97,991	118,504	30,449	246,944	103,711	53,589	157,300	66,429	30,727	254,456
Occupancy	123,355	56,211	179,566	37,355	12,475	229,396	111,199	54,501	165,700	26,013	12,627	204,340
MIS expense	111,793	52,408	164,201	14,747	8,822	187,770	87,587	40,429	128,016	12,767	6,791	147,574
Supplies	77,971	17,472	95,443	41,356	28,453	165,252	107,050	39,566	146,616	17,267	28,467	192,350
Travel, lodging, and meals	55,488	10,315	65,803	611	1,316	67,730	47,685	8,380	56,065	729	1,022	57,816
Equipment rent and repair	28,585	12,430	41,015	17,904	3,831	62,750	25,857	11,161	37,018	17,522	3,757	58,297
Staff development, training, & meetings	30,187	5,845	36,032	13,720	2,694	52,446	13,473	6,653	20,126	9,410	2,552	32,088
Communication	37,359	4,991	42,350	5,490	1,707	49,547	33,854	10,850	44,704	2,631	1,900	49,235
Dues, subscriptions, and advertising	10,800	28,943	39,743	4,572	2,536	46,851	10,144	23,194	33,338	2,320	2,080	37,738
Printing and publications	25,528	16,838	42,366	866	3,383	46,615	33,714	17,624	51,338	784	5,844	57,966
Subcontracts	-	30,000	30,000	-	-	30,000	-	-	-	-	-	-
Depreciation	11,461	8,451	19,912	6,122	3,224	29,258	9,943	7,783	17,726	5,713	2,473	25,912
Other expenses	5,152	887	6,039	10,417	11,317	27,773	3,411	310	3,721	41,847	6,377	51,945
Insurance	11,055	4,892	15,947	8,645	880	25,472	9,373	4,040	13,413	8,257	757	22,427
In-kind expenses	8,034	6,620	14,654	896	5,242	20,792	59,711	48,341	108,052	14,302	1,167	123,521
Postage and shipping	7,213	8,012	15,225	1,785	1,656	18,666	8,085	8,513	16,598	1,541	1,518	19,657
Total Expenses	<u>\$ 3,123,526</u>	<u>\$ 2,079,942</u>	<u>\$ 5,203,468</u>	<u>\$ 747,585</u>	<u>\$ 352,467</u>	<u>\$ 6,303,520</u>	<u>\$ 2,716,974</u>	<u>\$ 1,980,374</u>	<u>\$ 4,697,348</u>	<u>\$ 669,093</u>	<u>\$ 317,378</u>	<u>\$ 5,683,819</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 5,212,579	\$ 4,903,622
Donors	983,308	869,981
Program participants	91,080	107,711
Employers	2,125	3,250
Investment income	5,523	7,254
Other income	13,100	13,577
Cash paid to:		
Employees	(3,867,391)	(3,315,080)
Vendors	<u>(2,297,713)</u>	<u>(2,273,659)</u>
Net Cash Provided by Operating Activities	<u>142,611</u>	<u>316,656</u>
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(250,000)	-
Purchases of equipment	<u>(35,612)</u>	<u>(73,039)</u>
Net Cash Used by Investing Activities	<u>(285,612)</u>	<u>(73,039)</u>
Change in Cash and Cash Equivalents	(143,001)	243,617
Cash and Cash Equivalents - beginning of year	<u>1,096,802</u>	<u>853,185</u>
Cash and Cash Equivalents - end of year	<u>\$ 953,801</u>	<u>\$ 1,096,802</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Change in net assets	\$ (172,359)	\$ 742,194
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	29,352	26,060
Donated equipment	(12,758)	-
Reinvested investment earnings	(3,864)	(18,854)
Decrease (increase) in		
Accounts receivable	184,156	(294,084)
Promises to give	33,470	(63,275)
Prepaid expenses	1,094	(38,838)
Increase (decrease) in		
Accounts payable	24,681	(33,614)
Accrued liabilities	62,497	17,951
Deferred revenue	-	(24,438)
Cash held for others	<u>(3,658)</u>	<u>3,554</u>
Net Cash Provided by Operating Activities	<u>\$ 142,611</u>	<u>\$ 316,656</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 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 increase 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 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.

CCR's Anti Racism Statement

Children are deeply harmed by the inequities of race and class that they experience in our early learning system. Child Care Resources is dedicated to eliminating institutional racism within our organization and our community.

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

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 the many topics, including marketing, business practices, environment, 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 Specialist also facilitates one-two Kaleidoscope Play & Learn groups with residents of KCHA properties.

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 an interdisciplinary consultation model for infant and toddler classrooms. 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, and in addition to primary coaches, specialty consultants are available through partnerships with King County Public Health and NAVOS Mental Health.

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

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. 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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 December 31:

	<u>2014</u>	<u>2013</u>
United Way -		
Information, Referral, Technical Assistance and Training	\$ 239,800	\$ 239,800
Child Care Careers	67,009	54,261
Homeless Child Care Project	38,500	45,000
Family Friend & Neighbor	36,805	17,493
Boeing Special Needs for Children	23,750	77,577
For use in subsequent year	20,000	40,000
Accreditation	14,573	15,523
Child Care Financial Assistance	<u>1,119</u>	<u>5,000</u>
Total temporarily restricted net assets	<u>\$ 441,556</u>	<u>\$ 494,654</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 December 31, 2014 or 2013.

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 during the year. 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 0.75%.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 years ended December 31, 2014 and 2013, no such adjustments were made. Approximately 55% of total government contracts and grants revenue in 2014 was received from one public grantor and, as of December 31, 2014, 56% of accounts receivable was due from this one public 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 December 31, 2014. Uncollectible promises are expected to be insignificant. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Board designation

The Board designated \$464,000 of the 2013 increase in unrestricted net assets to be used for the agency's 2014 through 2016 program budgets. These funds came from a performance incentive in the 2013 Early Achievers contract which CCR met with 100% performance by year's end. These funds were reflected in the 2013 financials. Early Achievers staff started providing coaching and other critical services covered by this contract in January of 2014 and these funds are designated for this work through June of 2016. The balance of this fund was \$301,281 as of December 31, 2014.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 - OPERATING RESERVES

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 in 2014.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE C - FAIR VALUE MEASUREMENTS

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

	Quoted Prices <u>(Level 1)</u>	Observable Inputs <u>(Level 2)</u>	Unobservable Inputs <u>(Level 3)</u>
As of December 31, 2014			
Certificates of deposit	\$ -	\$ 1,269,228	\$ -
As of December 31, 2013			
Certificates of deposit	\$ -	\$ 1,015,364	\$ -

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 D - LINE OF CREDIT

The Agency has a \$650,000 revolving line of credit that will expire in July 2015. Bank advances on the line of credit are payable on demand and carry interest at 3 percentage points over the LIBOR rate (3.1635% at December 31, 2014). 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 December 31, 2014.

NOTE E - 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 \$203,468 and \$177,027 for the years ended December 31, 2014 and 2013, respectively. Future minimum lease payments under this lease are as follows:

2015	\$ 186,183
2016	183,818
2017	189,326
2018	31,708
	<u>\$ 591,035</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

NOTE F - 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 contributions in the amount of \$35,671 and \$28,695 were made for the years ended December 31, 2014 and 2013, respectively.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2014 through May 7, 2015, 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 December 31, 2014, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Federal Grantor			
<i>Pass-through Grantor</i>	Contract	CFDA	Federal
"Program Title"	Number	Number	Expenditures
Department of Housing and Urban Development			
"Supportive Housing Program: Regional Homeless Child Care Program Project"	WA0047L0T001205	14.235	\$ 42,070
"Supportive Housing Program: Regional Homeless Child Care Program Project"	WA0047L0T001306	14.235	<u>490,808</u>
			532,878
<i>King County Housing Authority</i>			
"Moving to Work Demonstration Program"	10217	14.881	<u>69,990</u>
			<u>602,868</u>
Department of Early Learning			
<i>Child Care Aware of Washington</i>			
"Race to the Top - Early Learning Challenge"	--	84.412	543,682
"Race to the Top - Early Learning Challenge"	--	84.412	<u>143,011</u>
			<u>686,693</u>
Department of Health and Human Services			
<i>Washington State Department of Early Learning</i>			
"Child Care and Development Block Grant"	14-1005	93.575*	301,894
"Child Care and Development Block Grant"	--	93.575*	764,166
"Child Care and Development Block Grant"	--	93.575*	<u>719,316</u>
			<u>1,785,376</u>
Total Expenditures of Federal Awards			<u>\$ 3,074,937</u>

* Denotes a major program.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2014 - 12/31/2014
City of Seattle				
"Information and Referral"	DA13-5013	1/01/14 - 12/31/14	\$ 53,728	\$ 52,719
"Early Learning Academy (ELA)"	DA13FE021 Amendment #1	9/01/13 - 8/31/14	495,145	345,060
"Early Learning Academy (ELA) - Coaching and Training"	DA14FE021	9/01/14 - 6/30/15	515,772	102,908
"Family Child Care Outreach Project"	DA14-1517	4/01/14-3/31/15	148,500	77,440
	City of Seattle Sub-Total		1,213,145	578,127
State of Washington				
"Puget Sound Educational Service District: ECEAP"	8947	7/01/14 - 6/30/15	946,964	98,123
"DEL Infant Toddler Regional Systems & Services - King"	14-1067-01	7/01/13 - 6/30/15	492,000	180,300
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract"	Amendment #3	7/01/13 - 6/30/14	473,565	283,625
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract"	Amendment #1	7/01/14 - 12/31/15	538,758	268,209
"Washington State Department of Early Learning: Early Learning Conversations"	14-1118-01 Amendment #1	7/01/13 - 6/30/14	50,000	26,944
"Washington State Department of Early Learning: Early Learning Conversations"	14-1311	7/01/14 - 6/30/15	35,000	13,182
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract - Preprobationary Onsite Consultation"	Amendment #3	9/01/13 - 6/30/14	-	1,700
"Child Care Aware of Washington: Child Care Aware of King County Core Services Contract - Preprobationary Onsite Consultation"	Amendment #1	7/01/14 - 12/31/15	-	3,050
"Child Care Aware of Washington: Child Care Aware of King County Core Services Contract - Family Center Evaluation"	Amendment #1	7/01/14 - 12/31/15	13,540	13,540
"Child Care Aware of Washington: Family, Friends, and Neighbors (FFN)"	--	9/01/13 - 6/30/14	26,000	14,834
"Child Care Aware of Washington: Family, Friends, and Neighbors (FFN)"	--	7/01/14 - 6/30/15	26,000	14,261
	State of Washington Sub-Total		2,601,827	917,768
King County				
"Seattle- King County Public Health- King County Dirt Alert: Environmental Health Outreach and Education"	EHS3249	1/27/14 - 3/31/15	25,000	6,331
"Seattle- King County Public Health- Family, Friend & Neighbor Network and Play & Learn Project"	CHS3452	1/01/14 - 12/31/14	53,000	53,000
	King County Sub-Total		78,000	59,331

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED DECEMBER 31, 2014

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2014 - 12/31/2014
Suburban Cities				
"City of Bellevue Consumer Education & Provider Quality Improvement"	GF 181	1/01/13 - 12/31/14	89,339	45,416
"City of Bellevue Child Care Financial Assistance"	GF200	1/01/13 - 12/31/14	286,774	156,273
"City of Bellevue Homeless Child Care"	GF261	1/01/13 - 12/31/14	26,534	13,489
"City of Burien Child Care Resource and Referral"	--	1/01/13 - 12/31/14	10,000	5,000
"City of Covington Child Care Resource and Referral"	--	1/01/13 - 12/31/14	7,170	3,585
"City of Issaquah Consumer Education & Provider Quality Improvement"	GF 181	1/01/13 - 12/31/14	5,832	2,916
"City of Issaquah Homeless Child Care"	GF261	1/01/13 - 12/31/14	4,726	2,363
"City of Kenmore Homeless Child Care"	GF261	1/01/13 - 12/31/14	4,000	2,000
"City of Kent Child Care Scholarship"	Amendment #1	1/01/13 - 12/31/14	61,320	35,320
"City of Kirkland Consumer Education & Provider Quality Improvement"	GF 181	1/01/13 - 12/31/14	17,104	8,552
"City of Redmond Child Care Financial Assistance"	GF200	1/01/13 - 12/31/14	67,320	33,255
"City of Redmond Homeless Child Care"	GF261	1/01/13 - 12/31/14	10,200	5,100
"City of Redmond Consumer Education & Provider Quality Improvement"	GF 181	1/01/13 - 12/31/14	31,248	15,624
"City of Renton Child Care Resource and Referral"	--	1/01/13 - 12/31/14	10,000	5,000
"City of Sammamish Consumer Education & Provider Quality Improvement"	GF 181	1/01/13 - 12/31/14	2,400	1,200
"City of SeaTac Child Care Resource and Referral"	--	1/01/13 - 12/31/14	10,000	5,000
"City of Shoreline Consumer Education & Provider Quality Improvement"	GF 181	1/01/13 - 12/31/14	9,916	4,958
"City of Tukwila Child Care Resource and Referral"	--	1/01/13 - 12/31/14	10,000	5,000
Suburban Cities Sub-Total			<u>663,883</u>	<u>350,051</u>
Public School Districts				
"Highline School District Kaleidoscope Play & Learn"	--	4/01/14 - 8/31/14	25,000	25,000
"Seattle School District Kaleidoscope Play & Learn"	--	1/01/14 - 8/31/14	14,925	14,925
Public School Districts Sub-Total			<u>39,925</u>	<u>39,925</u>
Total Non-Federal Governmental Grants/Contracts			<u>\$ 4,596,780</u>	<u>\$ 1,945,202</u>

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

May 7, 2015

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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 7, 2015.

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
REQUIRED BY OMB CIRCULAR A-133

May 7, 2015

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 Circular A-133 Compliance Supplement that could have a direct and material effect on each of Child Care Resources' major federal programs for the year ended December 31, 2014. Child Care Resources' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 year ended December 31, 2014.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2014

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified 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 Required by OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Child Care Resources expresses an unqualified 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 Child Care and Development Block Grant, CFDA No. 93.575.
8. The threshold for distinguishing Type A and B programs was \$300,000.
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