

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2019 AND 2018

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2019



www.childcare.org

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

December 5, 2019

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 statements of financial position as of June 30, 2019 and 2018, 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 of this letter present fairly, in all material respects, the financial position of Child Care Resources as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of 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 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 December 5, 2019, 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

JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,715,059	\$ 1,142,890
Restricted cash	-	1,571,878
Accounts receivable	1,817,844	1,886,327
Promises to give	189,482	150,521
Investments	126,199	115,226
Prepaid expenses	<u>372,756</u>	<u>324,997</u>
Total Current Assets	5,221,340	5,191,839
Equipment, net of accumulated depreciation of \$521,077 and \$419,608	<u>397,735</u>	<u>370,684</u>
	<u>\$ 5,619,075</u>	<u>\$ 5,562,523</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 221,033	\$ 249,600
Accrued liabilities	700,201	655,961
Deferred revenue	-	15,580
Cash held for others	<u>33,193</u>	<u>26,599</u>
Total Current Liabilities	<u>954,427</u>	<u>947,740</u>
Net Assets		
Without donor restriction		
Board designated	204,599	1,770,459
Undesignated	<u>4,083,850</u>	<u>2,665,458</u>
Total Net Assets Without Donor Restriction	4,288,449	4,435,917
With donor restriction	<u>376,199</u>	<u>178,866</u>
Total Net Assets	<u>4,664,648</u>	<u>4,614,783</u>
	<u>\$ 5,619,075</u>	<u>\$ 5,562,523</u>

CHILD CARE RESOURCES
STATEMENTS OF ACTIVITY
YEARS ENDED JUNE 30, 2019 AND 2018

	2019			2018		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue						
Public support						
Government contracts and grants	\$10,691,764		\$10,691,764	\$10,216,869		\$10,216,869
United Way of King County	315,000	\$ 65,000	380,000	410,000	\$ -	410,000
Contributions and private grants	667,038	265,430	932,468	498,412	159,000	657,412
In-kind contributions	39,340	-	39,340	51,600	-	51,600
Total Public Support	11,713,142	330,430	12,043,572	11,176,881	159,000	11,335,881
Revenue						
Program services fees	171,369		171,369	120,334		120,334
Investment return	31,955		31,955	27,693		27,693
Other income	16,259		16,259	113,124		113,124
Total Revenue	219,583		219,583	261,151		261,151
Net Assets Released from Restrictions						
Satisfaction of time restrictions	31,000	(31,000)	-	-	-	-
Satisfaction of purpose restrictions	102,097	(102,097)	-	65,637	(65,637)	-
Total Net Assets Released from Restrictions	133,097	(133,097)	-	65,637	(65,637)	-
Total Public Support, Revenue, and Other Support	12,065,822	197,333	12,263,155	11,503,669	93,363	11,597,032
Expenses						
Program services	10,691,306		10,691,306	10,124,667		10,124,667
Management and general	1,204,242		1,204,242	1,117,602		1,117,602
Fundraising	317,742		317,742	315,253		315,253
Total Expenses	12,213,290		12,213,290	11,557,522		11,557,522
Change in Net Assets	(147,468)	197,333	49,865	(53,853)	93,363	39,510
Net Assets - beginning of year	4,435,917	178,866	4,614,783	4,489,770	85,503	4,575,273
Net Assets - end of year	\$ 4,288,449	\$ 376,199	\$ 4,664,648	\$ 4,435,917	\$ 178,866	\$ 4,614,783

See notes to financial statements.

CHILD CARE RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Provider <u>Services</u>	Family <u>Services</u>	Total Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	Total <u>Expenses</u>
Salaries and wages	\$ 4,987,150	\$ 1,037,937	\$ 6,025,087	\$ 650,020	\$ 150,790	\$ 6,825,897
Employee benefits	906,347	196,108	1,102,455	97,543	22,629	1,222,627
Payroll taxes	413,954	86,408	500,362	49,134	11,569	561,065
	<u>6,307,451</u>	<u>1,320,453</u>	<u>7,627,904</u>	<u>796,697</u>	<u>184,988</u>	<u>8,609,589</u>
Parent and provider assistance	318,724	612,372	931,096	-	-	931,096
Subcontract services	100,000	-	100,000	-	-	100,000
MIS expense	444,987	100,873	545,860	40,734	9,832	596,426
Occupancy	230,332	98,725	329,057	71,563	15,545	416,165
Professional fees	181,371	87,798	269,169	125,401	35,170	429,740
Travel, lodging, and meals	240,658	18,972	259,630	5,334	3,840	268,804
Supplies	167,129	22,581	189,710	44,022	27,631	261,363
Communication	112,406	12,383	124,789	6,278	686	131,753
Equipment rent and repair	48,816	10,281	59,097	42,068	12,567	113,732
Depreciation	66,426	25,800	92,226	2,193	950	95,369
Staff development, training, and meetings	43,148	7,046	50,194	22,158	3,671	76,023
Printing and publications	18,854	1,127	19,981	86	8,042	28,109
Dues, subscriptions, and advertising	12,646	18,987	31,633	9,260	1,908	42,801
Other expenses	4,448	150	4,598	23,345	11,708	39,651
Insurance	22,033	4,495	26,528	11,318	466	38,312
In-kind expenses	14,840	10,398	25,238	2,181	302	27,721
Postage and shipping	2,832	1,764	4,596	1,604	436	6,636
Total Expenses	<u>\$ 8,337,101</u>	<u>\$ 2,354,205</u>	<u>\$ 10,691,306</u>	<u>\$ 1,204,242</u>	<u>\$ 317,742</u>	<u>\$ 12,213,290</u>

CHILD CARE RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2018

	Provider Services	Family Services	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 4,844,258	\$ 958,501	\$ 5,802,759	\$ 625,995	\$ 168,876	\$ 6,597,630
Employee benefits	788,696	160,734	949,430	73,999	19,217	1,042,646
Payroll taxes	409,532	89,628	499,160	47,800	12,749	559,709
	<u>6,042,486</u>	<u>1,208,863</u>	<u>7,251,349</u>	<u>747,794</u>	<u>200,842</u>	<u>8,199,985</u>
Parent and provider assistance	299,305	708,022	1,007,327	-	-	1,007,327
Subcontract services	-	-	-	-	-	-
MIS expense	464,017	88,369	552,386	36,315	11,133	599,834
Occupancy	246,425	81,244	327,669	56,720	14,272	398,661
Professional fees	124,756	81,642	206,398	142,202	25,232	373,832
Travel, lodging, and meals	231,554	20,384	251,938	9,556	1,297	262,791
Supplies	76,616	23,776	100,392	29,453	24,428	154,273
Communication	119,408	8,549	127,957	5,150	634	133,741
Equipment rent and repair	52,870	10,166	63,036	36,177	12,387	111,600
Depreciation	61,314	9,633	70,947	2,096	1,104	74,147
Staff development, training, and meetings	33,554	12,904	46,458	15,572	3,556	65,586
Printing and publications	20,605	10,140	30,745	783	7,028	38,556
Dues, subscriptions, and advertising	10,823	17,696	28,519	9,225	392	38,136
Other expenses	5,127	1,313	6,440	15,644	10,376	32,460
Insurance	18,312	3,645	21,957	9,023	460	31,440
In-kind expenses	17,892	4,931	22,823	840	777	24,440
Postage and shipping	4,126	4,200	8,326	1,052	1,335	10,713
Total Expenses	<u>\$ 7,829,190</u>	<u>\$ 2,295,477</u>	<u>\$ 10,124,667</u>	<u>\$ 1,117,602</u>	<u>\$ 315,253</u>	<u>\$ 11,557,522</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 10,742,697	\$ 9,928,861
Donors	1,280,101	1,004,436
Program participants	172,971	123,289
Interest income	20,982	20,342
Other income	16,627	114,696
Cash paid to:		
Employees	(8,769,374)	(8,304,466)
Vendors	<u>(3,335,192)</u>	<u>(3,071,549)</u>
Net Cash Provided (Used) by Operating Activities	128,812	(184,391)
Cash Flows Used by Investing Activities		
Purchases of equipment	<u>(128,521)</u>	<u>(143,696)</u>
Change in Cash and Cash Equivalents	291	(328,087)
Cash and Cash Equivalents - beginning of year	<u>2,714,768</u>	<u>3,042,855</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,715,059</u>	<u>\$ 2,714,768</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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, informal caregivers, and licensed child care 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, sharing the stories we hear and experience when serving clients to inform key stakeholders and policy makers. We use a racial equity lens to identify inequities and highlight those policies that disproportionately impact communities of color. We 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 referral assistance to parents, employers, and employees regarding child care choices both formal and informal. It provides training, coaching, and technical assistance to licensed child care providers and training for community-based organizations offering support to Family, Friend and Neighbor caregivers. The agency also offers expertise to communities that are addressing major child care policy issues; helping them to understand the potential impact of policy changes on providers and families. 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 Children, Youth, and Family's guidelines.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

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).

Seattle Preschool Program (SPP) – FCC Pilot - CCR is part of a multi-year pilot serving as the Hub agency for a small group of family child care providers piloting SPP within their FCCs (family child care). CCR has 25 SPP preschool slots (three- and four-year-olds) from the City that we subcontract to the FCCs we have recruited into the pilot. In addition, CCR serves as the fiscal agent to the Hub providers, as well as monitoring and supporting the FCCs in meeting the SPP program requirements through onsite TA and training. The goal of the pilot is to inform and determine the feasibility of implementing the City’s preschool program in a family child care setting in the future.

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.

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

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

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Kaleidoscope 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 Kaleidoscope 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, friend, and neighbor caregivers from diverse racial, cultural and linguistic backgrounds to increase the engagement of adults with children, ultimately creating a curriculum that can be used by all family child care programs. Boeing Early Math, Phase 1: Developing early math lesson guides and training for Kaleidoscope Play & Learn facilitators in King County to increase opportunities for families to learn more about supporting their children's early math learning and to provide children with more early math experiences in Kaleidoscope groups.

Adoption of new accounting pronouncement

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Child Care Resources has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly.

Basis of presentation

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Net assets with donor restrictions are as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Homeless Child Care Project	\$ 161,151	\$ -
Boeing Family Friend & Neighbor Early Learning Conversation	75,990	5,293
For use in subsequent year	57,000	60,000
Early Learning Facilities	46,289	-
Accreditation	14,573	14,573
Child Care Careers	9,000	9,000
Family Friend & Neighbor Scholarship	8,000	5,000
Boeing Family Friend & Neighbor Kaleidoscope Play & Learn	4,196	85,000
Total net assets with donor restrictions	<u>\$ 376,199</u>	<u>\$ 178,866</u>

Board designation

The Early Achievers board designation of \$1,571,878 was released as of June 30, 2019 following a board resolution on June 13, 2019.

The Innovation and Opportunity Fund was established by the Board in December 2014 and 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, and have the potential for demonstrable positive impact on CCR's stakeholders. For the year ending June 30, 2019, the fund balance was \$204,599.

Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, money market accounts and short-term certificates of deposit. Certificates of deposit bear interest ranging from 0.90% to 2.50%. Penalty for early withdrawal, if any, would not have a significant impact on the financial statements.

Restricted cash

Restricted cash for the year ending June 30, 2018 represented the amount restricted for use in the Early Achievers program.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Investments

Investments are recorded at fair value. Gains and losses on investments are reported in the statements of activity as increases or decreases in activity without donor restriction, unless their use is restricted by explicit donor stipulation.

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 June 30, 2019 and 2018, no such adjustments were made.

Approximately 83% and 84% of total government contracts and grants revenue during the years ended June 30, 2019 and 2018, respectively, was received from one grantor and, as of June 30, 2019, 77% of accounts receivable was due from this grantor.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2019. 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.

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. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on FTE (such as IT and office supplies), usage (such as Admin and depreciation), or square footage (such as facilities).

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

YEARS ENDED JUNE 30, 2019 AND 2018

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.

Net unrelated business income is subject to federal income taxes under Sections 512 and 514. Taxable amount includes dollars paid for reserved parking spaces provided for employees.

The impact is not considered material to the financial statements.

NOTE B – LIQUIDITY

CCR manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

CCR has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, CCR forecasts its future cash flows and monitors its liquidity and reserves monthly. During the year ended June 30, 2019, the level of liquidity and reserves were managed within the policy requirements.

	<u>2019</u>
Total financial assets	\$ 4,848,584
Less: Amounts subject to donor-imposed restrictions	(376,199)
Less: Amounts subject to board designation	<u>(204,599)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,267,786</u>

NOTE C - FAIR VALUE MEASUREMENTS

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

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
As of June 30, 2019			
Exchange-traded funds	<u>\$ 126,199</u>	<u>\$ -</u>	<u>\$ -</u>
As of June 30, 2018			
Exchange-traded funds	<u>\$ 115,226</u>	<u>\$ -</u>	<u>\$ -</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE C - FAIR VALUE MEASUREMENTS (Continued)

Assets and liabilities stated 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 had a \$650,000 revolving line of credit with Bank of America that expired on April 30, 2019. Per a board resolution on May 2, 2019, the Agency established a CD-secured Business line of credit at \$250,000 with an interest rate of CD Rate plus 2.5% and an unsecured Business Expressline line of credit of \$250,000 with interest rate of Wall Street Journal Prime Rate plus 5.35% variable rate with Umpqua Bank. There was no outstanding balance under the line of credit as of June 30, 2019.

NOTE E - COMMITMENTS

The Agency leases its office spaces under non-cancelable operating leases. Rent expense related to these leases was \$409,162 and \$399,445 for the years ended June 30, 2019 and 2018, respectively. Future minimum lease payments under these leases, including lease extensions signed subsequent to June 30, 2019, are as follows for the years ending June 30:

2020	\$	446,675
2021		374,115
2022		184,060
2023		<u>99,201</u>
	\$	<u>1,104,051</u>

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: effective July 1, 2018 the Agency contributes a dollar for each dollar a participant contributes on the first 3% of the participant's earnings. Prior to July 1, 2018, the Agency contributed fifty cents for each dollar a participant contributed. Employer matching contributions in the amount of \$167,867 and \$87,309, respectively, were made for the years ended June 30, 2019 and 2018.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2019 through December 5, 2019, 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, 2019, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019

Federal Grantor <i>Pass-through Grantor</i> "Program Title"	Contract Number	CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services				
<i>Washington State Department of Early Learning- Child Care Aware of Washington</i>				
"Child Care and Development Block Grant"	Amendment #2		\$ -	\$ 1,559,947
	CCDF Cluster	93.575*	-	1,559,947
	Total Expenditures of Federal Awards		\$ -	\$ 1,559,947

* Denotes a major program.

CHILD CARE RESOURCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2019

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 does not currently have a negotiated indirect cost rate for use on federal grants and contracts. However as Child Care Resources has previously had a negotiated indirect cost rate, they are not eligible to elect use of the 10% *de minimus* indirect cost rate.

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2019

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2018 - 6/30/2019
State of Washington				
"Child Care Aware of Washington: CCA of King/Tacoma Core/EA/Family Services Contract"	Amendment #2	7/1/18 - 6/30/19	\$ 7,535,755	\$ 7,289,805
"DEL Infant Toddler Regional Systems & Services - King & Pierce"	16-1138-05	8/6/15 - 6/30/19	990,354	408,208
State of Washington Sub-Total			<u>8,526,109</u>	<u>7,698,013</u>
King County				
"Seattle & King County Public Health - Best Starts for Kids Levy"	3151 BSK Amendment #2	1/1/18 - 12/31/21	693,001	227,250
"Seattle & King County Public Health - Veterans, Seniors & Human Services Levy"	3151 BSK Amendment #2	1/1/19 - 12/31/21	127,747	31,674
"Seattle - King County Public Health - Family, Friend & Neighbor Network and Play & Learn"	1509 CHS Amendment #1	1/1/17 - 12/31/18	106,000	17,874
"King County Housing Authority TA & TR (Child Care & Early Learning Support)"	10267 - 04	4/1/15 - 12/31/18	113,000	6,347
State of Washington Sub-Total			<u>1,039,748</u>	<u>283,145</u>
City of Seattle				
"Information and Referral"	DOE18PA04	1/1/18 - 12/31/18	54,212	22,368
"Information and Referral"	DOE19PA15	1/1/19 - 12/31/19	54,212	25,776
"Seattle Preschool Program FCC Hub Pilot"	DOE18PA63	7/1/18 - 6/30/19	352,500	321,500
"Homeless Child Care Assistance Program"	DOE18PA05	1/1/18 - 12/31/18	400,000	169,298
"Homeless Child Care Assistance Program"	DOE19PA18	1/1/19 - 12/31/19	400,000	219,675
City of Seattle Sub-Total			<u>1,260,924</u>	<u>758,617</u>
Suburban Cities				
"City of Auburn Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	2,500
"City of Auburn Child Care Resources and Referral"	--	1/1/19 - 12/31/20	12,576	3,144
"City of Auburn Child Care Financial Assistance"	GF19/2009	1/1/19 - 12/31/20	20,000	5,000
"City of Bellevue Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	82,802	21,033
"City of Bellevue Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	85,162	20,911
"City of Bellevue Child Care Financial Assistance"	GF200	1/1/17 - 12/31/18	328,496	83,400
"City of Bellevue Child Care Financial Assistance"	GF200	1/1/19 - 12/31/20	351,824	92,647
"City of Bellevue Homeless Child Care"	GF261	1/1/17 - 12/31/18	31,034	13,541
"City of Bellevue Homeless Child Care"	GF261	1/1/19 - 12/31/20	31,781	12,722
"City of Burien Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	2,500
"City of Burien Child Care Resources and Referral"	--	1/1/19 - 12/31/20	8,000	2,000

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2019

Grantor/Contractor "Program Title"	<u>Contract Number</u>	<u>Award Period</u>	<u>Total Award Amount</u>	<u>Total 7/1/2018 - 6/30/2019</u>
Suburban Cities (Continued)				
"City of Covington Child Care Resources and Referral"	--	1/1/17 - 12/31/18	6,230	1,558
"City of Covington Child Care Resources and Referral"	--	1/1/19 - 12/31/20	6,604	1,651
"City of Federal Way Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	2,500
"City of Issaquah Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	6,000	1,500
"City of Issaquah Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	8,000	2,000
"City of Kenmore Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	5,360	1,340
"City of Kenmore Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	2,400	600
"City of Kent Child Care Financial Assistance"	--	1/1/17 - 12/31/18	66,000	5,878
"City of Kent Child Care Financial Assistance"	CAG19-089	1/1/19 - 12/31/20	70,000	15,484
"City of Kent Homeless Child Care"	--	1/1/17 - 12/31/18	20,000	2,055
"City of Kent Homeless Child Care"	CAG19-072	1/1/19 - 12/31/20	20,000	2,391
"City of Kirkland Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	17,000	4,250
"City of Kirkland Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	10,000	2,500
"City of Redmond Child Care Financial Assistance"	GF200	1/1/17 - 12/31/18	90,040	22,560
"City of Redmond Child Care Financial Assistance"	GF200	1/1/19 - 12/31/20	110,808	26,717
"City of Redmond Homeless Child Care"	GF261	1/1/17 - 12/31/18	16,660	-
"City of Redmond Homeless Child Care"	GF261	1/1/19 - 12/31/20	42,018	10,288
"City of Redmond Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	32,510	8,128
"City of Renton Child Care Resources and Referral"	--	1/1/17 - 12/31/18	15,040	3,760
"City of Renton Homeless Child Care"	CAG-17-140	1/1/17 - 12/31/18	15,000	1,096
"City of Sammamish Consumer Education & Provider Quality Improvement"	GF181	1/1/17 - 12/31/18	2,686	672
"City of SeaTac Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,618	2,655
"City of SeaTac Child Care Resources and Referral"	--	1/1/19 - 12/31/20	11,256	2,814
"City of Shoreline Consumer Education & Provider Quality Improvement"	GF181	1/1/17 - 12/31/18	10,000	2,500
"City of Shoreline Consumer Education & Provider Quality Improvement"	GF181	1/1/19 - 12/31/20	10,000	2,500
"City of Tukwila Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	2,500
"City of Tukwila Child Care Resources and Referral"	--	1/1/19 - 12/31/20	11,000	2,750
Suburban Cities Sub-Total			<u>1,606,905</u>	<u>392,045</u>
Total Non-Federal Governmental Grants/Contracts			<u>\$12,433,686</u>	<u>\$ 9,131,820</u>

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

December 5, 2019

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 June 30, 2019 and 2018, 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 December 5, 2019.

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

December 5, 2019

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 year ended June 30, 2019. 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 year ended June 30, 2019.

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 a 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

YEAR ENDED JUNE 30, 2019

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 Child Care and Development Block Grant, CFDA No. 93.575.
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.