

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2018 AND 2017

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2018



www.childcare.org

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2
STATEMENTS OF FINANCIAL POSITION June 30, 2018 and 2017	4
STATEMENTS OF ACTIVITY Years ended June 30, 2018 and 2017	5
STATEMENTS OF FUNCTIONAL EXPENSES Year ended June 30, 2018	6
Year ended June 30, 2017	7
STATEMENTS OF CASH FLOWS Years ended June 30, 2018 and 2017	8 - 9
NOTES TO FINANCIAL STATEMENTS	10 - 17
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards Year ended June 30, 2018	19
Notes to the Schedule of Expenditures of Federal Awards	20
Schedule of Expenditures of Non-Federal Governmental Awards Year ended June 30, 2018	21 - 22
Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance	25
Schedule of Findings and Questioned Costs	27

INDEPENDENT AUDITOR'S REPORT

November 1, 2018

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, 2018 and 2017, 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, 2018 and 2017, 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 November 1, 2018 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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,142,890	\$ 1,470,977
Restricted cash	1,571,878	1,571,878
Accounts receivable	1,886,327	1,587,266
Promises to give	150,521	83,151
Investments	115,226	107,875
Prepaid expenses	<u>324,997</u>	<u>269,983</u>
Total Current Assets	5,191,839	5,091,130
Equipment, net of accumulated depreciation of \$419,608 and \$344,445	<u>370,684</u>	<u>274,991</u>
	<u>\$ 5,562,523</u>	<u>\$ 5,366,121</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 249,600	\$ 175,058
Accrued liabilities	655,961	593,585
Deferred revenue	15,580	-
Cash held for others	<u>26,599</u>	<u>22,205</u>
Total Current Liabilities	<u>947,740</u>	<u>790,848</u>
Net Assets		
Unrestricted		
Board designated	1,770,459	1,843,566
Undesignated	<u>2,665,458</u>	<u>2,646,204</u>
Total Unrestricted Net Assets	4,435,917	4,489,770
Temporarily restricted	<u>178,866</u>	<u>85,503</u>
Total Net Assets	<u>4,614,783</u>	<u>4,575,273</u>
	<u>\$ 5,562,523</u>	<u>\$ 5,366,121</u>

CHILD CARE RESOURCES
STATEMENTS OF ACTIVITY
YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public Support and Revenue						
Public support						
Government contracts and grants	\$10,216,869		\$10,216,869	\$ 9,662,138		\$ 9,662,138
United Way of King County	410,000	\$ -	410,000	350,000	\$ -	350,000
Contributions and private grants	498,412	159,000	657,412	451,887	70,930	522,817
In-kind contributions	51,600	-	51,600	31,590	-	31,590
Total Public Support	<u>11,176,881</u>	<u>159,000</u>	<u>11,335,881</u>	<u>10,495,615</u>	<u>70,930</u>	<u>10,566,545</u>
Revenue						
Program services fees	120,334		120,334	172,665		172,665
Interest and investment income	27,693		27,693	23,333		23,333
Other income	113,124		113,124	6,803		6,803
Total Revenue	<u>261,151</u>		<u>261,151</u>	<u>202,801</u>		<u>202,801</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	65,637	(65,637)	-	172,637	(172,637)	-
Total Public Support, Revenue, and Other Support	<u>11,503,669</u>	<u>93,363</u>	<u>11,597,032</u>	<u>10,871,053</u>	<u>(101,707)</u>	<u>10,769,346</u>
Expenses						
Program services	10,124,667		10,124,667	9,478,877		9,478,877
Management and general	1,117,602		1,117,602	1,008,525		1,008,525
Fundraising	315,253		315,253	383,171		383,171
Total Expenses	<u>11,557,522</u>		<u>11,557,522</u>	<u>10,870,573</u>		<u>10,870,573</u>
Change in Net Assets	(53,853)	93,363	39,510	480	(101,707)	(101,227)
Net Assets - beginning of year	4,489,770	85,503	4,575,273	4,489,290	187,210	4,676,500
Net Assets - end of year	<u>\$ 4,435,917</u>	<u>\$ 178,866</u>	<u>\$ 4,614,783</u>	<u>\$ 4,489,770</u>	<u>\$ 85,503</u>	<u>\$ 4,575,273</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
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

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017

	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	\$ 4,740,755	\$ 721,767	\$ 5,462,522	\$ 545,339	\$ 202,861	\$ 6,210,722
Employee benefits	736,421	117,925	854,346	55,780	28,157	938,283
Payroll taxes	384,774	74,276	459,050	41,229	15,279	515,558
	<u>5,861,950</u>	<u>913,968</u>	<u>6,775,918</u>	<u>642,348</u>	<u>246,297</u>	<u>7,664,563</u>
Parent and provider assistance	140,455	677,087	817,542	-	-	817,542
MIS expense	412,239	76,071	488,310	26,414	15,402	530,126
Occupancy	232,463	70,277	302,740	46,946	16,012	365,698
Professional fees	198,941	72,593	271,534	156,115	28,468	456,117
Travel, lodging, and meals	231,861	13,863	245,724	8,103	2,428	256,255
Supplies	120,107	18,425	138,532	36,949	38,777	214,258
Communication	110,178	7,088	117,266	4,434	747	122,447
Equipment rent and repair	55,630	7,682	63,312	24,919	12,924	101,155
Depreciation	41,287	5,661	46,948	1,791	1,028	49,767
Staff development, training, and meetings	51,287	4,000	55,287	14,390	3,972	73,649
Printing and publications	35,556	8,766	44,322	1,013	5,703	51,038
Dues, subscriptions, and advertising	17,136	28,597	45,733	16,383	2,417	64,533
Other expenses	3,974	705	4,679	18,381	5,761	28,821
Insurance	17,199	2,867	20,066	8,321	597	28,984
In-kind expenses	18,340	11,988	30,328	840	422	31,590
Postage and shipping	6,606	4,030	10,636	1,178	2,216	14,030
Total Expenses	<u>\$ 7,555,209</u>	<u>\$ 1,923,668</u>	<u>\$ 9,478,877</u>	<u>\$ 1,008,525</u>	<u>\$ 383,171</u>	<u>\$ 10,870,573</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 9,928,861	\$ 9,861,573
Donors	1,004,436	831,694
Program participants	123,289	170,371
Interest income	20,342	15,458
Other income	114,696	8,067
Cash paid to:		
Employees	(8,304,466)	(7,750,184)
Vendors	<u>(3,071,549)</u>	<u>(3,080,357)</u>
Net Cash (Used) Provided by Operating Activities	<u>(184,391)</u>	<u>56,622</u>
Cash Flows from Investing Activities		
Purchases of investments	-	(100,000)
Purchases of equipment	<u>(143,696)</u>	<u>(137,313)</u>
Net Cash Used by Investing Activities	<u>(143,696)</u>	<u>(237,313)</u>
Change in Cash and Cash Equivalents	(328,087)	(180,691)
Cash and Cash Equivalents - beginning of year	<u>3,042,855</u>	<u>3,223,546</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,714,768</u>	<u>\$ 3,042,855</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Change in net assets	\$ 39,510	\$ (101,227)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	75,163	49,768
Donated equipment and software development consulting services	(27,160)	-
Gain on investments	(4,275)	(5,809)
Reinvested investment earnings	(3,076)	(2,066)
Changes in		
Accounts receivable	(299,061)	198,405
Promises to give	(67,370)	(41,758)
Prepaid expenses	(55,014)	5,952
Accounts payable	74,542	(109,249)
Accrued liabilities	62,376	61,971
Deferred revenue	15,580	-
Cash held for others	4,394	635
	<u>4,394</u>	<u>635</u>
Net Cash (Used) Provided by Operating Activities	<u>\$ (184,391)</u>	<u>\$ 56,622</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

CCR's Vision

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

CCR's Mission

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

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

Provider Services and Capacity Building

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

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).

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 focused on helping family child care providers create pathways for meeting the 2017 deadline for the WAC requiring certain educational attainment in order to continue as a family child care.

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

Seattle Preschool Program (SPP) – FCC Pilot - CCR is part of a two-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, 2018 AND 2017

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

Thrive Early Math - Thrive funded a project to develop four Early Math lesson guides for Kaleidoscope Play & Learn (KPL) facilitators, and to offer training and accompanying games with these lessons. Through implementing the Early Math pilot, Kaleidoscope Play & Learn facilitators learned practices that are likely to strengthen their future facilitation efforts, such as increasing caregiver-child engagement in activities that support early learning by increasing familiarity through repetition of early math lessons. This pilot project demonstrated the value of infusing training with practical examples and opportunities for peer learning, and how KPL groups can facilitate targeted learning about specific subjects, such as early math.

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.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods.

Temporarily restricted net assets are available as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Boeing Family Friend & Neighbor Kaleidoscope Play & Learn	\$ 85,000	\$ -
For use in subsequent year	60,000	-
Accreditation	14,573	14,573
Child Care Careers	9,000	-
Boeing Family Friend & Neighbor Early Learning Conversation	5,293	39,930
Family Friend & Neighbor Scholarship	5,000	-
Homeless Child Care Project	-	31,000
Total temporarily restricted net assets	<u>\$ 178,866</u>	<u>\$ 85,503</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity. The Agency had no permanently restricted net assets as of June 30, 2018 or 2017.

Operating reserve

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

Board designation

The Early Achievers designation of \$1,571,878 was not accessed during the year ending June 30, 2018. It will be maintained until it is utilized per the contract requirements, for support services provided through Early Achievers.

The Board designated an additional \$36,500 to be used for the agency's Innovation and Opportunity Fund. Also, \$17,227 was expended for the "Careers Program Graduate Analysis," bringing the balance to \$198,581. 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.

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 0.15% to 2.50%. Penalty for early withdrawal, if any, would not have a significant impact on the financial statements.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted cash

Restricted cash represents the amount restricted for use in the Early Achievers program.

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 statement of activity as increases or decreases in unrestricted activity, unless their use is restricted by explicit donor stipulation. Investment returns consist of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 2,428	\$ 2,066
Realized and unrealized gains	<u>4,275</u>	<u>5,809</u>
	<u>\$ 6,703</u>	<u>\$ 7,875</u>

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2018 and 2017, no such adjustments were made. Approximately 84% of total government contracts and grants revenue during the year ended June 30, 2018 was received from one grantor and, as of June 30, 2018, 83% of accounts receivable was due from this grantor.

Promises to give

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

All promises to give are current at June 30, 2018. 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.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

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.

NOTE B - FAIR VALUE MEASUREMENTS

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

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
As of June 30, 2018			
Exchange-traded funds	\$ 115,226	\$ -	\$ -
As of June 30, 2017			
Exchange-traded funds	\$ 107,875	\$ -	\$ -

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2018 AND 2017

NOTE C - LINE OF CREDIT

The Agency has a \$650,000 revolving line of credit that will expire in December 2018. Bank advances on the line of credit are payable on demand and carry interest at 3 percentage points over the LIBOR rate (5.1% at June 30, 2018). The line of credit is collateralized by all personal property of the Agency. There was no outstanding balance under the line of credit as of June 30, 2018.

NOTE D - COMMITMENTS

The Agency leases its office spaces under non-cancelable operating leases. Rent expense related to these leases was \$399,445 and \$358,715 for the years ended June 30, 2018 and 2017, respectively. Future minimum lease payments under these leases are as follows for the years ending June 30:

2019	\$ 370,799
2020	324,459
2021	212,104
2022	43,471
2023	<u>37,426</u>
	<u>\$ 988,259</u>

NOTE E - RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution plan (the Plan), as defined by the Internal Revenue Code. The Plan is for the benefit of all qualifying employees and permits voluntary contributions by employees to the maximum allowable, as determined by the Internal Revenue Service. The Agency has a matching program, whereby it contributes fifty cents for each dollar a participant contributes on the first 3% of the participant's earnings. Employer matching contributions in the amount of \$87,309 and \$79,335, respectively, were made for the years ended June 30, 2018 and 2017.

NOTE F - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2018 through November 1, 2018, 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, 2018, 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, 2018

Federal Grantor				
<i>Pass-through Grantor</i>				
<u>"Program Title"</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Federal Expenditures</u>
Department of Health and Human Services				
<i>Diocese of Olympia</i>				
"Refugee and Entrant Assistance Discretionary Grants"	--	93.576	\$ -	\$ 37,599
<i>Seattle-King County Public Health</i>				
"Partnerships to Improve Community Health"	1140-CDIP-04	93.331	-	6,923
<i>Washington State Department of Early Learning- Child Care Aware of Washington</i>				
"Child Care and Development Block Grant"	Amendment #1		-	5,258,980
	CCDF Cluster	93.575*	-	5,258,980
			\$ -	\$ 5,303,502
		Total Expenditures of Federal Awards	<u>\$ -</u>	<u>\$ 5,303,502</u>

* Denotes a major program.

CHILD CARE RESOURCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

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, 2018

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2017 - 6/30/2018
City of Seattle				
"Information and Referral"	DOE18PA04	1/1/18 - 12/31/18	\$ 54,212	\$ 31,844
"Information and Referral"	DC17PA002	1/1/17 - 12/31/17	54,212	28,648
"Seattle Preschool Program FCC Hub Pilot"	DOE17PA80	8/1/17 - 6/30/18	332,500	280,500
"Seattle Preschool Program FCC Hub Organizational Capacity"	DOE18PA01	1/1/18 - 6/30/18	30,000	30,000
"Homeless Child Care Assistance Program"	DOE18PA05	1/1/18 - 12/31/18	400,000	230,702
"Homeless Child Care Assistance Program"	DOE17PA77	7/1/17 - 12/31/17	200,000	174,215
			<u>1,070,924</u>	<u>775,909</u>
		City of Seattle Sub-Total		
Suburban Cities				
"City of Auburn Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	5,000
"City of Bellevue Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	82,802	41,401
"City of Bellevue Child Care Financial Assistance"	GF200	1/1/17 - 12/31/18	328,496	175,178
"City of Bellevue Homeless Child Care"	GF261	1/1/17 - 12/31/18	31,034	8,924
"City of Burien Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	5,000
"City of Covington Child Care Resources and Referral"	--	1/1/17 - 12/31/18	6,230	3,115
"City of Federal Way Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	5,000
"City of Issaquah Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	6,000	3,000
"City of Kenmore Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	5,360	2,680
"City of Kent Child Care Financial Assistance"	--	1/1/17 - 12/31/18	66,000	43,622
"City of Kent Homeless Child Care"	--	1/1/17 - 12/31/18	20,000	17,945
"City of Kirkland Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	17,000	8,500
"City of Redmond Child Care Financial Assistance"	GF200	1/1/17 - 12/31/18	90,040	45,229
"City of Redmond Homeless Child Care"	GF261	1/1/17 - 12/31/18	16,660	9,330
"City of Redmond Child Care Resources and Referral"	GF181	1/1/17 - 12/31/18	32,510	16,255
"City of Renton Child Care Resources and Referral"	--	1/1/17 - 12/31/18	15,040	7,520
"City of Renton Homeless Child Care"	CAG-17-140	1/1/17 - 12/31/18	15,000	9,803
"City of Sammamish Consumer Education & Provider Quality Improvement"	GF181	1/1/17 - 12/31/18	2,686	1,343
"City of SeaTac Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,618	5,309
"City of Shoreline Consumer Education & Provider Quality Improvement"	GF181	1/1/17 - 12/31/18	10,000	5,000
"City of Tukwila Child Care Resources and Referral"	--	1/1/17 - 12/31/18	10,000	5,000
			<u>795,476</u>	<u>424,154</u>
		Suburban Cities Sub-Total		

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2018

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2017 - 6/30/2018
State of Washington				
"Child Care Aware of Washington: CCA of King/Tacoma Core/EA/Family Services Contract"	Amendment #1	7/1/17 - 6/30/18	3,436,990	3,315,067
"Child Care Aware of Washington: CCA of King/Tacoma Expanded Early Learning Opportunities - Coaching"	Amendment #1	11/1/17 - 6/30/18	<u>11,116</u>	<u>632</u>
State of Washington Sub-Total			<u>3,448,106</u>	<u>3,315,699</u>
Other Agencies				
"DEL Infant Toddler Regional Systems & Services - King & Pierce"	16-1138-04	8/6/15 - 6/30/19	878,000	298,089
"Seattle - King County Public Health - Family, Friend & Neighbor Network and Play & Learn"	1509 CHS - 01	1/1/17 - 12/31/18	106,000	65,750
"King County Housing Authority TA & TR (Child Care & Early Learning Support)"	10267 - 03	4/1/15 - 12/31/18	<u>111,000</u>	<u>33,766</u>
Other Agencies Sub-Total			<u>1,095,000</u>	<u>397,605</u>
Total Non-Federal Governmental Grants/Contracts			<u>\$ 6,409,506</u>	<u>\$ 4,913,367</u>

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

November 1, 2018

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, 2018 and 2017, 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 November 1, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Resources' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Child Care Resources' internal control. Accordingly, we do not express an opinion on the effectiveness of Child Care Resources' internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Care Resources' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Child Care Resources' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Child Care Resources' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

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

November 1, 2018

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, 2018. 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, 2018.

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, 2018

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