

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2020 AND 2019

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2020



www.childcare.org

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

November 5, 2020

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, 2020 and 2019, 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, 2020 and 2019 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 5, 2020 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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 3,113,949	\$ 2,715,059
Accounts receivable	3,338,234	1,817,844
Promises to give	21,710	189,482
Investments	131,460	126,199
Prepaid expenses	<u>392,640</u>	<u>372,756</u>
Total Current Assets	6,997,993	5,221,340
Equipment, net of accumulated depreciation of \$620,971 and \$521,077	<u>283,237</u>	<u>397,735</u>
	<u>\$ 7,281,230</u>	<u>\$ 5,619,075</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 485,144	\$ 221,033
Accrued liabilities	787,849	700,201
Deferred revenue	24,343	-
Cash held for others	<u>33,982</u>	<u>33,193</u>
Total Current Liabilities	<u>1,331,318</u>	<u>954,427</u>
Net Assets		
Without donor restrictions		
Board designated	182,301	204,599
Undesignated	<u>4,572,108</u>	<u>4,083,850</u>
Total Net Assets Without Donor Restriction	4,754,409	4,288,449
With donor restrictions	<u>1,195,503</u>	<u>376,199</u>
Total Net Assets	<u>5,949,912</u>	<u>4,664,648</u>
	<u>\$ 7,281,230</u>	<u>\$ 5,619,075</u>

See notes to financial statements.

CHILD CARE RESOURCES

STATEMENTS OF ACTIVITY

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Public Support and Revenue						
Public support						
Government contracts and grants	\$11,725,267		\$11,725,267	\$10,691,764		\$10,691,764
United Way of King County	120,000	\$ 5,000	125,000	315,000	\$ 65,000	380,000
Contributions and private grants	876,130	1,146,930	2,023,060	667,038	265,430	932,468
In-kind contributions	29,640	-	29,640	39,340	-	39,340
Total Public Support	<u>12,751,037</u>	<u>1,151,930</u>	<u>13,902,967</u>	<u>11,713,142</u>	<u>330,430</u>	<u>12,043,572</u>
Revenue						
Program services fees	219,886		219,886	171,369		171,369
Investment return	38,949		38,949	31,955		31,955
Other income	70,006		70,006	16,259		16,259
Total Revenue	<u>328,841</u>		<u>328,841</u>	<u>219,583</u>		<u>219,583</u>
Net Assets Released from Restrictions						
Satisfaction of time restrictions	57,000	(57,000)	-	31,000	(31,000)	-
Satisfaction of purpose restrictions	275,626	(275,626)	-	102,097	(102,097)	-
Total Net Assets Released from Restrictions	<u>332,626</u>	<u>(332,626)</u>	<u>-</u>	<u>133,097</u>	<u>(133,097)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>13,412,504</u>	<u>819,304</u>	<u>14,231,808</u>	<u>12,065,822</u>	<u>197,333</u>	<u>12,263,155</u>
Expenses						
Program services	11,448,897		11,448,897	10,691,306		10,691,306
Management and general	1,217,201		1,217,201	1,204,242		1,204,242
Fundraising	280,446		280,446	317,742		317,742
Total Expenses	<u>12,946,544</u>		<u>12,946,544</u>	<u>12,213,290</u>		<u>12,213,290</u>
Change in Net Assets	465,960	819,304	1,285,264	(147,468)	197,333	49,865
Net Assets - beginning of year	<u>4,288,449</u>	<u>376,199</u>	<u>4,664,648</u>	<u>4,435,917</u>	<u>178,866</u>	<u>4,614,783</u>
Net Assets - end of year	<u>\$ 4,754,409</u>	<u>\$ 1,195,503</u>	<u>\$ 5,949,912</u>	<u>\$ 4,288,449</u>	<u>\$ 376,199</u>	<u>\$ 4,664,648</u>

CHILD CARE RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Provider Services	Family Services	Total Program Services	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 5,063,147	\$ 1,066,328	\$ 6,129,475	\$ 695,871	\$ 144,834	\$ 6,970,180
Employee benefits	989,855	232,877	1,222,732	112,350	16,679	1,351,761
Payroll taxes	428,336	94,434	522,770	57,545	11,228	591,543
	<u>6,481,338</u>	<u>1,393,639</u>	<u>7,874,977</u>	<u>865,766</u>	<u>172,741</u>	<u>8,913,484</u>
Parent and provider assistance	438,365	873,390	1,311,755	-	-	1,311,755
MIS expense	537,793	121,458	659,251	49,030	11,687	719,968
Occupancy	272,198	89,179	361,377	68,750	11,540	441,667
Professional fees	157,494	121,820	279,314	124,654	15,797	419,765
Communication	136,411	61,698	198,109	7,001	1,068	206,178
Supplies	99,413	33,297	132,710	24,976	38,195	195,881
Travel, lodging, and meals	172,821	14,512	187,333	5,376	965	193,674
Other expenses	3,962	111,187	115,149	13,553	8,691	137,393
Equipment rent and repair	53,849	16,502	70,351	26,089	12,654	109,094
Depreciation	63,724	27,908	91,632	1,616	548	93,796
Staff development, training, and meetings	40,374	11,717	52,091	12,426	3,410	67,927
Dues, subscriptions, and advertising	22,661	22,557	45,218	7,170	897	53,285
Insurance	20,882	4,382	25,264	8,169	454	33,887
In-kind expenses	13,707	14,145	27,852	1,375	413	29,640
Printing and publications	8,181	3,021	11,202	36	1,130	12,368
Postage and shipping	3,378	1,934	5,312	1,214	256	6,782
Subcontract services	-	-	-	-	-	-
Total Expenses	<u>\$ 8,526,551</u>	<u>\$ 2,922,346</u>	<u>\$ 11,448,897</u>	<u>\$ 1,217,201</u>	<u>\$ 280,446</u>	<u>\$ 12,946,544</u>

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
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
Communication	112,406	12,383	124,789	6,278	686	131,753
Supplies	167,129	22,581	189,710	44,022	27,631	261,363
Travel, lodging, and meals	240,658	18,972	259,630	5,334	3,840	268,804
Other expenses	4,448	150	4,598	23,345	11,708	39,651
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
Dues, subscriptions, and advertising	12,646	18,987	31,633	9,260	1,908	42,801
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
Printing and publications	18,854	1,127	19,981	86	8,042	28,109
Postage and shipping	2,832	1,764	4,596	1,604	436	6,636
Subcontract services	100,000	-	100,000	-	-	100,000
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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 10,241,803	\$ 10,742,697
Donors	2,316,621	1,280,101
Program participants	227,964	172,971
Interest income	33,688	20,982
Other income	49,345	16,627
Cash paid to:		
Employees	(9,084,800)	(8,769,374)
Vendors	<u>(3,301,571)</u>	<u>(3,335,192)</u>
Net Cash Provided by Operating Activities	483,050	128,812
Cash Flows Used by Investing Activities		
Purchases of equipment	<u>(84,160)</u>	<u>(128,521)</u>
Change in Cash and Cash Equivalents	398,890	291
Cash and Cash Equivalents - beginning of year	<u>2,715,059</u>	<u>2,714,768</u>
Cash and Cash Equivalents - end of year	<u>\$ 3,113,949</u>	<u>\$ 2,715,059</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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. There are 1626 providers enrolled in Early Achievers and an additional 965 licensed providers currently receiving coach contact on a monthly basis. Eligibility and process are determined by the Department of Children, Youth, and Family's guidelines.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Training - Provides trainings to licensed child care providers on a variety of early learning topics that evoke best practices and align with the Core Competencies for Early Care and Education Professionals. Trainings are led by state-approved trainers at in-person sessions and as live, online sessions over Zoom. Approximately 100-140 sessions are offered to the staff of 2,591 licensed child care programs in King and Pierce County each year. In addition, two professional development conferences are held for providers each year (spring and fall).

Technical Assistance - Offers walk-in assistance, scheduled appointments, telephone assistance, and site visits to child care providers and the general community when needed. Our TA services helps family and center-based child care providers throughout King County, Washington with many topics, including marketing, licensing rules and regulations, business practices, environment, health, safety & nutrition, Merit support, subsidy, pre-licensing support, 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) – Family Child Care (FCC) - CCR is part of a multi-year program serving as the Hub agency for a Hub of family child care providers. CCR has 35 SPP slots (three- and four-year-old) from the City of Seattle that we subcontract to the Hub of FCCs. 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 program is to ensure high-quality, affordable preschool to children across the City of Seattle. Evidence-based curriculum is implemented to promote culturally responsive, engaging, and nurturing adult/child interactions to create quality learning environments. In addition, SPP's objective is to eliminate the racially disproportionate kindergarten readiness gap. Teachers are supported in order to meet the needs of all children through student-focused coaching, ongoing curriculum training, and data analysis that uses a racial equity lens.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Homeless Child Care Subsidy Program - Provides child care subsidies, bus tickets, and other resources to families experiencing homeless 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, including clients at the Allen Family Center (AFC). The AFC is a collaboration between four service providers: Mary's Place, Mercy Housing, Child Care Resources, and Refugee Women's Alliance. Visitors to the center can receive services from all providers in one place.

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

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 1) Kaleidoscope Play & Learn groups for FFN caregivers and the children in their care; 2) Brothers & Sisters trainings for youth FFN caregivers; 3) Early Learning Conversations. CCR provides training and technical assistance to community-based organizations to facilitate their start-up and operation of Kaleidoscope Play & Learn groups, Brothers & Sisters trainings, and Early Learning Conversations. 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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of new accounting pronouncements

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. Agency has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. Analysis of various provisions of this standard resulted in no significant changes in the way the Agency recognizes revenue from contracts with customers, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Agency has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

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.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	<u>2020</u>	<u>2019</u>
Family Child Care & System Coordination	\$ 350,000	\$ -
COVID Response Fund	248,680	-
Homeless Child Care Project	180,392	161,151
COVID Child Care Subsidy	165,019	-
For use in subsequent year	125,000	57,000
COVID Fund for Provider Relief	70,000	-
Technical Assistance	17,726	-
Child Care Careers	16,357	9,000
Accreditation	14,573	14,573
PSTAA Project for Child Care Capacity	7,756	-
Boeing Family Friend & Neighbor Early Learning Conversation	-	75,990
Early Learning Facilities	-	46,289
Family Friend & Neighbor Scholarship	-	8,000
Boeing Family Friend & Neighbor Kaleidoscope Play & Learn	-	4,196
Total net assets with donor restrictions	<u>\$ 1,195,503</u>	<u>\$ 376,199</u>

Board designation

The Innovation and Opportunity Fund was established by the Board in December 2014 and is designed to catalyze creative solutions by allowing the Agency to pursue opportunities to implement new strategies, projects, and programs that go beyond merely extending or expanding existing programs and which have the potential for demonstrable positive impact on the Agency's stakeholders. For the years ending June 30, 2020 and 2019, the fund balance was \$182,301 and \$204,599, respectively.

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 1.04% to 2.50%. Penalty for early withdrawal, if any, would not have a significant impact on the financial statements.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Concentrations

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.

Approximately 83% of total government contracts and grants revenue during the years ended June 30, 2020 and 2019 was received from one grantor and as of June 30, 2020, 87% 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, 2020. Uncollectible promises are expected to be insignificant.

Equipment

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and revenue recognition

The Agency recognizes revenue from services when the services are provided. The Agency recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return or release, are not recognized until the conditions on which they depend have been met.

The Agency's federal, state, and local government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. As of June 30, 2020, conditional contributions totaling \$3,274,804, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Support from grants and contracts 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, 2020 and 2019, no significant amounts were disallowed as a result of such examinations.

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).

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

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

Federal income taxes

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

NOTE B – LIQUIDITY

The Agency 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.

The Agency has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, the Agency forecasts its future cash flows and monitors its liquidity and reserves monthly. During the year ended June 30, 2020 the level of liquidity and reserves were managed within the policy requirements.

The table below presents financial assets available for general expenditures within one year as of June 30:

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 6,605,353	\$ 4,848,584
Less: Amounts subject to donor-imposed restrictions	(1,195,503)	(376,199)
Less: Amounts subject to board designation	<u>(182,301)</u>	<u>(204,599)</u>
	<u>\$ 5,227,549</u>	<u>\$ 4,267,786</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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, 2020			
Exchange-traded funds	<u>\$ 131,460</u>	<u>\$ -</u>	<u>\$ -</u>
As of June 30, 2019			
Exchange-traded funds	<u>\$ 126,199</u>	<u>\$ -</u>	<u>\$ -</u>

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 secured a \$650,000 revolving Line of Credit with Banner Bank, at LIBOR + 2.750% per Board resolution in March 2020. There was no outstanding balance under the line of credit as of June 30, 2020.

NOTE E - COMMITMENTS

The Agency leases its office spaces under non-cancelable operating leases. Rent expense related to these leases was \$449,159 and \$409,162 for the years ended June 30, 2020 and 2019, respectively. Future minimum lease payments under these leases are as follows for the years ending June 30:

2021	\$ 374,115
2022	184,060
2023	<u>99,201</u>
	<u>\$ 657,376</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 contributes a dollar for each dollar match of the participant contribution up to 3% of the participant's earnings. Employer matching contributions in the amount of \$182,891 and \$167,867, respectively, were made for the years ended June 30, 2020 and 2019.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE G - COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management continues to evaluate the financial impact of the COVID-19 pandemic and monitor carefully the effect on the Agency's financial position, change in net assets, and cash flows in the future.

The Agency's programs immediately shifted to meet the new needs of providers and families. The increase in call volume plus the amplified concerns of parents and community members calling in forced the Agency to move quickly to a cloud-based phone system in March, which accommodates the CCA WA Call Center staff working from home and provides the same if not more pressing level of service. To accommodate the program changes, the Agency supported staff's ability to work functionally from home by purchasing Zoom licenses and sending computers, screens, and desk chairs home.

The Agency partnered with King County, City of Seattle and private philanthropy through All In Seattle to provide subsidy funding for families impacted by COVID-19 to access child care (The Agency's contribution was private funding).

With child care providers, the Agency began intensive, remote work. Connecting weekly with each provider in Early Achievers plus all other licensed providers (per directive from our funder, CCA WA), our coaches worked long hours providing guidance, support, information, translation, and needed Personal Protection Equipment supplies so that providers could stay open. All trainings and group learning experiences went remote as well. Supervisors increased their 1:1 and team meetings to increase community and connectivity and to ensure accountability.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2020 through November 5, 2020, 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, 2020, including the estimates inherent in the processing of financial

The Agency obtained an increase in its revolving line of credit with Banner Bank. Effective September 30, 2020, the new limit is \$3,500,000.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCES
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2020

Federal Grantor				
<i>Pass-through Grantor</i>				
<u>"Program Title"</u>	<u>Contract</u>	<u>CFDA</u>	<u>Passed Through</u>	<u>Federal</u>
	<u>Number</u>	<u>Number</u>	<u>to Subrecipients</u>	<u>Expenditures</u>
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		\$ -	\$ 8,602,724
	CCDF Cluster	93.575*	-	8,602,724
Department of Health and Human Services				
<i>Pierce County Human Services</i>				
"Coronavirus Relief Fund"	SC-107541	21.019	-	1,004
	Total Expenditures of Federal Awards		<u>\$ -</u>	<u>\$ 8,603,728</u>

* Denotes a major program.

CHILD CARE RESOURCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

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, 2020

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2019 - 6/30/2020
State of Washington				
"Child Care Aware of Washington: CCA of King/Tacoma Core/EA/Family Services Contract"	Amendment #2	7/1/19-6/30/20	\$ 919,863	\$ 1,097,345
"DCYF Infant Toddler Regional Systems & Services - King & Pierce"	20-1140	7/1/19-6/30/20	421,354	378,334
State of Washington Sub-Total			<u>1,341,217</u>	<u>1,475,679</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	188,850
"Seattle & King County Public Health - Veterans, Seniors & Human Services Levy"	3151 BSK Amendment #2	1/1/19 - 12/31/21	127,747	31,672
"Seattle & King County Public Health - Best Starts for Kids Supplies"	5438 BSK Amendment #1	6/1/20 - 12/31/20	441,000	4,989
King County Sub-Total			<u>1,261,748</u>	<u>225,511</u>
Pierce County				
"Pierce County Human Services - Homeless Child Care Subsidy"	SC-107305	1/1/20 - 12/31/20	50,000	30,764
Pierce County Sub-Total			<u>50,000</u>	<u>30,764</u>
City of Seattle				
"Information and Referral"	DOE19PA15	1/1/19 - 12/31/19	54,212	28,436
"Information and Referral"	DOE20PA03	1/1/20 - 12/31/20	54,212	31,087
"Seattle Preschool Program FCC Hub Pilot"	DOE18PA33 Amendment 1	7/1/19 - 6/30/20	599,650	586,560
"Homeless Child Care Assistance Program"	DOE19PA18	1/1/19 - 12/31/19	400,000	180,325
"Homeless Child Care Assistance Program"	DOE20PA04	1/1/20 - 12/31/20	400,000	189,016
City of Seattle Sub-Total			<u>1,508,074</u>	<u>1,015,424</u>
Suburban Cities				
"City of Auburn Child Care Resources and Referral"	--	1/1/19 - 12/31/20	12,576	6,288
"City of Auburn Child Care Financial Assistance"	GF19/2009	1/1/19 - 12/31/20	20,000	10,000
"City of Bellevue Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	85,162	42,582
"City of Bellevue Child Care Financial Assistance"	GF200	1/1/19 - 12/31/20	351,824	147,810
"City of Bellevue Homeless Child Care"	GF261	1/1/19 - 12/31/20	31,781	11,217
"City of Burien Child Care Resources and Referral"	--	1/1/19 - 12/31/20	8,000	4,000
"City of Covington Child Care Resources and Referral"	--	1/1/19 - 12/31/20	6,604	3,302
"City of Issaquah Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	8,000	4,000
"City of Kenmore Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	2,400	1,200
"City of Kent Child Care Financial Assistance"	CAG19-089	1/1/19 - 12/31/20	70,000	36,986
"City of Kent Homeless Child Care"	CAG19-072	1/1/19 - 12/31/20	20,000	14,890
"City of Kirkland Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	10,000	5,000
"City of Redmond Child Care Financial Assistance"	GF200	1/1/19 - 12/31/20	110,808	55,880

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2020

Grantor/Contractor "Program Title"	<u>Contract Number</u>	<u>Award Period</u>	<u>Total Award Amount</u>	<u>Total 7/1/2019 - 6/30/2020</u>
Suburban Cities (Continued)				
"City of Redmond Homeless Child Care"	GF261	1/1/19 - 12/31/20	42,018	14,878
"City of SeaTac Child Care Resources and Referral"	--	1/1/19 - 12/31/20	11,256	5,628
"City of Shoreline Child Care Resources and Referral"	GF181	1/1/19 - 12/31/20	10,000	5,000
"City of Tukwila Child Care Resources and Referral"	--	1/1/19 - 12/31/20	<u>11,000</u>	<u>5,500</u>
Suburban Cities Sub-Total			<u>811,429</u>	<u>374,161</u>
Total Non-Federal Governmental Grants/Contracts			<u>\$ 4,972,468</u>	<u>\$ 3,121,539</u>

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

November 5, 2020

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, 2020 and 2019, 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 5, 2020.

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

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 5, 2020

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, 2020. 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, 2020.

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, 2020

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.