

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2013 AND 2012

OMB A-133 SUPPLEMENTAL FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2013



CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

May 1, 2014

Board of Directors
Child Care Resources
Seattle, Washington

We have audited the accompanying financial statements of Child Care Resources, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activity, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Child Care Resources as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the accompanying schedule of expenditures of non-federal governmental awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2014 on our consideration of Child Care Resources' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Care Resources' internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current Assets			
Cash and cash equivalents		\$ 1,096,802	\$ 853,185
Certificates of deposit		1,015,364	996,510
Accounts receivable		1,156,948	862,864
Promises to give		244,620	181,345
Prepaid expenses		<u>218,459</u>	<u>179,621</u>
Total Current Assets		3,732,193	3,073,525
Equipment, net of accumulated depreciation of \$262,374 and \$328,981		<u>125,283</u>	<u>78,304</u>
		<u>\$ 3,857,476</u>	<u>\$ 3,151,829</u>
 <u>LIABILITIES AND NET ASSETS</u> 			
Current Liabilities			
Accounts payable		\$ 145,536	\$ 179,150
Accrued liabilities		261,297	243,346
Deferred revenue		-	24,438
Cash held for others		<u>19,963</u>	<u>16,409</u>
Total Current Liabilities		<u>426,796</u>	<u>463,343</u>
Net Assets			
Unrestricted			
Board designated		464,000	-
Undesignated		<u>2,472,026</u>	<u>2,273,630</u>
Total Unrestricted Net Assets		2,936,026	2,273,630
Temporarily restricted		<u>494,654</u>	<u>414,856</u>
Total Net Assets		<u>3,430,680</u>	<u>2,688,486</u>
		<u>\$ 3,857,476</u>	<u>\$ 3,151,829</u>

CHILD CARE RESOURCES

STATEMENTS OF ACTIVITY

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue						
Public support						
Government contracts and grants	\$ 5,224,896		\$ 5,224,896	\$ 4,243,711		\$4,243,711
United Way of King County	26,535	\$ 306,061	332,596	95,472	\$ 235,004	330,476
Contributions and private grants	424,036	173,070	597,106	294,571	148,573	443,144
In-kind contributions	123,521	-	123,521	26,145	-	26,145
Total Public Support	<u>5,798,988</u>	<u>479,131</u>	<u>6,278,119</u>	<u>4,659,899</u>	<u>383,577</u>	<u>5,043,476</u>
Revenue						
Program services fees	108,079		108,079	289,394		289,394
Investment income	26,108		26,108	12,907		12,907
Other income	13,707		13,707	25,865		25,865
Total Revenue	<u>147,894</u>		<u>147,894</u>	<u>328,166</u>		<u>328,166</u>
Net Assets Released from Restrictions						
Satisfaction of purpose restrictions	399,333	(399,333)	-	505,577	(505,577)	-
Satisfaction of time restrictions	-	-	-	40,000	(40,000)	-
Total Public Support, Revenue, and Other Support	<u>6,346,215</u>	<u>79,798</u>	<u>6,426,013</u>	<u>5,533,642</u>	<u>(162,000)</u>	<u>5,371,642</u>
Expenses						
Program services	4,697,348		4,697,348	4,074,572		4,074,572
Management and general	669,093		669,093	668,883		668,883
Fundraising	317,378		317,378	275,893		275,893
Total Expenses	<u>5,683,819</u>		<u>5,683,819</u>	<u>5,019,348</u>		<u>5,019,348</u>
Change in Net Assets	662,396	79,798	742,194	514,294	(162,000)	352,294
Net Assets - beginning of year	<u>2,273,630</u>	<u>414,856</u>	<u>2,688,486</u>	<u>1,759,336</u>	<u>576,856</u>	<u>2,336,192</u>
Net Assets - end of year	<u>\$ 2,936,026</u>	<u>\$ 494,654</u>	<u>\$ 3,430,680</u>	<u>\$ 2,273,630</u>	<u>\$ 414,856</u>	<u>\$2,688,486</u>

CHILD CARE RESOURCES

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013						2012					
	Provider Services and Capacity <u>Building</u>	Family <u>Services</u>	Total Program <u>Services</u>	Management and <u>General</u>	<u>Fundraising</u>	Total <u>Expenses</u>	Provider Services and Capacity <u>Building</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	\$ 1,381,766	\$ 684,019	\$ 2,065,785	\$ 374,553	\$ 173,963	\$ 2,614,301	\$ 960,356	\$ 662,248	\$ 1,622,604	\$ 365,740	\$ 136,786	\$ 2,125,130
Employee benefits	196,909	105,354	302,263	38,808	22,454	363,525	134,412	97,385	231,797	48,495	13,529	293,821
Payroll taxes	111,370	53,486	164,856	28,200	12,902	205,958	77,628	51,422	129,050	27,057	9,787	165,894
	1,690,045	842,859	2,532,904	441,561	209,319	3,183,784	1,172,396	811,055	1,983,451	441,292	160,102	2,584,845
Parent and provider assistance	362,132	802,581	1,164,713	-	-	1,164,713	368,284	813,196	1,181,480	-	-	1,181,480
Professional fees	103,711	53,589	157,300	66,429	30,727	254,456	35,865	51,237	87,102	75,673	40,041	202,816
Occupancy	111,199	54,501	165,700	26,013	12,627	204,340	130,622	68,258	198,880	34,810	14,386	248,076
Supplies	107,050	39,566	146,616	17,267	28,467	192,350	98,717	42,282	140,999	25,183	28,712	194,894
MIS expense	87,587	40,429	128,016	12,767	6,791	147,574	69,538	51,242	120,780	16,258	6,037	143,075
In-kind expenses	59,711	48,341	108,052	14,302	1,167	123,521	3,970	2,750	6,720	16,933	2,492	26,145
Equipment rent and repair	25,857	11,161	37,018	17,522	3,757	58,297	12,966	4,574	17,540	17,078	3,794	38,412
Printing and publications	33,714	17,624	51,338	784	5,844	57,966	27,663	45,454	73,117	402	3,980	77,499
Travel, lodging, and meals	47,685	8,380	56,065	729	1,022	57,816	21,480	12,009	33,489	1,073	813	35,375
Other expenses	3,411	310	3,721	41,847	6,377	51,945	3,488	2,243	5,731	6,825	3,780	16,336
Communication	33,854	10,850	44,704	2,631	1,900	49,235	28,710	20,008	48,718	3,036	1,844	53,598
Dues, subscriptions, and advertising	10,144	23,194	33,338	2,320	2,080	37,738	9,755	20,553	30,308	6,199	1,935	38,442
Staff development, training, & meetings	13,473	6,653	20,126	9,410	2,552	32,088	14,102	8,552	22,654	8,376	2,409	33,439
Depreciation	9,943	7,783	17,726	5,713	2,473	25,912	11,112	6,033	17,145	6,704	2,760	26,609
Insurance	9,373	4,040	13,413	8,257	757	22,427	7,704	5,148	12,852	7,703	679	21,234
Postage and shipping	8,085	8,513	16,598	1,541	1,518	19,657	7,378	7,216	14,594	1,338	2,129	18,061
Subcontracts	-	-	-	-	-	-	79,012	-	79,012	-	-	79,012
Total Expenses	<u>\$ 2,716,974</u>	<u>\$ 1,980,374</u>	<u>\$ 4,697,348</u>	<u>\$ 669,093</u>	<u>\$ 317,378</u>	<u>\$ 5,683,819</u>	<u>\$ 2,102,762</u>	<u>\$ 1,971,810</u>	<u>\$ 4,074,572</u>	<u>\$ 668,883</u>	<u>\$ 275,893</u>	<u>\$ 5,019,348</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 4,903,622	\$ 3,784,086
Donors	869,981	791,628
Program participants	107,711	289,564
Employers	3,250	3,150
Investment income	7,254	5,188
Other income	13,577	25,636
Cash paid to:		
Employees	(3,315,080)	(2,635,185)
Vendors	<u>(2,273,659)</u>	<u>(2,301,447)</u>
Net Cash Provided (Used) by Operating Activities	<u>316,656</u>	<u>(37,380)</u>
Cash Flows from Investing Activities		
Maturities of certificates of deposit	-	8,923
Purchases of equipment	<u>(73,039)</u>	<u>(7,674)</u>
Net Cash (Used) Provided by Investing Activities	<u>(73,039)</u>	<u>1,249</u>
Change in Cash and Cash Equivalents	243,617	(36,131)
Cash and Cash Equivalents - beginning of year	<u>853,185</u>	<u>889,316</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,096,802</u>	<u>\$ 853,185</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Change in net assets	\$ 742,194	\$ 352,294
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	26,060	26,818
Reinvested investment earnings	(18,854)	(7,719)
(Increase) decrease in		
Accounts receivable	(294,084)	(435,552)
Promises to give	(63,275)	18,862
Prepaid expenses	(38,838)	(44,581)
(Decrease) increase in		
Accounts payable	(33,614)	8,540
Accrued liabilities	17,951	65,794
Deferred revenue	(24,438)	(20,982)
Cash held for others	<u>3,554</u>	<u>(854)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 316,656</u>	<u>\$ (37,380)</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

CCR's Vision

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

CCR's Mission

Child Care Resources leads efforts to promote equity for children, community stability, and school readiness by:

- Helping families access and choose high-quality child and after school care.
- Partnering with providers and caregivers to offer excellent care.
- Advocating for child care solutions that strengthen communities.

CCR's Anti Racism Statement

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

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

Provider Services and Capacity Building

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Seattle Early Education Collaborative (SEEC) - Provides coaching and professional development to assist teachers working in designated child care programs located in Seattle to insure the children in their classrooms are ready for school.

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. Provides leadership in child care issues, including adequacy of supply of child care facilities and the quality of services. A workroom, library, and conference room are available at the Seattle office. The Kent and Redmond offices are mainly used for field staff and trainings (appointments and work space).

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

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

King County Housing Authority Project - CCR provides Technical Assistance to a specific group of family child care providers residing in properties owned by King County Housing Authority. The TA mirrors the general TA we provide: onsite, phone and email. In addition, our TA Specialist also facilitates 1-2 Kaleidoscope Play & Learn groups with residents of KCHA properties.

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

DEL Infant-Toddler Consultation Project - CCR is the lead agency in coordinating service delivery implementation and system building of an interdisciplinary consultation model for infant & toddler classrooms. This is a 2-year pilot project, and CCR is currently in year 2 of the pilot phase. It is anticipated that this project will extend into years 3 and 4. CCR has engaged up to 15 licensed centers representing 3 identified high-need communities (Bellevue, Kent, and Auburn) to participate in consultation. Consultation is provided in partnership with Seattle King County Public Health and Kinderling Center. CCR also convenes the Infant Toddler Consultation Steering Committee to advise on the progress and direction of the service model, and to reflect on lessons learned.

Family Services

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

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

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

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

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

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Parent Education for Successful Children - Using the Strengthening Families model, this project helps child care providers understand their role in supporting and educating families whose children are in their care and model appropriate parent involvement, education, and support. Providers involved in this project serve predominantly families with low incomes. Train the trainers sessions have now been implemented.

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

Basis of presentation

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

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

Temporarily restricted net assets are restricted by the donor to be used for certain purposes or future periods. Temporarily restricted net assets are available as follows as of December 31:

	<u>2013</u>	<u>2012</u>
United Way -		
Information, Referral, Technical Assistance and Training	\$ 239,800	\$ 235,004
Child Care Careers	54,261	55,073
Homeless Child Care Project	45,000	42,500
For use in subsequent year	40,000	-
Boeing Special Needs for Children	77,577	-
Family Friend & Neighbor	17,493	46,000
Accreditation	15,523	15,523
Child Care Financial Assistance	5,000	5,000
Boeing Parent Education	-	15,756
	<u> </u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 494,654</u>	<u>\$ 414,856</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity. The Agency had no permanently restricted net assets as of December 31, 2013 or 2012.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

Cash deposits in excess of insured limits

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

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.

Certificates of deposit

Certificates of deposit are stated at fair value and bear interest ranging from 0.75% to 2.53%.

Government contracts and grants and related receivables

A substantial portion of public support is derived from contracts and grants administered by federal, state, and local government agencies. Revenue from these contracts and grants is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended December 31, 2013 and 2012, no such adjustments were made. Approximately 53% of total government contracts and grants revenue in 2013 was received from one public grantor and, as of December 31, 2013, 73% of accounts receivable was due from this one public grantor.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Promises to give

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

All promises to give are current at December 31, 2013. 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.

Deferred revenue

Deferred revenue represents cost-reimbursable government funding received in advance. The revenue will be recognized as related expenditures are incurred.

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 DECEMBER 31, 2013 AND 2012

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Board designation

The Board designated \$464,000 of the 2013 increase in unrestricted net assets to be used for the Agency's 2014 through 2016 program budgets. These funds came from a performance incentive in the Early Achievers contract which CCR met with 100% performance by year's end. These funds were reflected in the 2013 financial statements. Early Achievers staff will be providing coaching and other critical services covered by this contract starting in January of 2014, so these funds are designated for this work through June of 2016.

In-kind goods and services

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

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

Functional allocation of expenses

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

Use of estimates

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

Federal income taxes

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE B - OPERATING RESERVES

In December 1998 the Board created a policy for the Agency to maintain a three-month operating reserve. The Agency continued to achieve this level of reserves in 2013.

NOTE C - 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 December 31, 2013			
Certificates of deposit	\$ -	\$ 1,015,364	\$ -
As of December 31, 2012			
Certificates of deposit	\$ -	\$ 996,510	\$ -

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

NOTE D - LINE OF CREDIT

The Agency has a \$650,000 revolving line of credit that will expire in July 2014. Bank advances on the line of credit are payable on demand and carry interest at 3 percentage points over the LIBOR rate (3.17% at December 31, 2013). The line of credit is collateralized by all personal property of the Agency. There was no outstanding balance under the line of credit as of December 31, 2013.

NOTE E - COMMITMENTS

The Agency leases their office space under a non-cancelable operating lease which expires in February 2018. Rent expense related to this lease was \$177,027 and \$227,070 for the years ended December 31, 2013 and 2012, respectively. Future minimum lease payments under this lease are as follows:

2014	\$ 173,264
2015	178,458
2016	183,818
2017	189,326
2018	31,708
	<u>\$ 756,574</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

NOTE F - RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution plan (the Plan), as defined by the Internal Revenue Code. The Plan is for the benefit of all qualifying employees and permits voluntary contributions by employees to the maximum allowable as determined by the Internal Revenue Service. The Agency has a matching program, whereby it contributes fifty cents for each dollar a participant contributes on the first 3% of the participant's earnings. Employer contributions in the amount of \$28,695 and \$24,715 were made for the years ended December 31, 2013 and 2012, respectively.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2013 through May 1, 2014, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at December 31, 2013, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

Federal Grantor			
<i>Pass-through Grantor</i>	Contract	CFDA	Federal
"Program Title"	Number	Number	Expenditures
Department of Housing and Urban Development			
"Supportive Housing Program: Regional Homeless Child Care Program Project"	WA0047B0T001205	14.235	\$ 487,025
"Supportive Housing Program: Regional Homeless Child Care Program Project"	WA0047B0T001104	14.235	48,357
			<u>535,382</u>
<i>King County Housing Authority</i>			
"Moving to Work Demonstration Program"	EB-09-001-25	14.881	73,264
			<u>608,646</u>
Department of Early Learning			
<i>Child Care Aware of Washington</i>			
"Race to the Top - Early Learning Challenge"	--	84.412*	35,945
"Race to the Top - Early Learning Challenge"	--	84.412*	899,082
"Race to the Top - Early Learning Challenge"	--	84.412*	559,517
			<u>1,494,544</u>
Department of Health and Human Services			
<i>Department of Early Learning - Infant Toddler</i>			
<i>Regional Systems & Services of King County</i>			
"Child Care and Development Block Grant"	12-1117	93.575	191,101
<i>Child Care Aware of Washington</i>			
"Child Care and Development Block Grant"	--	93.575	857,817
<i>Washington State Department of Early Learning</i>			
"Child Care and Development Block Grant"	12-1096	93.575	167,437
"Child Care and Development Block Grant"	14-1005	93.575	130,622
			<u>1,346,977</u>
Total Expenditures of Federal Awards			<u>\$ 3,450,167</u>

* Denotes a major program.

CHILD CARE RESOURCES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2013

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Resources and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED DECEMBER 31, 2013

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2013 - 12/31/2013
City of Seattle				
"Information and Referral"	DA13-5013	1/01/13 - 12/31/13	\$ 52,520	\$ 52,520
"Early Learning Academy (ELA)"	DA13FE021 Amendment #1	9/01/13 - 8/31/14	495,145	144,375
"City of Seattle: Seattle Early Education Collaborative, Professional Development (SEEC)"	DA12-1317	9/01/12 - 8/31/13	450,000	377,340
"Technology Matching Fund"	DGF120101	9/01/12 - 12/31/13	9,100	461
"Highscope Training Plan"	DA13FE009	3/01/13-8/31/13	30,000	29,061
City of Seattle Sub-Total			1,036,765	603,757
State of Washington				
"Child Care Aware of Washington: Child Care Aware of King County Core Services Contract"	Amendment #2	7/01/12 - 6/30/13	208,000	104,014
"Child Care Aware of Washington: Family, Friends, and Neighbors (FFN)"	--	9/01/13 - 6/30/14	26,000	9,749
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract"	--	7/01/13 - 8/31/13	100,000	100,000
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract"	Amendment #1	9/01/13 - 6/30/14	473,565	189,941
"Washington State Department of Early Learning: Early Learning Conversations"	14-1118	7/01/13-6/30/14	50,000	12,800
"Child Care Aware of Washington: Child Care Aware of King County CDA Cohort Contract"	Amendment #2	1/02/13-6/30/13	27,600	27,600
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract - Probationary Onsite Consultation"	Amendment #1	7/01/13 - 8/31/13	-	200
"Child Care Aware of Washington: Child Care Aware of King County Core/EA/Family Center Services Contract - Probationary Onsite Consultation"	Amendment #1	9/01/13 - 6/30/14	-	600
"Child Care Aware of Washington: Child Care Aware of King County Core Services Contract - Onsite Consultation"	Amendment #2	7/01/12 - 6/30/13	-	2,950
"Child Care Aware of Washington: Family Center"	Amendment #1	7/01/12 - 6/30/13	450,000	225,000
"Department of Early Learning Infant Toddler Regional Systems & Services - King"	14-1067	7/01/13 - 6/30/15	492,000	134,093
State of Washington Sub-Total			1,827,165	806,947
King County				
"Seattle- King County Department of Public Health-Family, Friend & Neighbor Network and Play & Learn"	CHS2947	1/01/13 - 12/31/13	53,000	53,000
King County Sub-Total			53,000	53,000

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED DECEMBER 31, 2013

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2013 - 12/31/2013
Suburban Cities				
"City of Bellevue Child Care Information and Referral"	GF 181	1/01/13 - 12/31/13	43,923	43,923
"City of Bellevue Child Care Financial Assistance"	GF200	1/01/13 - 12/31/13	140,990	130,501
"City of Bellevue Child Care Services for Homeless Families"	GF261	1/01/13 - 12/31/13	13,045	13,045
"City of Burien Contract for Human Services"	--	1/01/13 - 12/31/13	5,000	5,000
"City of Covington Contract for Human Services"	--	1/01/13 - 12/31/13	3,585	3,585
"City of Issaquah Child Care Information and Referral"	GF 181	1/01/13 - 12/31/13	2,916	2,916
"City of Issaquah Homeless Child Care Program"	GF261	1/01/13 - 12/31/13	2,363	2,363
"City of Kenmore Homeless Child Care Program"	GF261	1/01/13 - 12/31/13	2,000	2,000
"City of Kent Contract for Services Scholarships"	--	1/01/13 - 12/31/13	26,000	26,000
"City of Kirkland Child Care Information and Referral"	GF 181	1/01/13 - 12/31/13	8,552	8,552
"City of Redmond Contract for Scholarship Program"	GF200	1/01/13 - 12/31/13	33,660	31,258
"City of Redmond Contract for Homeless Program"	GF261	1/01/13 - 12/31/13	5,100	5,100
"City of Redmond Child Care Information and Referral"	GF 181	1/01/13 - 12/31/13	15,624	15,624
"City of Renton Contract for Human Services"	--	1/01/13 - 12/31/13	5,000	5,000
"City of Sammamish Child Care Information and Referral"	GF 181	1/01/13 - 12/31/13	1,200	1,200
"City of SeaTac Contract for Human Services "	--	1/01/13 - 12/31/13	5,000	5,000
"City of Shoreline Child Care Information and Referral"	GF 181	1/01/13 - 12/31/13	4,958	4,958
"City of Tukwila Contract for Human Services"	--	1/01/13 - 12/31/13	5,000	5,000
Suburban Cities Sub-Total			323,916	311,025
Total Non-Federal Governmental Grants/Contracts			\$ 3,240,846	\$ 1,774,729

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

May 1, 2014

Board of Directors
Child Care Resources
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Child Care Resources, which comprise the statements of financial position as of December 31, 2013 and 2012, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated May 1, 2014.

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

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

May 1, 2014

Board of Directors
Child Care Resources
Seattle, Washington

Report on Compliance with Each Major Federal Program

We have audited Child Care Resources' compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Child Care Resources' major federal programs for the year ended December 31, 2013. Child Care Resources' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Child Care Resources' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child Care Resources' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Child Care Resources' compliance.

Opinion on Each Major Federal Program

In our opinion, Child Care Resources complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

Management of Child Care Resources is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Child Care Resources' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Child Care Resources' internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2013

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Child Care Resources.
2. No material weaknesses relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*."
3. No instances of noncompliance material to the financial statements of Child Care Resources were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditor's report on compliance for the major federal award programs for Child Care Resources expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Child Care Resources are reported in Part C of this Schedule.
7. The programs tested as major was the Race to the Top - Early Learning Challenge, CFDA No. 84.412.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Child Care Resources was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

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

None