

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED DECEMBER 31, 2010 AND 2009

OMB A-133 SUPPLEMENTAL FINANCIAL REPORTS
YEAR ENDED DECEMBER 31, 2010

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	2
STATEMENTS OF FINANCIAL POSITION December 31, 2010 and 2009	4
STATEMENTS OF UNRESTRICTED ACTIVITY Years ended December 31, 2010 and 2009	5
STATEMENTS OF CHANGES IN NET ASSETS Years ended December 31, 2010 and 2009	6
STATEMENTS OF FUNCTIONAL EXPENSES Years ended December 31, 2010 and 2009	7
STATEMENTS OF CASH FLOWS Years ended December 31, 2010 and 2009	8 - 9
NOTES TO FINANCIAL STATEMENTS	10 - 16
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards Year ended December 31, 2010	18
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	22
Schedule of Findings and Questioned Costs	24
Independent Auditor's Report on Schedule of Non-Federal Governmental Awards	25
Schedule of Expenditures of Non-Federal Governmental Awards Year ended December 31, 2010	26 - 27

INDEPENDENT AUDITOR'S REPORT

May 5, 2011

Board of Directors
Child Care Resources
Seattle, Washington

We have audited the accompanying statements of financial position of Child Care Resources, as of December 31, 2010 and 2009, and the related statements of unrestricted activity, changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Child Care Resources' management. 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, *Government Auditing Standards*, issued by the Comptroller General of the United States; and the provisions of Office of Management and Budget (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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resources as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2011, 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 grants. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of Child Care Resources taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	<u>ASSETS</u>	
	<u>2010</u>	<u>2009</u>
Current Assets		
Cash and cash equivalents	\$ 1,106,249	\$ 1,272,114
Certificates of deposit	1,231,597	1,672,294
Accounts receivable	531,601	635,744
Promises to give	369,029	1,337,132
Prepaid expenses	<u>151,669</u>	<u>129,287</u>
Total Current Assets	3,390,145	5,046,571
Equipment, net of accumulated depreciation of \$395,650 and \$354,084	<u>105,217</u>	<u>122,983</u>
	<u>\$ 3,495,362</u>	<u>\$ 5,169,554</u>
	<u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities		
Accounts payable	\$ 226,970	\$ 236,017
Accrued liabilities	201,275	205,637
Grants payable	-	80,000
Deferred revenue	-	25,045
Cash held for others	<u>13,663</u>	<u>13,338</u>
Total Liabilities	<u>441,908</u>	<u>560,037</u>
Net Assets		
Unrestricted	1,752,962	1,690,409
Temporarily restricted	<u>1,300,492</u>	<u>2,919,108</u>
Total Net Assets	<u>3,053,454</u>	<u>4,609,517</u>
	<u>\$ 3,495,362</u>	<u>\$ 5,169,554</u>

CHILD CARE RESOURCES

STATEMENTS OF UNRESTRICTED ACTIVITY

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Unrestricted Public Support and Revenue		
Unrestricted public support		
Government contracts and grants	\$ 3,304,268	\$ 3,608,576
United Way of King County	156,644	-
Contributions and private grants	440,632	363,046
In-kind contributions	<u>28,285</u>	<u>72,077</u>
Total Unrestricted Public Support	<u>3,929,829</u>	<u>4,043,699</u>
Revenue		
Employer fees	73,762	56,619
Program services fees	189,681	116,284
Investment income	33,601	25,766
Other income	<u>11,937</u>	<u>31,797</u>
Total Revenue	308,981	230,466
Net Assets Released from Restrictions		
Satisfaction of purpose restrictions	1,385,326	1,616,387
Satisfaction of time restrictions	<u>80,000</u>	<u>11,000</u>
Total Unrestricted Public Support, Revenue, and Other Support	<u>5,704,136</u>	<u>5,901,552</u>
Expenses		
Program services	4,570,251	4,717,964
Management and general	683,369	704,382
Fundraising	<u>387,963</u>	<u>391,103</u>
Total Expenses	<u>5,641,583</u>	<u>5,813,449</u>
Change in Unrestricted Net Assets	<u>\$ 62,553</u>	<u>\$ 88,103</u>

CHILD CARE RESOURCES

STATEMENTS OF CHANGES IN NET ASSETS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010			2009		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support, Revenue, and Other Support						
Unrestricted public support and revenue	\$ 4,238,810		\$ 4,238,810	\$ 4,274,165		\$ 4,274,165
Restricted public support						
Contributions		\$ 155,098	155,098	\$ 1,320,000		1,320,000
United Way of King County		305,938	305,938	775,007		775,007
Net assets released from restrictions	<u>1,465,326</u>	<u>(1,465,326)</u>	<u>-</u>	<u>1,627,387</u>	<u>(1,627,387)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	5,704,136	(1,004,290)	4,699,846	5,901,552	467,620	6,369,172
Expenses	5,641,583		5,641,583	5,813,449		5,813,449
Losses						
Loss on uncollectible promise to give	-	614,326	614,326	-	-	-
Loss on restricted grant funding	-	-	-	-	186,371	186,371
Change in Net Assets	<u>62,553</u>	<u>(1,618,616)</u>	<u>(1,556,063)</u>	<u>88,103</u>	<u>281,249</u>	<u>369,352</u>
Net Assets - beginning of year	<u>1,690,409</u>	<u>2,919,108</u>	<u>4,609,517</u>	<u>1,602,306</u>	<u>2,637,859</u>	<u>4,240,165</u>
Net Assets - end of year	<u>\$ 1,752,962</u>	<u>\$ 1,300,492</u>	<u>\$ 3,053,454</u>	<u>\$ 1,690,409</u>	<u>\$ 2,919,108</u>	<u>\$ 4,609,517</u>

CHILD CARE RESOURCES

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010						2009					
	Provider Services and Capacity <u>Building</u>	Family Services	Total Program Services	Management and <u>General</u>	<u>Fundraising</u>	Total <u>Expenses</u>	Provider Services and Capacity <u>Building</u>	Family Services	Total Program Services	Management and <u>General</u>	<u>Fundraising</u>	Total <u>Expenses</u>
Salaries and wages	\$ 902,617	\$ 649,888	\$ 1,552,505	\$ 396,061	\$ 219,889	\$ 2,168,455	\$ 878,597	\$ 752,235	\$ 1,630,832	\$ 419,715	\$ 229,223	\$ 2,279,770
Employee benefits	105,257	81,099	186,356	37,872	19,509	243,737	106,081	96,986	203,067	36,617	19,534	259,218
Payroll taxes	94,852	60,882	155,734	32,536	15,851	204,121	72,930	59,573	132,503	32,382	17,045	181,930
	<u>1,102,726</u>	<u>791,869</u>	<u>1,894,595</u>	<u>466,469</u>	<u>255,249</u>	<u>2,616,313</u>	<u>1,057,608</u>	<u>908,794</u>	<u>1,966,402</u>	<u>488,714</u>	<u>265,802</u>	<u>2,720,918</u>
Parent and provider assistance	1,156,664	803,715	1,960,379	-	-	1,960,379	1,087,460	806,463	1,893,923	-	-	1,893,923
Occupancy	99,779	82,195	181,974	37,980	15,883	235,837	100,359	80,144	180,503	35,042	15,401	230,946
Professional fees	44,520	86,130	130,650	58,864	24,896	214,410	55,968	137,387	193,355	64,737	15,361	273,453
MIS expense	36,856	46,028	82,884	17,892	12,900	113,676	43,739	41,174	84,913	14,422	7,778	107,113
Supplies	43,424	14,048	57,472	10,034	40,358	107,864	52,352	38,136	90,488	22,674	38,720	151,882
Staff development, training, and meetings	30,995	8,651	39,646	13,111	1,817	54,574	13,030	12,313	25,343	19,913	2,587	47,843
Equipment rent and repair	19,001	9,310	28,311	17,638	3,791	49,740	15,018	5,991	21,009	17,942	4,075	43,026
Communication	24,565	14,937	39,502	4,379	2,608	46,489	16,982	17,534	34,516	3,850	2,539	40,905
Depreciation	11,625	11,635	23,260	14,453	3,852	41,565	15,784	12,932	28,716	10,867	4,557	44,140
Printing and publications	21,099	8,348	29,447	1,231	8,810	39,488	21,176	12,011	33,187	2,097	7,368	42,652
Dues, subscriptions, and advertising	8,572	15,396	23,968	9,382	2,944	36,294	5,905	17,571	23,476	7,183	5,072	35,731
Travel, lodging, and meals	21,702	10,486	32,188	537	862	33,587	27,363	15,483	42,846	763	979	44,588
Postage and shipping	7,933	12,321	20,254	2,216	2,455	24,925	8,486	10,432	18,918	1,842	6,238	26,998
Insurance	5,064	5,686	10,750	7,085	1,546	19,381	7,734	7,298	15,032	2,435	1,394	18,861
In-kind expenses	-	368	368	13,328	5,625	19,321	21,930	32,244	54,174	9,914	7,989	72,077
Other expenses	2,840	3,036	5,876	8,770	4,367	19,013	5,665	5,498	11,163	1,987	5,243	18,393
Subcontracts	-	8,727	8,727	-	-	8,727	-	-	-	-	-	-
Total Expenses	<u>\$ 2,637,365</u>	<u>\$ 1,932,886</u>	<u>\$ 4,570,251</u>	<u>\$ 683,369</u>	<u>\$ 387,963</u>	<u>\$ 5,641,583</u>	<u>\$ 2,556,559</u>	<u>\$ 2,161,405</u>	<u>\$ 4,717,964</u>	<u>\$ 704,382</u>	<u>\$ 391,103</u>	<u>\$ 5,813,449</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 3,376,617	\$ 3,617,786
Donors	1,412,414	2,716,699
Program participants	196,658	97,807
Employers	73,762	56,619
Investment income	9,516	2,664
Other income	11,709	33,236
Cash paid to:		
Employees	(2,674,452)	(2,784,291)
Vendors	<u>(3,022,036)</u>	<u>(2,978,533)</u>
Net Cash (Used) Provided by Operating Activities	<u>(615,812)</u>	<u>761,987</u>
Cash Flows from Investing Activities		
Purchases of certificates of deposit	(735,000)	(1,034,900)
Maturities of certificates of deposit	1,199,782	592,002
Purchases of equipment	<u>(14,835)</u>	<u>(56,928)</u>
Net Cash Provided (Used) by Investing Activities	<u>449,947</u>	<u>(499,826)</u>
Change in Cash and Cash Equivalents	(165,865)	262,161
Cash and Cash Equivalents - beginning of year	<u>1,272,114</u>	<u>1,009,953</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,106,249</u>	<u>\$ 1,272,114</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Reconciliation of Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Change in net assets	\$ (1,556,063)	\$ 369,352
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	41,565	44,140
Reinvested investment earnings	(24,085)	(23,102)
Donated equipment	(8,964)	-
Loss on restricted grant funding	-	186,371
Loss on promise to give	614,326	-
Decrease (increase) in		
Accounts receivable	104,143	14,627
Promises to give	353,777	359,148
Prepaid expenses	(22,382)	(1,200)
Increase (decrease) in		
Accounts payable	(9,047)	22,229
Accrued liabilities	(4,362)	(6,621)
Deferred revenue	(25,045)	(22,455)
Cash held for others	325	(502)
Grants payable	(80,000)	(180,000)
Net Cash (Used) Provided by Operating Activities	<u>\$ (615,812)</u>	<u>\$ 761,987</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Child Care Resources (the Agency), a not-for-profit agency, was incorporated on November 1, 1989 as the result of a broad, community-based planning effort to coordinate child care resource and referral services. During 1991, the Agency changed its name from Child and Family Resource and Referral to Child Care Resources. Design of this agency involved over 75 members of the community, including employers, child care providers, parents, government staff, and United Way. The Agency combined and expanded services that were formerly offered by the Crisis Clinic's Daycare Referral Service and Family Services Child and Family Resource Center. The Agency offers services in King County from their office located in Seattle, Washington.

The Agency provides child care referral and related services to parents, employers, and employees. It provides training 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

Recruitment & Capacity Building - Increases new and existing child care programs focusing on infants, children with special needs, families needing non-standard hour care, and before- and after-school options. Increases the quality and availability of child care that is culturally and linguistically compatible with the needs of the child, predominantly in informal provider settings.

Technical Assistance - Offers walk-in assistance, telephone assistance, and site visits to child care providers and the general community. Helps family and center based child care providers throughout King County, Washington, with the accreditation process and 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 each location.

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.

Seattle Early Education Collaborative (SEEC) - Provides professional development advising, tuition/books payment for community and 4-year colleges, and coaching to assist teachers working in designated child care programs located in southeast and southwest Seattle with applying their coursework to insure the children in their classrooms are ready for school.

Quality Rating and Improvement System Communication (QRIS) Project - Develops a collaborative effort that will support emerging efforts to educate the public about both quality child care and the Quality Rating and Improvement System (QRIS). The project will also work extensively with child care providers to enlist their positive participation in the QRIS system.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Seattle Early Reading First (SERF) - Prepares preschool age children who are low income and at-risk of educational failure to enter kindergarten with language, cognitive, and early literacy skills necessary for reading success. SERF staff works with fourteen early childhood programs to ensure that they provide language and literacy rich environments and highly trained teachers who routinely assess children.

White Center Early Learning Initiative (WCELI) - Works with licensed child care providers (center and family child care) who provide child care services in White Center around the development of a voluntary quality rating and improvement system. All programs will be assessed and funding provided to implement a quality improvement plan that includes coaching, professional development and materials purchasing.

Family Services

Information and Referral - Provides child care referral information to parents in King County, Washington using a computerized database and is offered via telephone and Internet.

Enhanced Public Referral Services - Provides specified populations with enhanced child care search and referral, including site visits to assist with child care selection.

Employer Contracts - Provides child care referrals and parent consultation on related issues to employees, by conducting seminars for the employees at the work site 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, gas vouchers, and bus tickets to homeless families with children. Services are provided so that families can work towards finding stable housing.

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

Family Friend and Neighbor Program (FFN) - Builds a delivery system of resources for 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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

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.

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>2010</u>	<u>2009</u>
White Center Early Learning Initiative	\$ 454,566	\$ 1,520,911
Accreditation	138,125	254,912
Quality Rating and Improvement System Communication	83,547	141,681
Family Friend & Neighbor	275,156	507,381
United Way		
Information, Referral, Technical Assistance and Training	193,338	224,093
Norcliffe Foundation IR, TR	5,000	-
Boeing Parent Education 2010/Social Emotional Project 2009	87,573	43,190
Child Care Careers	9,330	29,485
Homeless Child Care Project	52,462	100,500
Building Resilience Fund- Online Social Network	-	14,008
Child Care Financial Assistance	1,395	2,947
For use in subsequent year	-	80,000
Total temporarily restricted net assets	<u>\$ 1,300,492</u>	<u>\$ 2,919,108</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 at December 31, 2010 and 2009.

Cash and cash equivalents

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash deposits in excess of insured limits

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

Certificates of deposit

Certificates of deposit are stated at market value and bear interest ranging from 1.7% 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, 2010 and 2009, no such adjustments were made.

Approximately 29% of total government contracts and grants revenue in 2010 was received from one public grantor. At December 31, 2010, approximately 41% of accounts receivable was due from this one public grantor.

Promises to give

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

Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are current at December 31, 2010. Uncollectible promises are expected to be insignificant.

The Agency received notification that their WCELI contribution from Thrive by Five Washington (\$34,326) and Gates Foundation (\$580,000) would be reduced a total of \$614,326 due to reduced funding in response to economic conditions. The pledge was reduced by \$614,326 and the corresponding loss of funding was recorded in the financial statements.

Equipment

Equipment is stated at cost, or if donated, at market value at date of donation. The Agency capitalizes all expenditures for property and equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, principally three to five years. In December 2009, a new phone system installation was completed and the estimated useful life of the system is ten years.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 unrestricted activity and of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

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, 2010 AND 2009

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain accounts in the December 31, 2009 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended December 31, 2009.

NOTE B - OPERATING RESERVES

It is the policy of the Agency to maintain a three-month operating reserve, and the Agency achieved this level of reserves in 2010.

NOTE C - COMMITMENTS

The Agency leases their office space under a non-cancelable operating lease which expires in February 2013. Rent expense related to this lease was \$197,546 and \$195,842 for the years ended December 31, 2010 and 2009.

Future minimum lease payments under this lease are as follows:

2011	203,601
2012	209,841
2013	<u>35,144</u>
	<u>\$ 448,586</u>

NOTE D - 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. Due to challenging economic conditions, management suspended the 401(k) employer contribution as of April 30, 2009. Total employer contributions for the years ended December 31, 2010 and 2009 were \$0 and \$9,702, respectively.

NOTE E - FAIR VALUE MEASUREMENTS

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 DECEMBER 31, 2010 AND 2009

NOTE E - FAIR VALUE MEASUREMENTS

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.

Assets carried at fair value on a recurring basis (at least annually) using level 1 inputs include money market funds. Assets carried at fair value on a recurring basis using level 2 inputs include certificates of deposit. The Agency had no items carried at fair value on a recurring basis using level 3 inputs as of December 31, 2010.

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 F - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to December 31, 2010 through May 5, 2011, 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, 2010, 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, 2010

Federal Grantor				
<i>Pass-through Grantor</i>				
<u>"Program Title"</u>	<u>Contract</u>	<u>CFDA</u>	<u>Federal</u>	
	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>	
Department of Housing and Urban Development				
"Supportive Housing Program (SHP): Regional Homeless Child Care Program Project"	WA0047B0T000801	14.235	\$ 42,871	
"Supportive Housing Program (SHP): Regional Homeless Child Care Program Project"	WA0047B0T000802	14.235	491,112	
			<u>533,983</u>	
Child Care and Development Fund Cluster Department of Health and Human Services				
<i>Washington State Child Care Resource & Referral Network</i>				
"Child Care and Development Block Grant: WA State Child Care Resource & Referral Network"		93.575*	320,068	
<i>Washington State Child Care Resource & Referral Network</i>				
"ARRA-Child Care and Development Block Grant: WA State Child Care Resource & Referral Network"		93.713*	52,200	
<i>State of Washington</i>				
"Child Care and Development Block Grant: Homeless Child Care Program"	10-1083	93.575*	82,637	
Total Child Care and Development Fund Cluster			<u>454,905</u>	
Department Of Education				
<i>City of Seattle</i>				
"Early Reading First"	DA08-1577	84.359	250,010	
"Early Reading First"	DA10-1577	84.359	59,101	
			<u>309,111</u>	
Total Expenditures of Federal Awards			<u>\$ 1,297,999</u>	

* Denotes a major program.

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2010

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.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
GOVERNMENT AUDITING STANDARDS

May 5, 2011

Board of Directors
Child Care Resources
Seattle, Washington

We have audited the financial statements of Child Care Resources as of and for the year ended December 31, 2010, and have issued our report thereon dated May 5, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Child Care Resources' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Child Care Resources' internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance

As part of obtaining reasonable assurance about whether Child Care Resources' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



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 5, 2011

Board of Directors
Child Care Resources
Seattle, Washington

Compliance

We have audited the compliance of Child Care Resources with the types of compliance requirements described in the *U. S. Office of Management and Budget (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, 2010. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Child Care Resources' management. Our responsibility is to express an opinion on Child Care Resources' compliance based on our audit.

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. Our audit does not provide a legal determination of Child Care Resources' compliance with those requirements.

In our opinion, Child Care Resources complied, in all material respects, with the 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, 2010.

Internal Control Over Compliance

Management of Child Care Resources is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Child Care Resources' internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 the Child Care Resources' internal control over compliance.

A deficiency in internal control 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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2010

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 "Report on Compliance and on Internal Control Over Financial Reporting 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 were included in the Child Care and Development Fund Cluster CFDA Nos. 93.575 and 93.713.
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

INDEPENDENT AUDITOR'S REPORT ON SCHEDULE OF
NON-FEDERAL GOVERNMENTAL AWARDS

May 5, 2011

Board of Directors
Child Care Resources
Seattle, Washington

Our audit was conducted for the purpose of forming an opinion on the financial statements of Child Care Resources taken as a whole. The information on pages 26 and 27 is presented for the purpose of additional analysis and is not a required part of the financial statements. The information has been subjected to the same auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Jacobson Jarvis & Co, PLLC

Jacobson Jarvis & Co, PLLC

CHILD CARE RESOURCES

SCHEDULE OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED DECEMBER 31, 2010

Grantor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2010 - 12/31/2010
City of Seattle				
"Information and Referral"	DA09-5013	01/01/10 - 12/31/10	\$ 51,490	\$ 51,490
"Seattle Jobs Initiative Child Care Broker and Referral"	2505-10	01/01/10 - 12/31/10	18,607	18,607
"City of Seattle: Seattle Early Education Collaborative, Professional Development (SEEC)"	DA10-1792	9/1/10 - 8/31/11	845,000	217,124
"City of Seattle: Seattle Early Education Collaborative, Professional Development (SEEC)"	DA09-1792 Amendment	9/01/09 -8/31/10	920,000	750,700
" Child Care Homes Professional Development Program"	DA09-1800	10/1/09 - 8/31/10	30,000	29,053
" Child Care Homes Professional Development Program"	DA10-1800	9/1/10 -8/31/11	30,000	10,000
	City of Seattle Sub-Total		<u>1,895,097</u>	<u>1,076,974</u>
State of Washington				
"CCDBG: WA State Child Care Resources & Referral Network"	Amendment	7/1/09-6/30/10	\$ 505,705	\$ 207,712
"CCDBG: WA State Child Care Resources & Referral Network"	Amendment	7/01/10 - 6/30/11	192,476	73,191
"DSHS Client Services Contract: Work First: Region IV"	0912-66298 Amendment #1	7/01/09 - 6/30/10	202,500	19,000
"DSHS Client Services Contract: Work First: Region IV"	0912-66298-02	7/1/10 - 06/30/2011	72,900	5,700
"Homeless Child Care Subsidy Program "	10-1083 Amendment #2	7/01/09 - 6/30/11	438,200	211,630
"DSHS-Council for Children and Family"	K-121053	7/01/09- 6/30/10	1,500	1,350
"Washington State Child Care Resource and Referral Network: Child Care Subsidy Training"	Amended	3/1/10 -12/31/10	25,022	25,022
"Washington State Child Care Resource and Referral Network: Quality Assurance"		9/1/10 - 6/30/11	24,725	3,634
	State of Washington Sub-Total		<u>1,463,028</u>	<u>547,239</u>
King County				
"KC Housing Authority "	EB-09-001-25	10/1/09 - 09/30/12	\$ 135,000	\$ 11,809
"Seattle- King County Department of Public Health-Family, Friend & Neighbor Network and Play & Learn"	D39799D	1/1/10 - 12/31/10	53,000	53,000
	King County Sup-Total		<u>188,000</u>	<u>64,809</u>
Suburban Cities				
"City of Bellevue Child Care Resource and Referrals"	GF181-10	1/01/10 -12/31/10	\$ 40,793	\$ 40,793
"City of Bellevue Child Care Financial Assistance"	GF200-10	1/01/10 -12/31/10	130,864	130,864
"City of Bellevue Child Care Services for Homeless Families"	GF261	1/01/10 -12/31/10	12,456	12,456
"City of Burien Contract for Human Services"	2010	1/01/10 -12/31/10	5,000	5,000
"City of Covington Contract for Human Services"	2010	1/01/10 -12/31/10	3,360	3,360
"City of Issaquah Child Care Resource &Referral"	GF181-10	1/01/10 -12/31/10	3,000	3,000
"City of Issaquah Child Care Financial Assistance"	2010	1/01/10 -12/31/10	2,100	2,100
"City of Issaquah Homeless Child Care Program"	2010	1/01/10 -12/31/10	2,250	2,250

CHILD CARE RESOURCES

SCHEDULE OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED DECEMBER 31, 2010

Grantor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 1/1/2010 - 12/31/2010
Suburban Cities (Continued)				
"City of Kenmore Contract for Services"	GF181-10	1/01/10 -12/31/10	6,214	6,214
"City of Kent Contract for Services Scholarships"		1/01/10 -12/31/10	20,500	20,500
"City of Kirkland Contract for Human Services"	GF181-10	1/01/10 -12/31/10	8,145	8,145
"City of Redmond Contract for Human Services"	GF181-10	1/01/10 -12/31/10	15,318	15,318
"City of Redmond Contract for Scholarships"	5880	1/01/10 -12/31/10	33,000	33,000
"City of Renton Contract for Social Services"		1/01/10 -12/31/10	10,289	10,289
"City of Sammamish Contract for Social Services"	GF181-10	1/01/10 -12/31/10	10,000	10,000
"City of SeaTac Contract for Human Services "		1/01/10 -12/31/10	4,000	4,000
"City of Shoreline Contract for Social Services"	GF181-10	1/01/10 -12/31/10	4,958	4,958
"City of Tukwila Contract for Social Services"		1/01/10 -12/31/10	5,000	5,000
	Suburban Cities Sub-Total		<u>317,247</u>	<u>317,247</u>
	Total Non-Federal Governmental Awards		<u>\$ 3,863,372</u>	<u>\$ 2,006,269</u>