

**CHILD CARE RESOURCE CENTER, INC.**

**(A NONPROFIT CORPORATION)**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

**(WITH COMPARATIVE TOTALS**

**FOR THE YEAR ENDED JUNE 30, 2013)**

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
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**June 30, 2014**

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## INDEPENDENT AUDITOR'S REPORT



To the Board of Directors  
Child Care Resource Center, Inc.  
Chatsworth, California

### Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Resource Center, Inc. ("CCRC"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows and functional expenses for the year 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. 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 above present fairly, in all material respects, the financial position of CCRC as of June 30, 2014 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited CCRC's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying statement of activities by area is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of CCRC's 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 CCRC's internal control over financial reporting and compliance.



SingerLewak LLP

Los Angeles, California  
December 12, 2014

# CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

## STATEMENTS OF FINANCIAL POSITION

June 30, 2014

(With Comparative Totals at June 30, 2013)

	<b>ASSETS</b>	
	<u>2014</u>	<u>2013</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 6,052,548	\$ 1,289,053
Cash held in reserve	383,546	335,489
Government contracts receivable	6,468,281	10,490,576
Other receivables	96,222	86,865
Prepaid expenses and other current assets	<u>482,503</u>	<u>217,319</u>
Total current assets	13,483,100	12,419,302
<b>Property and equipment, net</b>	3,874,861	3,858,884
<b>Other assets</b>	<u>209,370</u>	<u>192,170</u>
<b>Total assets</b>	<b><u>\$ 17,567,331</u></b>	<b><u>\$ 16,470,356</u></b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>Current liabilities</b>		
Accounts payable	\$ 10,067,485	\$ 9,463,856
Accrued expenses	2,639,211	2,277,691
Due to funding agencies	34,282	-
Reserve funds	383,546	335,489
Deferred rent, current portion	<u>14,671</u>	<u>9,323</u>
Total current liabilities	13,139,195	12,086,359
<b>Deferred rent, net of current portion</b>	<u>65,928</u>	<u>157,990</u>
Total liabilities	<u>13,205,123</u>	<u>12,244,349</u>
<b>Commitments and contingencies (Note 10)</b>		
<b>Net assets</b>		
Unrestricted	4,361,862	4,129,479
Temporarily restricted	<u>346</u>	<u>96,528</u>
Total net assets	<u>4,362,208</u>	<u>4,226,007</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 17,567,331</u></b>	<b><u>\$ 16,470,356</u></b>

The accompanying notes are an integral part of these financial statements.

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
**STATEMENTS OF ACTIVITIES**  
**For the Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	Unrestricted	Temporarily Restricted	2014	2013
<b>Revenue and support</b>				
Grant revenue	\$ 126,847,800	\$ -	\$ 126,847,800	\$ 91,503,636
Fees for services	14,862,206	-	14,862,206	18,119,838
Family fees	2,052,071	-	2,052,071	1,246,764
Contributions	60,221	-	60,221	62,075
In-kind contributions	98,414	-	98,414	90,485
Gain on disposal of property and equipment	-	-	-	14,650
Interest income	4,118	-	4,118	3,539
Other income	200,648	-	200,648	368,511
Net assets released from restrictions	96,182	(96,182)	-	-
Total revenue and support	<u>144,221,660</u>	<u>(96,182)</u>	<u>144,125,478</u>	<u>111,409,498</u>
<b>Functional expenses</b>				
Program services	135,687,641	-	135,687,641	104,147,271
General and administrative expenses	8,258,834	-	8,258,834	6,964,504
Fundraising costs	42,802	-	42,802	44,454
Total functional expenses	<u>143,989,277</u>	<u>-</u>	<u>143,989,277</u>	<u>111,156,229</u>
<b>Changes in net assets</b>	232,383	(96,182)	136,201	253,269
<b>Net assets, beginning of year</b>	<u>4,129,479</u>	<u>96,528</u>	<u>4,226,007</u>	<u>3,972,738</u>
<b>Net assets, end of year</b>	<u>\$ 4,361,862</u>	<u>\$ 346</u>	<u>\$ 4,362,208</u>	<u>\$ 4,226,007</u>

The accompanying notes are an integral part of these financial statements.

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
**STATEMENTS OF CASH FLOWS**  
**For the Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	2014	2013
<b>Cash flows from operating activities</b>		
Changes in net assets	\$ 136,201	\$ 253,269
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	810,673	823,991
Gain on disposal of property and equipment	-	(14,650)
(Increase) decrease in		
Cash held in reserve	(48,057)	3,315
Government contracts receivable	4,022,295	(7,647,957)
Other receivables	(9,357)	(51,164)
Prepaid expenses and other assets	(282,384)	(101,945)
Increase (decrease) in		
Accounts payable	603,629	3,647,782
Accrued expenses	361,520	768,970
Due to funding agencies	34,282	(178,900)
Reserve funds	48,057	(3,315)
Deferred rent	(86,714)	(243,186)
Net cash provided by (used in) operating activities	5,590,145	(2,743,790)
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(826,650)	(577,569)
Proceeds from sale of property and equipment	-	19,134
Net cash used in investing activities	(826,650)	(558,435)
<b>Cash flows from financing activities</b>		
Net payments on obligations under capital leases	-	(61,223)
Net cash used in financing activities	-	(61,223)
<b>Net increase (decrease) in cash and cash equivalents</b>	4,763,495	(3,363,448)
<b>Cash and cash equivalents, beginning of year</b>	1,289,053	4,652,501
<b>Cash and cash equivalents, end of year</b>	<b>\$ 6,052,548</b>	<b>\$ 1,289,053</b>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the year for interest	<b>\$ 2,333</b>	<b>\$ -</b>

The accompanying notes are an integral part of these financial statements.

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	Program Services	General and Administrative	Fundraising	2014	2013
<b>Payments to child care providers</b>	\$ 98,165,666	\$ -	\$ -	\$ 98,165,666	\$ 76,971,018
<b>Payments for contracted services</b>	6,072,520	-	-	6,072,520	130,237
<b>Personnel expenses</b>					
Salaries and wages	18,906,862	4,639,348	22,591	23,568,801	20,076,648
Payroll taxes	1,658,714	347,782	1,660	2,008,156	1,787,087
Employee benefits	2,657,373	553,065	1,858	3,212,296	3,070,353
Workers' compensation insurance	631,776	55,119	279	687,174	545,236
Total personnel expenses	<u>23,854,725</u>	<u>5,595,314</u>	<u>26,388</u>	<u>29,476,427</u>	<u>25,479,324</u>
<b>Other operating expenses</b>					
Advertising	64,194	123,672	121	187,987	53,846
Bank fees	253	34,179	-	34,432	24,786
Business insurance	93,122	108,653	-	201,775	209,259
Conferences and staff development	215,195	128,370	521	344,086	238,877
Depreciation expense	810,673	-	-	810,673	823,991
In-kind professional services	98,414	-	-	98,414	90,485
Interest expense	-	1,050	-	1,050	1,384
Membership dues	11,554	130,059	8	141,621	111,012
Office equipment leases and maintenance	163,623	113,269	297	277,189	240,929
Other expenses	158,472	17,530	503	176,505	191,677
Postage and delivery	306,464	68,075	1,020	375,559	258,073
Printing	44,393	4,698	338	49,429	21,838
Professional services	503,786	344,232	876	848,894	750,393
Rent	2,704,828	713,207	8,776	3,426,811	2,760,702
Repairs and maintenance	466,446	89,510	1,104	557,060	394,179
Software costs	89,386	444,010	49	533,445	297,685
Supplies	1,124,316	152,366	1,170	1,277,852	1,240,210
Telephone	308,803	73,931	474	383,208	196,853
Temporary help	-	-	-	-	145,230
Travel	121,421	30,553	161	152,135	147,696
Utilities	309,387	86,156	996	396,539	376,545
Total other expenses	<u>7,594,730</u>	<u>2,663,520</u>	<u>16,414</u>	<u>10,274,664</u>	<u>8,575,650</u>
<b>Total functional expenses</b>	<b><u>\$ 135,687,641</u></b>	<b><u>\$ 8,258,834</u></b>	<b><u>\$ 42,802</u></b>	<b><u>\$ 143,989,277</u></b>	<b><u>\$ 111,156,229</u></b>

The accompanying notes are an integral part of these financial statements.

# CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1 – NATURE OF OPERATIONS

The Child Care Resource Center, Inc. ("CCRC") is a California Nonprofit Public Benefit Corporation that has been serving children, families and child care providers since 1976. CCRC's vision of healthy and strong children and families living in thriving communities guides its mission to cultivate child, family and community well-being. CCRC manages programs to assist with issues such as finding and selecting child care and vocational training. Children and families benefit from these programs allowing parents to go to work and attend school, contribute to the economy and strengthen their families and the community. CCRC provides services for close to 50,000 children, parents and child care providers each month in Northern Los Angeles County and the entirety of San Bernardino County serving a total area of 25,000 square miles.

CCRC provides the following services:

*Book, Toy & Resource Library* – CCRC offers four full-service resource libraries that provide thousands of high quality, age appropriate children's books, toys, games, puzzles and play equipment as well as child development books, videos and other resources for parents, child care providers, students and the general community.

*Child Care Financial Assistance* – CCRC offers a number of different funded programs that help families pay for child care. These programs offer an educational component that is developmentally, culturally, and linguistically appropriate for the children served. Meals and snacks are provided to children, along with parent education, referrals to health and social services for families, and staff development opportunities to employees. These programs are intended to increase parental choice and accommodate the individual needs of the family.

#### *Child Care Workforce Development*

- Gateways for Early Educators – The Gateways program improves outcomes for children by enhancing the early education workforce. Gateways coaches encourage, mentor, and support child care providers to improve the level of quality in their child care environments.
- California Child Care Initiative Project (CCIP) – The CCIP program is designed to increase the availability of licensed, quality child care. CCRC's trained child development specialists provide technical assistance and training to help child care providers meet California state licensing requirements and grow their businesses.
- Family Child Care Home Education Network (FCCHEN) – The FCCHEN program provides a quality child care experience in a home-based environment. Child care providers participating in this program are required to attend training to support ongoing professional development and receive assessments of both their child care environment and developmental progress of children in their care.

# CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1 – NATURE OF OPERATIONS (Continued)

#### *Child & Family Health & Wellness*

- Choose Health LA – Child Care supports the healthy growth and development of children by improving the nutrition and physical environment of child care settings. CCRC offers free workshops for child care providers, events for parents and children, and information and tools for everyone.
- On the Move – In partnership with two other entities, CCRC offers a free opportunity for child care providers to learn more about integrating age appropriate physical activities into the child care environment.
- The Healthy Mouths, Healthy Children – This program is part of an overall effort to improve the oral health of young children in Los Angeles.

*Child & Family Literacy* – CCRC offers several different opportunities for families to participate in literacy activities including Motherread, Jumpstart’s Read for the Record, and family literacy workshops. In addition, the agency collects over 100,000 books annually for families in our service area.

*Help Finding Child Care* – CCRC’s Referral Specialists assist parents, at no charge, in locating and selecting the best child care for their family’s needs – types of child care, how to identify a quality environment, and referrals to licenses child care providers.

*Head Start & Early Head Start* – Head Start is a high quality preschool program that works to ensure the healthy development of thousands of local three and four-year old children and their families. The program provides young learners with social and academic skills as well as necessary medical and dental exams. Children with disabilities are integrated into the learning environment and parents are assisted with locating and utilizing disability services their child may need. Early Head Start is a federally funded community-based program serving low-income families with infants and toddlers and pregnant women. The program is designed to promote healthy prenatal outcomes for pregnant women, enhance the development of very young children, and promote healthy family functioning. Effective January 1, 2014, the Department of Health and Human Services was appointed as a grantee to oversee Head Start/Early Head Start services in the Antelope Valley.

*Home Visitation* – CCRC’s Home Visitation program which began on December 1, 2013, is an initiative directly linked to Welcome Baby which is active in 14 Best Start Communities throughout Los Angeles County. To participate, families must live within the Best Start community boundaries. The program is through Welcome Baby referrals and utilizes the Parents as Teachers curriculum to provide the information, support and encouragement parents needs to help their children achieve optimal development during the crucial early years of life.

*Research & Program Evaluation* – CCRC’s Research & Evaluation staff ensures optimal services for families and children by providing internal and external stakeholders with useful tools and information that can be used for program evaluation, forecasting and strategic planning, contract compliance, and advocacy.

# CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 1 – NATURE OF OPERATIONS (Continued)

*School Readiness* – The program, which ended December 31, 2013, provided weekly home visitation activities focused on preparing both the parent and the child for school and developing skills to be successful in school. Specialists provided information on child development and facilitated parent-child activities which supported a parent's role as their child's first teacher.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CCRC's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

CCRC recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CCRC and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CCRC and/or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by CCRC. Investment income generated from these funds is available for general support of CCRC unless otherwise stipulated by the donor. As of June 30, 2014 and 2013, CCRC had no permanently restricted net assets.

#### Reclassification

Certain prior-year account balances have been reclassified to conform to the current year's presentation and have had no significant impact on the financial statements.

# CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Cash and Cash Equivalents

For the purpose of the statement of cash flows, CCRC considers all temporary, short-term, highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

#### Cash Held in Reserve

Cash held in reserve is cash whose use by CCRC has been limited under contract funding terms and conditions. Of the total \$383,546, \$301,524 relates to contracts with the California Department of Education (“CDE”). The amount with CDE represents cash received but not earned by CCRC. Under CDE’s rules, the reserve amount may be used for operations in certain cases. Any unused reserve funds must be returned to CDE upon termination of services under the child development contracts. The reserve balance is reviewed and re-calculated by CDE on an annual basis. The amount in excess of the required reserve balance must be repaid to CDE.

The remaining \$82,022 of the cash held in reserve balance relates to CCRC’s contract with the Los Angeles County Office of Education (“LACOE”) for the Head Start Program. CCRC is required by LACOE to segregate cash received for future payments of accrued leave liability. Accordingly, CCRC maintains the cash received for future payments of accrued leave liability in a separate bank account.

The related liabilities for cash held in reserve for contracts with CDE and LACOE have been reflected in Reserve Funds in the accompanying statement of financial position at June 30, 2014 and 2013.

#### Government Contracts Receivable

Government contracts receivable consists primarily of monies due from various program funding sources. CCRC has not had issues with collectability of the government contracts receivable and has not recognized an allowance for uncollectable receivables.

#### Property and Equipment

Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair market value at the date of contribution. CCRC capitalizes computer equipment and other property items in excess of \$2,000 and expenses amounts below these thresholds. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Computer equipment and software	7 years
Furniture, fixtures and equipment	10 years
Vehicles	10 years
Leasehold improvements	Remaining term of the lease

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-Lived Assets

CCRC accounts for its long-lived assets with definite useful lives in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“Codification” or “ASC”) Topic No. 360, *Property, Plant and Equipment*. Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, CCRC first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. CCRC determined that there were no impairments on its long-lived assets for the years ended June 30, 2014 and 2013.

Deferred Rent

CCRC recognizes rent expense on a straight-line basis over the terms of the leases. The difference between rent expense and the actual cash rent payments is classified as a deferred rent liability. Deferred rent totaled \$80,599 and \$167,313 at June 30, 2014 and 2013, respectively.

Due to Funding Agencies

Due to funding agencies represents amounts received under grant contracts which have not been earned by the end of the grant period and must be repaid to the funding source.

Revenue and Support

Grant revenue consists of grants received from CDE, Department of Health & Human Services - Administration for Children & Families (“DHHS - ACF”), LACOE and various governmental funding sources. These sources of support are to be spent for specific purposes. Child care services and general and administrative expenses are funded in part by CDE, DHHS - ACF, LACOE and other grants, which are subject to annual budget negotiations and availability of funds. Consequently, revenues for these transactions are recognized as the expenditures are incurred. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as Government contracts receivable or due to funding agencies.

CCRC reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

# CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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## NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue and Support (Continued)

Contributions of donated non-cash assets are recorded at their fair values in the period in which they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period in which they are received. CCRC received professional services relating to the Head Start Program valued at \$98,414 and \$90,485 for the years ended June 30, 2014 and 2013, respectively.

### Fees for Service Revenue

CCRC receives support from the Los Angeles County Department of Public Social Services (“DPSS”) under the CalWORKs welfare-to-work program. CCRC receives reimbursements for payments to providers and an administrative fee per family served per month under this program. Amounts received under this program are reflected as “fees for services” in the accompanying statements of activities.

### Functional Allocation of Expenses

Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management. Fundraising costs of \$42,802 and \$44,454 for the years ended June 30, 2014 and 2013, respectively, were not charged to any child development contracts.

### Estimated Fair Value of Financial Statements

As defined in FASB ASC Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”) (formerly SFAS No. 157, “Fair Value Measurements”), fair value is 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. In determining fair value, the CCRC uses the market or income approach. Based on this approach, CCRC utilizes certain assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. CCRC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Based on the observability of the inputs used in the valuation techniques, CCRC is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Estimated Fair Value of Financial Statements (Continued)

Level 2: Includes other inputs that are directly or indirectly observable in the marketplace

Level 3: Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the year ended June 30, 2014, the application of valuation techniques applied to similar assets and liabilities has been consistent.

CCRC's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument. The carrying values of government contracts receivable, other current assets, accounts payable and accrued expenses approximate fair values due to the short maturity of these instruments.

In accordance with ASC 820, CCRC classified all its cash and cash equivalents in the Level 1 fair value hierarchy measured at fair value on a recurring basis at June 30, 2014.

Income Taxes

CCRC has been designated as tax-exempt under Internal Revenue Code Section 501(c)(3) and is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code and is not generally subject to federal or state income taxes.

However, CCRC is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business and, in the opinion of management, is not material to the basic financial statements taken as a whole.

CCRC also applies the provisions of FASB Accounting Standards Codification Topic No. 740, *Accounting for Uncertainty in Income Taxes* ("ASC 740"). ASC 740 clarifies the uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return.

ASC 740 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. CCRC has determined that the adoption of ASC 740 did not result in the recognition of any liability for unrecognized tax benefits and that there are no unrecognized tax benefits that would, if recognized, affect the effective tax rate.

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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes (Continued)

CCRC's state income tax returns remain subject to examination for all tax years ended on June 30, 2010, 2011, 2012 and 2013 with regard to all tax positions and the results reported. CCRC's federal income tax returns remain subject to examination for all tax years ended on June 30, 2011, 2012 and 2013 with regard to all tax positions and the results reported.

Use of Estimates

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

**NOTE 3 – CONCENTRATION OF CREDIT RISK**

Financial instruments which potentially subject CCRC to concentrations of credit risk consist of cash and cash equivalents and government contracts receivable.

CCRC maintains its cash and cash equivalents with high-credit, quality financial institutions, which may, at times, exceed amounts insured by the Federal Deposit Insurance Corporation (the "FDIC"). CCRC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents. For the years ended June 30, 2014 and 2013, uninsured cash and cash equivalents amounted to \$5,862,837 and \$1,950,424, respectively.

Both governmental and private pay sources have instituted cost-containment measures designed to limit payments made to providers of child care services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect reimbursement to CCRC. Furthermore, government reimbursement programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which could materially decrease the services covered or the rates paid to CCRC for its services.

A majority of CCRC's annual funding, \$141,033,998 or 97.9% and \$109,034,101 or 97.9% in 2014 and 2013, respectively, of total revenues and support is derived from grant agreements with federal and nonfederal agencies. CCRC has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (e.g., the failure to renew grant agreements, withholding of funds or significant decreases to funding) would adversely affect CCRC's ability to finance its ongoing operations.

# CHILD CARE RESOURCE CENTER, INC.

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 4 – GOVERNMENT CONTRACTS RECEIVABLE

Government contracts receivable at June 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
California Department of Education	\$ 3,121,068	\$ 9,224,957
County of Los Angeles DPSS – CalWORKs Stage I	1,039,231	205,507
Department of Health and Human Services – Administration for Children & Families	1,085,432	92,896
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	297,183	116,962
Los Angeles County – Department of Public Health	595,787	-
Los Angeles County – Office of Education	13,750	414,355
Los Angeles County Early Care & Education Workforce Consortium – Gateways for Early Educators Project	130,920	198,231
Other funding sources	<u>184,910</u>	<u>237,668</u>
<b>Government contracts receivable</b>	<b><u>\$ 6,468,281</u></b>	<b><u>\$ 10,490,576</u></b>

Government contracts receivable are all due within one year.

### NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Leasehold improvements	\$ 583,989	\$ 547,971
Computer equipment and software	2,799,420	2,490,141
Office equipment	4,600,370	4,270,512
Furniture and fixtures	2,036,011	1,940,923
Vehicles	<u>636,030</u>	<u>579,623</u>
	10,655,820	9,829,170
Less accumulated depreciation and amortization	<u>(6,780,959)</u>	<u>(5,970,286)</u>
<b>Property and equipment, net</b>	<b><u>\$ 3,874,861</u></b>	<b><u>\$ 3,858,884</u></b>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 amounted to \$810,673 and \$823,991, respectively. For the year ended June 30, 2013, CCRC had a gain on disposal of property and equipment of \$14,650.

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**NOTE 5 – PROPERTY AND EQUIPMENT (Continued)**

Certain property and equipment with a net carrying amount of \$644,222 was acquired with federal grant funds. Under federal regulations, the federal government maintains ownership interests in these properties and equipment. Use of these properties and equipment for other than the purpose for which they were funded must be approved by the federal agencies.

**NOTE 6 – LINE OF CREDIT**

At June 30, 2014, CCRC had a revolving line of credit of \$8,000,000, which expires on March 15, 2015. At June 30, 2014 and 2013, there were no outstanding balances on the line of credit. The effective interest rate at June 30, 2014 was 4.00% per annum. Collateral used to secure the line of credit does not include any property acquired or improved with federal funds from the DHHS – ACF for the benefit of the Head Start Program.

**NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS**

Movements in temporarily restricted net assets were as follows:

	Available June 30, 2013	New Revenues	Expenditures/ Released from Restriction	Available June 30, 2014
Child care and educational preschool programs	\$ 96,528	\$ -	\$ (96,182)	\$ 346

# CHILD CARE RESOURCE CENTER, INC.

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## NOTES TO FINANCIAL STATEMENTS

June 30, 2014

### NOTE 8 – GRANT REVENUE

Grant revenue for CCRC for the years ended June 30, 2014 and 2013 was received from the following sources:

	<u>2014</u>	<u>2013</u>
California Department of Education		
CalWORKs Stage II	\$ 54,872,885	\$ 46,487,514
CalWORKs Stage III	30,528,419	17,109,751
Alternative Payments	16,249,077	9,777,702
Family Child Care Home Education Networks	2,350,330	2,290,469
Resource & Referral	1,615,016	893,405
Child and Adult Care Food Program	635,166	639,776
Other grants	155,690	206,260
Department of Health and Human Services –		
Administration for Children & Families	14,740,836	6,771,877
Los Angeles County – Office of Education	2,658,491	5,740,632
Los Angeles County Children and Families First		
Proposition 10 Commission (First 5 LA)	600,698	400,256
Los Angeles County – Department of Public Health		
Emergency Preparedness and Response Services	318,978	150,633
Los Angeles County – Department of Public Health, Los		
Angeles – Reduce Obesity in Child Care Setting	1,274,264	191,342
Child Care Alliance of Los Angeles, Gateways	490,919	475,162
Other grants	<u>357,031</u>	<u>368,857</u>
<b>Total grant support</b>	<b><u>\$126,847,800</u></b>	<b><u>\$ 91,503,636</u></b>

### NOTE 9 – RETIREMENT PLANS

CCRC maintains two contributory retirement plans for its eligible employees. The plans are a defined contribution pension plan under Internal Revenue Code Section 403(b) that is available to all of its employees with at least ninety days of employment and a defined contribution plan under Section 457(b) that is available to eligible executive management employees. During the years ended June 30, 2014 and 2013, CCRC made discretionary employer contributions to these plans totaling \$310,638 and \$57,557, respectively, and is recorded within “employee benefits” in the accompanying statements of functional expenses.

**CHILD CARE RESOURCE CENTER, INC.**  
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**June 30, 2014**

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**NOTE 10 – COMMITMENTS AND CONTINGENCIES**

Leases

CCRC leases various equipment and facilities under non-cancelable operating lease agreements expiring at various dates through 2027. The future minimum lease payments required under these lease agreements at June 30, 2014 are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2015	\$ 2,723,390
2016	2,565,045
2017	2,352,724
2018	2,262,478
2019	2,245,500
Thereafter	<u>1,440,540</u>
<b>Total</b>	<b><u>\$ 13,589,677</u></b>

Rental expense for facilities includes common area maintenance charges. Total rental expense for the years ended June 30, 2014 and 2013 was \$3,426,811 and \$2,760,702, respectively.

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated significant events or transactions that have occurred since the statement of financial position date and through December 12, 2014, which represents the date that the financial statements were available for issue. No events or transactions have occurred during this period that would require recognition or disclosure in the financial statements.

## **SUPPLEMENTARY INFORMATION**

**CHILD CARE RESOURCE CENTER, INC.**  
**(A NONPROFIT CORPORATION)**  
**STATEMENTS OF ACTIVITIES BY AREA**  
**For the Year Ended June 30, 2014**  
**(With Comparative Totals for the Year Ended June 30, 2013)**

	2014					2013	
	CDE Programs	County Child Care	Head Start	All Other Programs	Property and Equipment	Total	Total
<b>Revenue and support</b>							
Grant revenue	\$ 106,406,583	\$ -	\$ 17,399,327	\$ 3,041,890	\$ -	\$ 126,847,800	\$ 91,503,636
Fees for services	-	14,862,206	-	-	-	14,862,206	18,119,838
Family fees	2,052,061	10	-	-	-	2,052,071	1,246,764
Contributions	-	-	-	60,221	-	60,221	62,075
In-kind contributions	-	-	98,414	-	-	98,414	90,485
Gain on disposal of property and equipment	-	-	-	-	-	-	14,650
Interest income	-	-	-	4,118	-	4,118	3,539
Other income	9,455	-	-	191,193	-	200,648	368,511
<b>Total revenue and support</b>	<b>108,468,099</b>	<b>14,862,216</b>	<b>17,497,741</b>	<b>3,297,422</b>	<b>-</b>	<b>144,125,478</b>	<b>111,409,498</b>
<b>Expenditures</b>							
Direct provider payments	87,701,653	10,463,935	-	78	-	98,165,666	76,971,018
Payments made for contracted services	-	-	5,163,313	909,207	-	6,072,520	130,237
Personnel expenses	15,008,872	3,235,834	9,625,318	1,606,403	-	29,476,427	25,479,324
Other operating expenses							
Advertising	99,068	28,707	20,445	39,767	-	187,987	53,846
Bank fee	28,763	3,756	4	1,909	-	34,432	24,786
Business insurance	92,352	22,045	80,861	6,517	-	201,775	209,259
Conferences and staff development	165,184	28,761	108,521	41,620	-	344,086	238,877
Depreciation expense	-	-	-	-	810,673	810,673	823,991
In-kind professional services	-	-	98,414	-	-	98,414	90,485
Interest expense	-	-	-	1,050	-	1,050	1,384
Membership dues	115,072	15,597	8,443	2,509	-	141,621	111,012
Office equipment leases and maintenance	144,273	64,177	63,439	5,300	-	277,189	240,929
Other expenses	49,267	8,102	54,999	64,137	-	176,505	191,677
Postage and delivery	272,771	77,646	10,244	14,898	-	375,559	258,073
Printing	3,029	1,459	1,403	43,538	-	49,429	21,838
Professional services	298,347	52,226	251,423	246,898	-	848,894	750,393
Rent	1,960,987	320,219	1,084,407	61,198	-	3,426,811	2,760,702
Repairs and maintenance	262,999	37,208	233,295	23,558	-	557,060	394,179
Software costs	333,596	80,338	72,029	47,482	-	533,445	297,685
Supplies	777,999	66,346	342,098	91,409	-	1,277,852	1,240,210
Telephone	299,649	40,063	21,411	22,085	-	383,208	196,853
Temporary Help	-	-	-	-	-	-	145,230
Travel	53,504	9,759	67,057	21,815	-	152,135	147,696
Utilities	184,003	39,068	148,209	25,259	-	396,539	376,545
<b>Total expenditures per audited financials</b>	<b>107,851,388</b>	<b>14,595,246</b>	<b>17,455,333</b>	<b>3,276,637</b>	<b>810,673</b>	<b>143,989,277</b>	<b>111,156,229</b>
<b>Change in net assets</b>	<b>\$ 616,711</b>	<b>\$ 266,970</b>	<b>\$ 42,408</b>	<b>\$ 20,785</b>	<b>\$ (810,673)</b>	<b>\$ 136,201</b>	<b>\$ 253,269</b>
<b>Adjustments to reconcile to regulatory reporting</b>							
Capitalized equipment, renovations and repairs expensed on reports to funders	644,222	109,500	42,408	30,520	(826,650)	-	350,817
<b>Total expenditures by funder categories</b>	<b>108,495,610</b>	<b>14,704,746</b>	<b>17,497,741</b>	<b>3,307,157</b>	<b>(15,977)</b>	<b>143,989,277</b>	<b>111,507,046</b>
<b>Revenues over (under) expenditures for regulatory reporting</b>	<b>\$ (27,511)</b>	<b>\$ 157,470</b>	<b>\$ -</b>	<b>\$ (9,735)</b>	<b>\$ 15,977</b>	<b>\$ 136,201</b>	<b>\$ (97,548)</b>

The accompanying notes are an integral part of these financial statements.