

CHILD CARE RESOURCES

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2022 AND 2021

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2022



www.childcare.org

CHILD CARE RESOURCES

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Child Care Resources
Seattle, Washington

Opinion

We have audited the accompanying financial statements of Child Care Resources (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resources as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Child Care Resources and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Care Resources' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Child Care Resources' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Child Care Resources' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2022, on our consideration of the Child Care Resources' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Child Care Resources' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Care Resources' internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC
Seattle, Washington
November 8, 2022

CHILD CARE RESOURCES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,419,993	\$ 2,926,734
Accounts receivable	4,029,468	2,968,920
Promises to give	13,781	1,766
Investments	153,898	163,996
Prepaid expenses	<u>547,375</u>	<u>495,925</u>
Total Current Assets	7,164,515	6,557,341
Equipment, net of accumulated depreciation of \$806,369 and \$737,016	<u>418,645</u>	<u>326,494</u>
	<u>\$ 7,583,160</u>	<u>\$ 6,883,835</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 638,075	\$ 181,430
Grants payable	1,027,418	-
Accrued liabilities	935,670	1,097,067
Deferred revenue	32,391	162,225
Cash held for others	<u>35,429</u>	<u>35,854</u>
Total Current Liabilities	<u>2,668,983</u>	<u>1,476,576</u>
Net Assets		
Without donor restrictions		
Board-designated	185,916	210,642
Undesignated	<u>4,669,457</u>	<u>5,028,831</u>
Total Net Assets Without Donor Restrictions	4,855,373	5,239,473
With donor restrictions	<u>58,804</u>	<u>167,786</u>
Total Net Assets	<u>4,914,177</u>	<u>5,407,259</u>
	<u>\$ 7,583,160</u>	<u>\$ 6,883,835</u>

CHILD CARE RESOURCES
STATEMENTS OF ACTIVITY
YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue						
Public support						
Government contracts and grants	\$24,972,804		\$24,972,804	\$24,595,289		\$24,595,289
Contributions and private grants	602,348	30,000	632,348	650,644	9,121	659,765
In-kind contributions	15,000	-	15,000	22,500	-	22,500
Total Public Support	<u>25,590,152</u>	<u>30,000</u>	<u>25,620,152</u>	<u>25,268,433</u>	<u>9,121</u>	<u>25,277,554</u>
Revenue						
Program services fees	320,385		320,385	345,180		345,180
Investment return	345		345	53,278		53,278
Other income	12,261		12,261	5,439		5,439
Total Revenue	<u>332,991</u>		<u>332,991</u>	<u>403,897</u>		<u>403,897</u>
Net Assets Released from Restrictions						
Satisfaction of time restrictions	-	-	-	125,000	(125,000)	-
Satisfaction of purpose restrictions	138,982	(138,982)	-	911,838	(911,838)	-
Total Net Assets Released from Restrictions	<u>138,982</u>	<u>(138,982)</u>	<u>-</u>	<u>1,036,838</u>	<u>(1,036,838)</u>	<u>-</u>
Total Public Support, Revenue, and Other Support	<u>26,062,125</u>	<u>(108,982)</u>	<u>25,953,143</u>	<u>26,709,168</u>	<u>(1,027,717)</u>	<u>25,681,451</u>
Expenses						
Program services	23,670,528		23,670,528	24,370,668		24,370,668
Management and general	2,111,405		2,111,405	1,464,281		1,464,281
Fundraising	664,292		664,292	389,155		389,155
Total Expenses	<u>26,446,225</u>		<u>26,446,225</u>	<u>26,224,104</u>		<u>26,224,104</u>
Change in Net Assets	(384,100)	(108,982)	(493,082)	485,064	(1,027,717)	(542,653)
Net Assets - beginning of year	<u>5,239,473</u>	<u>167,786</u>	<u>5,407,259</u>	<u>4,754,409</u>	<u>1,195,503</u>	<u>5,949,912</u>
Net Assets - end of year	<u>\$ 4,855,373</u>	<u>\$ 58,804</u>	<u>\$ 4,914,177</u>	<u>\$ 5,239,473</u>	<u>\$ 167,786</u>	<u>\$ 5,407,259</u>

See notes to financial statements.

CHILD CARE RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Early Learning Services		Total Program Services	Management and General	Fundraising	Total Expenses
	Providers	Families				
Salaries and wages	\$ 5,337,425	\$ 1,502,529	\$ 6,839,954	\$ 1,164,317	\$ 325,491	\$ 8,329,762
Employee benefits	1,538,496	441,320	1,979,816	264,388	77,386	2,321,590
Payroll taxes	499,106	142,022	641,128	102,686	30,173	773,987
	<u>7,375,027</u>	<u>2,085,871</u>	<u>9,460,898</u>	<u>1,531,391</u>	<u>433,050</u>	<u>11,425,339</u>
Parent and provider assistance	4,653,456	6,796,998	11,450,454	-	150	11,450,604
Professional fees	571,596	271,929	843,525	197,613	122,231	1,163,369
MIS expense	616,685	164,579	781,264	94,055	25,009	900,328
Occupancy	276,479	44,591	321,070	78,243	16,546	415,859
Equipment rent and repair	72,125	60,844	132,969	79,497	25,630	238,096
Communication	141,248	58,931	200,179	17,059	5,368	222,606
Supplies	86,025	21,763	107,788	29,323	5,855	142,966
Staff development, training, and meetings	83,466	11,553	95,019	28,349	2,357	125,725
Travel, lodging, and meals	81,901	8,066	89,967	8,359	1,225	99,551
Depreciation	37,029	25,126	62,155	891	208	63,254
Dues, subscriptions, and advertising	33,256	5,288	38,544	11,177	5,752	55,473
Insurance	22,187	6,124	28,311	13,891	885	43,087
Printing and publications	32,994	1,877	34,871	514	2,963	38,348
Other expenses	3,854	-	3,854	17,848	15,190	36,892
In-kind expenses	10,050	3,000	13,050	1,500	450	15,000
Postage and shipping	5,377	1,233	6,610	1,695	1,423	9,728
Subcontract services	-	-	-	-	-	-
Total Expenses	<u>\$14,102,755</u>	<u>\$ 9,567,773</u>	<u>\$23,670,528</u>	<u>\$ 2,111,405</u>	<u>\$ 664,292</u>	<u>\$26,446,225</u>

CHILD CARE RESOURCES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Early Learning Services		Total Program Services	Management and General	Fundraising	Total Expenses
	Providers	Families				
Salaries and wages	\$ 5,218,712	\$ 1,389,450	\$ 6,608,162	\$ 839,853	\$ 223,154	\$ 7,671,169
Employee benefits	937,384	255,286	1,192,670	128,803	42,226	1,363,699
Payroll taxes	451,526	123,262	574,788	65,915	18,495	659,198
	<u>6,607,622</u>	<u>1,767,998</u>	<u>8,375,620</u>	<u>1,034,571</u>	<u>283,875</u>	<u>9,694,066</u>
Parent and provider assistance	7,105,566	6,960,901	14,066,467	-	-	14,066,467
Professional fees	198,794	51,920	250,714	208,680	41,594	500,988
MIS expense	473,209	125,597	598,806	49,480	11,662	659,948
Occupancy	298,872	93,522	392,394	40,393	7,395	440,182
Equipment rent and repair	38,934	25,320	64,254	26,256	13,828	104,338
Communication	108,236	57,500	165,736	10,069	3,715	179,520
Supplies	76,788	11,325	88,113	20,607	4,222	112,942
Staff development, training, and meetings	55,292	9,474	64,766	7,922	4,014	76,702
Travel, lodging, and meals	21,037	609	21,646	12,181	953	34,780
Depreciation	56,327	51,895	108,222	1,332	391	109,945
Dues, subscriptions, and advertising	48,131	10,206	58,337	16,824	4,901	80,062
Insurance	23,717	5,937	29,654	9,884	475	40,013
Printing and publications	24,009	64	24,073	515	1,219	25,807
Other expenses	1,534	15,545	17,079	14,275	9,241	40,595
In-kind expenses	10,050	3,000	13,050	9,000	450	22,500
Postage and shipping	7,628	1,781	9,409	2,292	1,220	12,921
Subcontract services	22,328	-	22,328	-	-	22,328
Total Expenses	<u>\$15,178,074</u>	<u>\$ 9,192,594</u>	<u>\$24,370,668</u>	<u>\$ 1,464,281</u>	<u>\$ 389,155</u>	<u>\$26,224,104</u>

CHILD CARE RESOURCES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$23,927,257	\$24,956,434
Donors	619,908	681,581
Program participants	178,201	479,410
Interest income	10,443	20,742
Other income	9,610	17,260
Cash paid to:		
Employees	(11,893,193)	(9,652,108)
Childcare providers	(11,451,616)	(14,066,465)
Vendors	<u>(1,745,847)</u>	<u>(2,464,767)</u>
Net Cash Used by Operating Activities	(345,237)	(27,913)
Cash Flows Used by Investing Activities		
Purchases of equipment	<u>(161,504)</u>	<u>(159,302)</u>
Change in Cash and Cash Equivalents	(506,741)	(187,215)
Cash and Cash Equivalents - beginning of year	<u>2,926,734</u>	<u>3,113,949</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,419,993</u>	<u>\$ 2,926,734</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Child Care Resources ("CCR" or "the Agency") promotes equity for children, community stability, and school readiness as a Washington State leader with a King County and Pierce County focus. The Agency works with families, informal caregivers, and licensed child care providers, and collaborates with community partners to ensure that every child has a great start. CCR delivers programs and advocates for policy--both independently and in collaboration with partners--that increases the ability of families, caregivers, and providers to nurture the social-emotional, physical, and intellectual growth of young children. CCR exercises leadership in the early learning community, sharing the stories it hears and experiences when serving clients to inform key stakeholders and policy makers. CCR uses a racial equity lens to identify inequities and highlight those policies that disproportionately impact communities of color. CCR leverages its expertise and data in a responsive way to inform decision-making. CCR's mission is to nurture and sustain child-centered, anti-racist early learning communities.

The Agency provides referral assistance to parents, employers, and employees regarding child care choices, both formal and informal. It provides training, coaching, and technical assistance to licensed child care providers and training for community-based organizations offering support to Family, Friend, and Neighbor caregivers. The Agency also offers expertise to communities that are addressing major child care policy issues, helping them to understand the potential impact of policy changes on providers and families. The Agency provides services through the following programs:

Provider Services and Capacity Building

Early Achievers - Includes Technical Assistance, Training, and Coaching for Quality Improvement for a focused group of providers who enroll in the state's Quality Recognition Improvement System, known as Early Achievers. There are multiple providers enrolled in Early Achievers. Eligibility, participation and process are determined by the Department of Children, Youth, and Family's guidelines.

Technical Assistance - Offers a variety of services such as: walk-in assistance, scheduled appointments, virtual appointments, telephone assistance, and on-site visits to childcare providers and the general community when needed. TA services help family and center-based child care providers throughout King County, Washington with many topics, including marketing, licensing rules and regulations, business practices, environment, health, safety & nutrition, Merit support, subsidy, pre-licensing support, job posting, licensing on-site referrals, translation services, and accreditation process; seeks to improve quality and accessibility of child care to underserved populations, including communities of color, rural communities, families with children with special needs, and low-income families; and provides leadership in child care issues, including adequacy of supply of child care facilities and the quality of services. Technical assistance also manages the provider line whenever any provider has a question or concern.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Training - Provides trainings to licensed child care providers on a variety of early learning topics that evoke best practices and align with the Core Competencies for Early Care and Education Professionals. Trainings are led by state-approved trainers at in-person sessions and as live, online sessions over Zoom. Approximately 145 sessions are offered to the staff of licensed child care programs in King and Pierce County each year. In addition, two professional development conferences are held for providers each year (spring and fall).

Seattle Preschool Program (SPP) – Family Child Care (FCC) - CCR is part of a multi-year program serving as the Hub agency for a Hub of family child care providers. CCR has 50 SPP slots (three- and four-year-old) from the City of Seattle that CCR subcontracts to the Hub of FCCs. In addition, CCR serves as the fiscal agent to the Hub providers, as well as monitoring and supporting the FCCs in meeting the SPP program requirements through onsite TA and training. The goal of the program is to ensure high-quality, affordable preschool to children across the City of Seattle. Evidence-based curriculum is implemented to promote culturally responsive, engaging, and nurturing adult/child interactions to create quality learning environments. In addition, SPP's objective is to eliminate the racially disproportionate kindergarten readiness gap. Teachers are supported in order to meet the needs of all children through student-focused coaching, ongoing curriculum training, and family engagement and resources that uses a racial equity lens.

Holding Hope Infant Early Childhood Mental Health Consultation - Services provided by Holding Hope consultants are relationship-based and are collaborative and individualized to meet the needs of children, families, and providers in ways that are respectful and responsive. There are three types of consultations offered: Child/Family, Classroom, and Program consultations and they can be held on-site and/or virtual.

During child/family consultation, CCR consultants collaborate with providers, families, and caregiver through classroom observations to assess, understand, and address needs and then develop individualized plans to support the child within their classroom environment. Consultation with teachers, administrators, staff and families through reflection and problem-solving builds adult capacity to address child/family, classroom, or programmatic concerns. Consultants assist with children with varying needs including those with challenging behaviors, specific developmental concerns, close to expulsion, in difficult transitions, dealing with grief and/or loss, or who are witnessing or experiencing violence at home or traumatic events in their community.

Classroom consultations supporting early learning professionals while creating opportunities for caregivers, providers, and coaches to address practices, conditions, and stressors affecting relationships between adults and children that support shared knowledge and build provider capacity.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consultants establish effective transition routines in the classroom, build a better classroom climate to support children’s individual needs and development, implement Social Emotional routines/curriculums in the classroom, and develop strategies with providers to foster children’s self and co-regulation. Along the way, consultants are building staff self-awareness and the possible effect they have on the classroom climate.

Finally, for Program consultations, consultants collaborate with administrators, directors, coaches, and others to support changes in practice and policy to benefit all children, families, and adults in the early learning setting. Consultants support staff with pandemic-related stress and compassion fatigue; build staff morale and support effective workforce development; and create program supports to reduce children’s likelihood of expulsion and build awareness and understanding of anti-bias education. They also provide resources and referrals for children, families and staff, and collaborate with Coaches and other quality improvement partners within their settings.

Infant Toddler Coaching Birth to 3 Quality Initiatives (B3QI) - This program provides ongoing targeted coaching and consultation to early learning program staff serving children birth to three using a coordinated, team approach. These services are Infant Toddler consultations, FIND intervention, and ASQs. The Infant Toddler Team provides training on-site or virtual coaching and consultation to eligible programs. These services are designed to supplement, rather than replace Early Achievers coaching with a targeted intensity designed specifically for early learning program staff serving children ages birth to three.

FIND coaching cycle has a 10-14 week timeframe in which an early learning professional will participate in ten sessions of filming and coaching in their classroom in accordance with the FIND model of intervention. There are five elements that are used in the FIND Model of Intervention: (1) sharing the child’s focus, (2) supporting and encouraging, (3) naming, (4) back and forth interaction, and (5) endings and beginnings. Completed FIND films are used for strength-based video coaching that takes place soon after.

Ages and Stages Questionnaire (ASQ) is led by five Infant Toddler Coaches and a Program Lead who facilitate the ASQ developmental screenings work, train groups of 20 plus providers in teams of two, and provide these trainings in Somali, Spanish, and English. There are four required training sessions where providers learn how to implement the screening, score it and present the information to families and navigate those challenging conversations. There is also ongoing support that is provided to the early learning professional along with data collection.

Customized Coaching is intended to support providers that serve children birth to 3 with, but not limited to, creating an anti-bias learning environment, developmentally appropriate practices, support with challenging behaviors, environment, curriculum, transitions, language development and feedings.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Infant Toddler Consultations support providers in meeting their needs related to social emotional development of infants and toddlers. Typical concerns might include prevention of expulsion or development of a policy related to expulsion. The team also delivers trainings specific to promoting social and emotional development and preventing expulsion for children ages birth to three. Since July 2022 the infant toddler team has held one of 6 ASQ trainings and had 47 participants. The Agency has 35 providers in various stages of FIND and 10 that are receiving infant toddler consultation services.

Family Services

Child Care Aware of WA Call Center/Information and Referral - Connecting caregivers and children to quality early learning options throughout the state of Washington by administering customized child care referral list, unique to family need. Supplying educational material and guidance that pave the way for children to emerge in their educational journey. Extending technical assistance to child care providers that highlight community need and aid in alleviating disparities in programs.

Homeless Child Care Subsidy Program - Supporting families experiencing homelessness with child care subsidies, bus tickets and other resources, in effort to assist families in sustaining consistent quality child care. Engagement specialists strive to elevate family voice through advocacy and community engagement.

Enhanced Public Referral Services - Offering families in the South Seattle Community, including clients at the Allen Family Center (AFC) with enhanced child care search and referral, to assist families in securing affordable and culturally appropriate child care. The AFC is a collaboration between four service providers: Mary's Place, Mercy Housing, Child Care Resources, and Refugee Women's Alliance. Visitors to the center can receive services from all providers in one place that include child care consultations, job readiness, housing support, social service navigation, immigrant/refugee family services, virtual events, and a full-service technology room.

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

Family Friend and Neighbor Program (FFN) - Builds a delivery system of resources to support FFN caregivers. The purpose of this project is to improve the school readiness and school success of children in FFN care by providing targeted, age-appropriate resources to FFN caregivers through the community-based organizations that serve them. CCR facilitates the development of educational 1) Kaleidoscope Play & Learn groups for FFN caregivers and the children in their care; 2) Brothers & Sisters trainings for youth FFN caregivers; 3) Early Learning Conversations.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

CCR provides training and technical assistance to community-based organizations to facilitate their start-up and operation of Kaleidoscope Play & Learn groups, Brothers & Sisters trainings, and Early Learning Conversations. The program builds public awareness of the prevalence and importance of care by family members, friends, and neighbors and advocates for policy and funding to support FFN caregivers and the children in their care. Since 2020, the FFN Program has been involved in various COVID-relief efforts, including the distribution of PPE supplies, one-time cash assistance awards, and grocery gift cards to low income, Black and brown caregivers.

Early Head Start - Child Care Partnership Program (EHS) - Working with Family Child Care Provider Partners (FCCPs), CCR provides intensive comprehensive child development and family support services to 72 low-income infants and toddlers and their families. Early Head Start programs promote the physical, cognitive, social, and emotional development of infants and toddlers through safe and developmentally enriching caregiving. This prepares these children for continued growth and development and eventual success in school and life. Early Head Start programs also support parents, both mothers and fathers, in their role as primary caregivers and teachers of their children. Programs assist families in meeting their own personal goals and achieving self-sufficiency across a wide variety of domains, such as housing stability, continued education, and financial security. Early Head Start programs also mobilize the local community to provide the resources and environment necessary to ensure a comprehensive, integrated array of services and support for children and families. CCR is working with 12 FCCs who serve the communities of Federal Way, Tacoma, Spanaway, and Graham with care options in Spanish, Punjabi, Somali, Tagalog, and English.

Veteran Student Child Care - In partnership with the Veterans, Seniors, and Human Services Levy (VSHSL), the Veteran Student Child Care Subsidy program to support veteran students with the cost of child care while they pursue their post-secondary education or training program. Assisting veteran families in securing stable, high-quality child care for their children by providing partial childcare payments.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activity as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

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

	<u>2022</u>	<u>2021</u>
Homeless Child Care Project	\$ 30,000	\$ -
Child Care Careers and Training	19,683	30,930
COVID Fund for Provider Relief	9,121	9,121
Family Child Care & System Coordination	-	89,970
COVID Response Fund	-	37,765
	<u>\$ 58,804</u>	<u>\$ 167,786</u>

Board designation

The Innovation and Opportunity Fund was established by the Board in December 2014 and is designed to catalyze creative solutions by allowing the Agency to pursue opportunities to implement new strategies, projects, and programs that go beyond merely extending or expanding existing programs and which have the potential for demonstrable positive impact on the Agency's stakeholders. For the years ending June 30, 2022 and 2021, the fund balance was \$185,916 and \$210,642, respectively.

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.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, money market accounts, and short-term certificates of deposit. Certificates of deposit bear interest of 0.30%. Penalty for early withdrawal, if any, would not have a significant impact on the financial statements.

Promises to give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. The fair value of promises to give is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities. All promises to give are current at June 30, 2022 and 2021. Uncollectible promises are expected to be insignificant.

Fair value measurement

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are recorded at fair value. Gains and losses on investments are reported in the statements of activity as increases or decreases in activity without donor restriction, unless their use is restricted by explicit donor stipulation.

Equipment

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

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants payable

Grants authorized but unpaid at year-end are reported as liabilities and are payable within one year at June 30, 2022.

Support and revenue recognition

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

The Agency's federal, state, and local government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. As of June 30, 2022 and June 30, 2021, conditional contributions totaling \$3,307,174 and 3,951,001, for which no amounts had been received in advance, have not been recognized in the accompanying financial statements.

Support from grants and contracts is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2022 and 2021, no significant amounts were disallowed as a result of such examinations.

In-kind goods and services

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

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

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activity and of functional expenses. Where possible, specific expenses have been charged directly to the appropriate category. When functions are shared or costs are intermingled, expenses are allocated based on FTE (such as IT and office supplies), usage (such as Admin and depreciation), or square footage (such as facilities).

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE A – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations

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

Approximately 67% and 39% of total government contracts and grants revenue during the years ended June 30, 2022 and 2021, respectively, was received from two grantors and as of June 30, 2022, 82% of accounts receivable was due from these two grantors.

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.

Reclassifications

Certain amounts in the 2021 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 June 30, 2021.

NOTE B - LIQUIDITY

The Agency manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Agency has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve this target, the Agency forecasts its future cash flows and monitors its liquidity and reserves monthly. During the year ended June 30, 2022 the level of liquidity and reserves were managed within the policy requirements, for our core funding. CARES funding awarded during the year ending June 30, 2021 that was expended from July 2020 through December 2020 is not included in the 90 day liquidity analysis.

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

	<u>2022</u>	<u>2021</u>
Total financial assets	\$ 6,617,140	\$ 6,061,416
Less: Amounts subject to donor-imposed restrictions	(58,804)	(167,786)
Less: Amounts subject to board designation	<u>(185,916)</u>	<u>(210,642)</u>
	<u>\$ 6,372,420</u>	<u>\$ 5,682,988</u>

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE C - LINE OF CREDIT

The Agency has a \$650,000 revolving Line of Credit with Banner Bank, at LIBOR + 2.750% through March 15, 2023. There was no outstanding balance under the line of credit as of June 30, 2022.

NOTE D - FAIR VALUE MEASUREMENTS

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

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
As of June 30, 2022			
Exchange-traded funds	<u>\$ 153,898</u>	<u>\$ -</u>	<u>\$ -</u>
As of June 30, 2021			
Exchange-traded funds	<u>\$ 163,996</u>	<u>\$ -</u>	<u>\$ -</u>

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

NOTE E - COMMITMENTS

The Agency leases its office spaces under non-cancelable operating leases. Rent expense related to these leases was \$395,569 and \$440,743 for the years ended June 30, 2022 and 2021, respectively. Future minimum lease payments under these leases are as follows for the years ending June 30:

2023	\$ 347,674
2024	167,849
2025	131,969
2026	79,885
2027	<u>3,900</u>
	<u>\$ 731,277</u>

NOTE F - RETIREMENT PLAN

The Agency sponsors a 401(k) defined contribution plan (the Plan), as defined by the Internal Revenue Code. The Plan is for the benefit of all qualifying employees and permits voluntary contributions by employees to the maximum allowable, as determined by the Internal Revenue Service. The Agency contributes a dollar for each dollar match of the participant contribution up to 3% of the participant's earnings. Employer matching contributions in the amount of \$211,995 and \$183,355, respectively, were made for the years ended June 30, 2022 and 2021.

CHILD CARE RESOURCES

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2022 AND 2021

NOTE G - COVID-19 PANDEMIC

The Agency's programs continue to meet the new needs of providers and families. The intensity of the calls through our Call center continues to amplify the crises of parents and community members. CCR continues to accommodate program changes by still supporting staff's ability to work functionally from home and in office in a hybrid way.

CCR has partnered in two grant initiatives to get funds out to teachers and other staff members who care for young children at DCYF licensed FCC and center-based programs. CCR has also taken an active role in the distribution of health and safety supplies directly to child care programs and the hosting of vaccination clinics in partnership with our public health partners.

CCR started back with in-person coaching as of October 2021. The Agency is encouraging programs to allow for in person visits and for the ones that are still fearful of Covid we are offering remote coaching. The Agency is connecting with all Early Achievers programs monthly through in-person visits, phone calls, and virtual coaching (only when asked by the provider). CCR is still doing its trainings and group learning experiences remotely hoping to go back to in-person very soon.

Supervisors are continuing to have 1:1 meetings to hear the stories the providers are sharing with their coaches and to increase community, connectivity, and ensure accountability.

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2022 through November 8, 2022, which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2022, including the estimates inherent in the processing of financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal Grantor <i>Pass-through Grantor</i> "Program Title"	Contract Number	Assistance Listing Number	Passed Through to Subrecipients	Federal Expenditures
Department of Health and Human Services				
"Head Start"	10HP000458-01-00		\$ -	\$ 1,410,343
"Head Start"	10HP000458-02-01		-	525,042
"Head Start"	10HE001392-01-01		-	8,638
Head Start Cluster		93.600*	-	1,944,023
<i>Washington State Department of Early Learning - Child Care Aware of Washington</i>				
"Child Care and Development Block Grant"	Amendment #2		-	6,010,044
CCDF Cluster		93.575	-	6,010,044
<i>Washington State Department of Early Learning - Child Care Aware of Washington</i>				
"Every Student Succeeds Act/Preschool Development Grants"	Amendment #2		-	2,446
		93.434	-	2,446
Total Department of Health and Human Services			-	7,956,513
Department of Housing and Urban Development				
<i>City of Bellevue</i>				
"Community Development Block Grants/Entitlement Grants"	CDBGCV-2-342		-	11,231
CDBG - Entitlement Grants Cluster		14.218	-	11,231
Total Department of Housing and Urban Development			-	11,231
Department of the Treasury				
<i>King County</i>				
COVID-19 "Coronavirus State and Local Fiscal Recovery Funds"	6249619		-	6,726,383
<i>City of Seattle</i>				
COVID-19 "Coronavirus State and Local Fiscal Recovery Funds"	DOE20PA103 Amendment 2		-	2,943,325
<i>Pierce County Human Services</i>				
COVID-19 "Coronavirus State and Local Fiscal Recovery Funds"	SC-107305		-	13,932
Total Department of the Treasury		21.027*	-	9,683,640
Total Expenditures of Federal Awards			\$ -	\$ 17,651,384

* Denotes a major program.

CHILD CARE RESOURCES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Resources and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

Child Care Resources does not currently have a negotiated indirect cost rate for use on federal grants and contracts. However, as Child Care Resources has previously had a negotiated indirect cost rate, they are not eligible to elect use of the 10% *de minimis* indirect cost rate.

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2022

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2021 - 6/30/2022
State of Washington				
"Child Care Aware of Washington: CCA of King/Tacoma Core/EA/Family Services Contract"	Amendment #2	07/01/2021 - 06/30/2022	\$ 4,010,842	\$ 4,086,503
"Department of Early Learning: Infant Toddler Regional Systems & Services - King & Pierce"	20-1140-01	07/01/2021 - 07/15/2022	421,354	387,468
"Start Early - Washington State Office Child Care Partnership"	---	02/01/2022 - 06/30/2022	4,500	1,800
State of Washington Sub-Total			<u>4,436,696</u>	<u>4,475,771</u>
King County				
"King County Department of Community and Human Services - Student Veteran Child Care Pilot"	6210040 Amendment#2	01/01/2021 - 12/31/2023	1,097,999	346,061
"Seattle & King County Public Health - Best Starts for Kids Levy"	8125 BSK	01/01/2022 - 12/31/2022	230,000	114,996
"Seattle & King County Public Health - Best Starts for Kids Levy"	3151 BSK Amendment#3	01/01/2018 - 12/31/2021	820,748	114,676
"King County II Child Care Resources Worker Retention Payments"	Amendment#1	07/01/2021 - 12/31/2022	7,400,000	42,500
"Seattle & King County Public Health - Best Starts for Kids Supplies"	7820 BSK	01/01/2022 - 12/31/2022	265,000	22,598
"Seattle & King County Public Health - Best Starts for Kids Supplies"	5438 BSK Amendment #3	06/01/2020 - 12/31/2021	479,500	22,560
King County Sub-Total			<u>10,293,247</u>	<u>663,391</u>
City of Seattle				
"Information and Referral"	DOE21PA01	01/01/2021 - 12/31/2021	55,838	34,070
"Information and Referral"	DOE21PA02	01/01/2021 - 12/31/2021	54,212	25,230
"Seattle Preschool Program FCC Hub Pilot"	DOE20PA55 Amendment #1	07/01/2020 - 08/31/2021	777,140	206,775
"Seattle Preschool Program FCC Hub Pilot"	DOE21PA72	01/01/2021 - 08/31/2022	787,425	679,500
"Child Care Stabilization Grant"	DOE21PA103 Amendment #2	12/09/2020 - 09/30/2021	2,935,000	535,000
"Homeless Child Care Assistance"	DOE20PA04 Amendment#1	01/01/2022 - 12/31/2022	412,000	95,577
"Homeless Child Care Assistance"	DOE21PA01	01/01/2021 - 12/31/2021	400,000	188,832
City of Seattle Sub-Total			<u>5,421,615</u>	<u>1,764,984</u>

CHILD CARE RESOURCES

SCHEDULE OF EXPENDITURES OF NON-FEDERAL GOVERNMENTAL AWARDS

YEAR ENDED JUNE 30, 2022

Grantor/Contractor "Program Title"	Contract Number	Award Period	Total Award Amount	Total 7/1/2021 - 6/30/2022
Suburban Cities				
"City of Burien Child Care Resources and Referral"	CON-21-036	01/01/2021 - 12/31/2022	8,000	4,000
"City of Covington Child Care Resources and Referral"	--	01/01/2021 - 12/31/2022	7,086	3,543
"City of Covington Child Care Financial Assistance"	--	01/01/2021 - 12/31/2023	30,000	15,000
"City of Kenmore Child Care Resources and Referral"	21-C2682	01/01/2021 - 12/31/2022	3,000	1,500
"City of Bellevue Child Care Resources and Referral"	GF182	01/01/2021 - 12/31/2022	72,178	36,089
"City of Kirkland Child Care Resources and Referral"	32100182	01/01/2021 - 12/31/2022	15,000	7,500
"City of Auburn Child Care Financial Assistance"	GF-21/2210	01/01/2021 - 12/31/2022	20,000	10,000
"City of Kent Child Care Financial Assistance"	--	01/01/2021 - 12/31/2022	70,000	43,757
"City of Bellevue Child Care Financial Assistance"	GF201	01/01/2021 - 12/31/2022	489,075	222,584
"City of Kent Homeless Child Care"	--	01/01/2021 - 12/31/2022	20,000	12,624
"City of Redmond Child Care Financial Assistance"	9643	01/01/2021 - 12/31/2022	113,024	30,011
"City of Redmond Homeless Child Care"	9643	01/01/2021 - 12/31/2022	42,858	6,214
"City of Bellevue Homeless Child Care"	GF262	01/01/2021 - 12/31/2022	36,636	10,450
"City of SeaTac Child Care Resources and Referral"	CON-21-036	01/01/2021 - 12/31/2022	10,000	5,000
"City of Shoreline Child Care Resources and Referral"	9906	01/01/2021 - 12/31/2022	10,000	5,000
"City of Tukwila Child Care Resources and Referral"	CON-21-036	01/01/2021 - 12/31/2022	8,000	4,000
	Suburban Cities Sub-Total		<u>954,857</u>	<u>417,272</u>
	Total Non-Federal Governmental Grants/Contracts		<u>\$ 21,106,415</u>	<u>\$ 7,321,418</u>

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

Board of Directors
Child Care Resources
Seattle, Washington

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Child Care Resources, which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Child Care Resources Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Child Care Resource's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Child Care Resource's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



Jacobson Jarvis & Co, PLLC

Seattle, Washington

November 8, 2022

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

Board of Directors
Child Care Resources
Seattle, Washington

Report on Compliance with Each Major Federal Program

We have audited Child Care Resources' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Child Care Resources' major federal programs for the year ended June 30, 2022. Child Care Resources' major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Opinion on Each Major Federal Program

In our opinion, Child Care Resources complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Child Care Resources and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Child Care Resources' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Child Care Resources' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Child Care Resources' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Child Care Resources' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Child Care Resources' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Child Care Resources' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Child Care Resources' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Child Care Resources' response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Child Care Resources' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Jacobson Jarvis & Co, PLLC
Seattle, Washington
November 8, 2022

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Child Care Resources.
2. Deficiencies relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." Items 2022-001 and 2022-002 were deemed to be significant deficiencies.
3. No instances of noncompliance material to the financial statements of Child Care Resources were disclosed during the audit.
4. Deficiencies relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance." Item 2022-003 was deemed to be a significant deficiency.
5. The auditor's report on compliance for the major federal award programs for Child Care Resources expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for Child Care Resources are reported in Part C of this Schedule.
7. The programs tested as major were "Coronavirus State and Local Fiscal Recovery Funds" Assistance Listing No. 21.027 and "Head Start" Assistance Listing No. 93.600.
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. Child Care Resources was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

2022-001 Internal Control - Time Sheets

Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. During our testing of internal controls, we noted several instances where timecards were not approved by the staff person's direct supervisor in adherence to Child Care Resources' policy.

We recommend that management amend its policy to allow for someone other than the employee's supervisor to approve a staff's time sheet if their supervisor is unavailable, but then the supervisor should review and approve the payroll within a reasonable timeframe of returning to work.

Views of a Responsible Official: Management concurs with the finding and recommendation as reflected in the corrective action plan.

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

B. FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

2022-002 Internal Control - Bank Reconciliations

Management is responsible for designing, implementing, and maintaining a system of internal control relevant to the preparation and fair presentation of the financial statements. Bank reconciliations are an essential internal control tool and are necessary in preventing and detecting fraud. They also help identify accounting and bank errors by providing explanations of the differences between the accounting record's cash balances and the bank balance position per the bank statement. During our testing of internal controls, we noted that Child Care Resources was not reconciling its bank statements in a timely manner. In addition, the statements were not being reviewed in a timely manner.

We recommend that the bank reconciliations are prepared and reviewed every month in a timely manner.

Views of a Responsible Official: Management concurs with the finding and recommendation as reflected in the corrective action plan.

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

2022-003 Internal Control Over Suspension and Debarment

Federal Agencies: Department of the Treasury

Assistance Listing No. 21.027

Criteria: Award recipients are required to establish and maintain internal controls designed to provide reasonable assurance that procurement contracts for goods and services are not entered into with parties that have been suspended or debarred. The federal guidelines set a threshold of \$25,000 for this verification. Child Care Resources has adopted a policy that it must re-evaluate all contractors paid in excess of \$10,000 on an annual basis to ensure they remain in good standing.

Condition: Child Care Resources did not re-evaluate contractors in excess of \$10,000 during the year ending June 30, 2022.

Questioned Costs: No reportable questioned costs.

Context: This finding was noted while gaining an understanding of controls over suspension and debarment and reviewing procurements over \$10,000 for evidence of a verification check.

Effect: This lack of internal control could result in contracts for goods and services being entered into with parties that have been suspended or debarred.

CHILD CARE RESOURCES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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

Cause: Internal controls were not properly designed or implemented.

Recommendation: We recommend that Child Care Resources follow its policy to ensure that contractors hired are not suspended or debarred or otherwise excluded from participating in federally funded programs.

Views of a Responsible Official: Management concurs with the finding and recommendation as reflected in the corrective action plan.



Matthew J. Cyr, CPA
Audit Partner
Jacobson Jarvis & CO, PLLC
200 First Avenue West, Suite 200
Seattle, WA 98119

Audit Findings Corrective Action Plan: 11/2/2022

Audit Period: July 1, 2021 - June 30, 2022

Dear Matt Cyr,

The Audit findings were a result of a series of agency experiences and situations over the past year, all of which have been or are in the process of being remediated:

- Staff turnover across the agency which requires training new accounting and program staff on processes and procedures and where mistakes happen through the learning process.
- The processing of millions of dollars of emergency funding via childcare subsidy grants and childcare provider retention payments with little lead time which increased the workflow and workload of our Finance department.
- A hybrid workplace predicated by COVID surges through FY 22 which meant we had less in person time and more remote communication, which is not ideal in this high touch finance environment.

Through it all CCR provided a deep level of mission-focused services to childcare providers and families to sustain essential childcare early learning services within Dr. Martin Luther King Jr & Pierce Counties. It was in this climate that situations leading to findings occurred and we are committed to preventing them from happening again.

Below is the outline of findings and CCR's corrective action plan response to each one.

**2022-001 Internal Control Timesheets
Responsible Staff, Li Bernstein, Controller**

CCR strategically converted to UKG/Ultimate Kronos Group, HRIS & Payroll system in August 2021 to better meet our reporting and financial analytics requirements. The conversion

process was an agency wide deep learning experience for all the 130 employees. In August and September 2021, although payroll was accurately calculated and accounted for, in a few instances when supervisors were on PTO timesheet approvals were not obtained. We had staff turnover in the payroll department, which was a reason for a few other instances of timesheet approvals not being in place. CCR has gained much experience with UKG HRIS/PR system and the conversion process has settled.

Action: We will introduce new internal controls for an interim policy, having the supervisor manually approve the timesheet within 2 weeks of their return from PTO. We will explore possibilities of automating escalation of emails up the supervisory levels to avoid delay in approval of timesheets. We will continue to train our supervisory staff in using the HRIS UKG systems, designation function for timesheet approvals.

2022-002 Internal Control Bank Reconciliations
Responsible Staff, Li Bernstein, Controller

All bank reconciliations were completed through 6/30/22. Due to staff turnover in the accounting department, the timely bank reconciliations were delayed in some months. As of 10/27/22, we are up to date in bank reconciliations (through 9/30/22) and are committed to continuing this pattern.

Action: We will prepare and review the bank reconciliations every month in a timely manner.

2022-003 Internal Control Over Suspension and Debarment
Federal Agency: Department of Treasury- No 21.027
Responsible Staff, Li Bernstein, Controller

Yearly vendor SAM verification for existing vendors within the FY22, 6/30/22 year-end date was not completed. However new procurement vendors onboarded into our accounting system during FY 2022 were verified with SAM before using their services. The verification was completed 10/21/2022, with no vendors suspended or disbarred.

Action: We will complete and follow our policy yearly, to ensure that contractors hired are not suspended or debarred or otherwise excluded from participating in federally funded programs.

Sincerely,



Kathryn Flores, MBA
Chief Administrative Officer