

SMITH BUNDAY BERMAN BRITTON, P.S.

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 AND 2013

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2014 and 2013

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Independent Auditor's Report

January 14, 2015

To the Board of Trustees

The Washington State Child Care Resource & Referral Network (dba Child Care Aware of Washington)

Report on the Financial Statements

We have audited the accompanying financial statements of The Washington State Child Care Resource & Referral Network (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

**Independent Auditor's Report
(continued)**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Washington State Child Care Resource & Referral Network as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 January 14, 2015, on our consideration of The Washington State Child Care Resource & Referral Network'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 The Washington State Child Care Resource & Referral Network's internal control over financial reporting and compliance.

Smith Bunday Berman Britton, P.S.

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

STATEMENT OF FINANCIAL POSITION

	June 30,	
	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$558,384	\$953,866
Contract revenues receivable, net - Note 3	1,892,906	1,917,549
Unconditional promises to give - Note 4	-	100,000
Prepaid expenses	22,933	1,680
Total current assets	2,474,223	2,973,095
Equipment, net of accumulated depreciation of \$322,198 and \$296,785 , respectively	18,077	30,921
Deposits	11,160	11,160
Total assets	\$2,503,460	\$3,015,176
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$1,323,107	\$1,559,542
Accrued payroll, vacation and other expenses	152,202	135,091
Deferred contract revenue - Note 5	196,761	630,011
Total current liabilities	1,672,070	2,324,644
Deferred rent - Note 8	20,391	-
Lease commitment - Note 8		
Net assets:		
Unrestricted	750,695	545,507
Temporarily restricted - Note 6	60,304	145,025
Total net assets	810,999	690,532
Total liabilities and net assets	2,503,460	\$3,015,176

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contract revenue - Note 3	\$11,408,907	-	\$11,408,907
Membership, interest and other revenue	25,417	-	25,417
Contributions	15,531	-	15,531
	<u>11,449,855</u>	<u>-</u>	<u>11,449,855</u>
Net assets released from restrictions - Note 6			
Satisfaction of program restrictions	84,721	(84,721)	-
	<u>11,534,576</u>	<u>(84,721)</u>	<u>11,449,855</u>
Expenses:			
Program services	10,903,376	-	10,903,376
Membership and general management	419,735	-	419,735
Fundraising	6,277	-	6,277
Total expenses	<u>11,329,388</u>	<u>-</u>	<u>11,329,388</u>
Change in net assets	205,188	(84,721)	120,467
Net assets at beginning of year	545,507	145,025	690,532
Net assets at end of year	<u>\$750,695</u>	<u>\$60,304</u>	<u>\$810,999</u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contract revenue - Note 3	\$10,310,358	-	\$10,310,358
Membership, investment and other revenue	15,338	-	15,338
Contributions	3,670	\$205,000	208,670
	<u>10,329,366</u>	<u>205,000</u>	<u>10,534,366</u>
 Net assets released from restrictions - Note 6			
Satisfaction of program restrictions	<u>73,846</u>	<u>(73,846)</u>	<u>-</u>
 Total revenues and other support	<u>10,403,212</u>	<u>131,154</u>	<u>10,534,366</u>
 Expenses:			
Program services	9,989,914	-	9,989,914
Membership and general management	356,950	-	356,950
Fundraising	5,230	-	5,230
Total expenses	<u>10,352,094</u>	<u>-</u>	<u>10,352,094</u>
 Change in net assets	51,118	131,154	182,272
 Net assets at beginning of year	<u>494,389</u>	<u>13,871</u>	<u>508,260</u>
Net assets at end of year	<u><u>\$545,507</u></u>	<u><u>\$145,025</u></u>	<u><u>\$690,532</u></u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2014**

	<u>Program Services</u>	<u>Membership and General Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$8,276,115	\$33,275	-	\$8,309,390
Scholarships	1,063,541	-	-	1,063,541
Salaries	862,315	182,258	\$5,100	1,049,673
Payroll taxes and benefits	215,607	53,608	1,164	270,379
Occupancy	114,430	21,930	-	136,360
Travel and meetings	83,149	6,339	-	89,488
Training and technology expenses	66,084	19,021	-	85,105
Evaluation services	77,697	-	-	77,697
Curriculum and training	63,328	3,209	-	66,537
Professional fees	3,000	32,214	-	35,214
Printing and publications	20,681	5,756	-	26,437
Depreciation	-	25,413	-	25,413
Communications	22,045	1,313	-	23,358
Office supplies and expense	5,285	19,807	-	25,092
Incentives and recognition	13,413	3,836	-	17,249
Bad debt expense and other	12,063	2,584	-	14,647
Insurance	-	8,084	-	8,084
Postage and shipping	4,623	1,088	13	5,724
	<u>\$10,903,376</u>	<u>\$419,735</u>	<u>\$6,277</u>	<u>\$11,329,388</u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013**

	<u>Program Services</u>	<u>Membership and General Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$8,009,414	\$1,795	-	\$8,011,209
Salaries	681,346	205,440	\$4,532	891,318
Scholarships	510,633	-	-	510,633
Payroll taxes and benefits	173,966	50,349	570	224,885
Training and technology expenses	138,291	29,892	-	168,183
Evaluation services	133,335	216	-	133,551
Occupancy	101,875	438	-	102,313
Travel and meetings	75,478	9,290	128	84,896
Curriculum and training	53,019	7,506	-	60,525
Printing and publications	37,984	3,618	-	41,602
Communications	20,269	3,441	-	23,710
Professional fees	717	21,113	-	21,830
Office supplies and expense	8,227	10,484	-	18,711
Incentives and recognition	14,165	2,825	-	16,990
Postage and shipping	11,397	2,040	-	13,437
Depreciation	11,220	-	-	11,220
Bad debt expense and other	8,578	475	-	9,053
Insurance	-	8,028	-	8,028
	<u>\$9,989,914</u>	<u>\$356,950</u>	<u>\$5,230</u>	<u>\$10,352,094</u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**STATEMENT OF CASH FLOWS
Years Ended June 30, 2014 and 2013**

	2014	2013
<i>Cash flows from operating activities:</i>		
Cash received from contracts	\$11,000,300	\$9,951,619
Cash received from donors	115,531	108,670
Cash received from members, employer contracts, and other	25,000	15,000
Cash paid to suppliers and employees	(11,524,161)	(9,902,148)
Interest received	417	338
Cash provided by (used in) operating activities	(382,913)	173,479
<i>Cash used in investing activities for the acquisition of capital assets:</i>		
	(12,569)	(26,739)
Net increase (decrease) in cash and cash equivalents	(395,482)	146,740
Cash and cash equivalents at beginning of period	953,866	807,126
Cash and cash equivalents at end of period	\$558,384	\$953,866

**Reconciliation of Change in Net Assets to
Net Cash From Operating Activities**

Change in net assets	\$120,467	\$182,272
<i>Items which reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	25,413	11,220
Bad debt expense	7,872	-
<i>Changes in related asset and liability accounts:</i>		
Contract revenues receivable	21,671	(302,790)
Provision for uncollectible accounts	(4,900)	383
Unconditional promises to give	100,000	(100,000)
Prepaid expenses	(21,253)	61
Accounts payable and accrued expenses	(219,324)	438,665
Deferred contract revenue	(433,250)	(56,332)
Deferred rent	20,391	-
	(503,380)	(8,793)
Net cash provided by (used in) operating activities	(\$382,913)	\$173,479

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**
(dba Child Care Aware of Washington)

NOTES TO FINANCIAL STATEMENTS

NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:

This summary of activities and significant accounting policies of The Washington State Child Care Resource & Referral Network, hereinafter called Child Care Aware of Washington (the “CCA of WA Network”), is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the CCA of WA Network’s management, who are responsible for their integrity and objectivity. The CCA of WA Network’s accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

Nature of activities -

The CCA of WA Network is an association of 7 local member child care resource and referral programs housed in a variety of types of host organizations. The CCA of WA Network subcontracts with these organizations for provision of local resource and referral services, which include but are not limited to, child care provider training, technical assistance and coaching for participants in Early Achievers (Washington State’s QRIS – Quality Rating and Improvement System), outreach to parents and family, friend and neighbor (FFN) caregivers, and community capacity-building. The CCA of WA Network serves as an information hub for the child care and early learning fields, leads and contributes to statewide policy and advocacy efforts, hosts a consumer education hotline and website for families looking for child care, and collects, compiles, analyzes and disseminates child care supply and demand data. Created by statute in 1986 and incorporated in 1989, the CCA of WA Network is the only association of child care resource and referral agencies in the State of Washington.

The CCA of WA Network provides one direct services program for the professional development of child care providers: the Washington Scholarships for Child Care Professionals. This program provides higher education opportunities to child care workers who would not otherwise have the opportunity for such education. The program provides scholarships, including tuition, books, travel, and release time payments, to child care workers throughout the State of Washington. Funding for this program is provided by contributions from government contracts and private foundations (see Notes 3 and 4).

Substantially all of the CCA of WA Network’s activities described above are specified as requirements of the Statements of Work within its government contracts (see Note 3). Substantially all of those contracts are funded by the U.S. Department of Health and Human Services and are passed through the State of Washington Department of Early Learning.

NOTE 1 - continued:

In December 2011, the Washington State Department of Early Learning was awarded one of nine Race to the Top - Early Learning Challenge Fund grants (administered jointly by the Department of Education and the Department of Health and Human Services) which authorized \$60 million dollars over the next four years (December 2015) to implement a capacity building and systems integration grant aimed at improving the quality of services offered by licensed family child care homes and licensed child care centers across Washington State. The most prominent portion of Washington's proposal is Early Achievers (a Quality Rating and Improvement System – QRIS – for licensed child care facilities and Head Start and Early Childhood Education and Assistance Programs). The Department of Early Learning has designated the role of “Improvement” to the Washington State Child Care Resource & Referral Network. In this new capacity, the CCA of WA Network is responsible for recruiting eligible child care facilities to join Early Achievers, providing the appropriate individualized technical assistance, as well as the six required Level 2 trainings to prepare each facility to be successfully rated at Early Achievers quality Levels 3, 4, or 5. This contract work did not begin until the last few months of the fiscal year ended June 30, 2012 and included a heightened requirement for the CCA of WA Network to hold the local CCA of WA/Network programs accountable for uniform and specific targets and deliverables. In order to adequately meet this new level of effectiveness and accountability, the CCA of WA Network made several significant organizational changes, including a consolidation of the local CCA of WA programs from 11 to 7; creation of centralized parent referral services (phone, web, i-chat); and adopting a new “doing business as” name: Child Care Aware of Washington to model the national trend toward a singular, identifiable branded name. All of these changes officially took effect on July 1, 2012.

During 2012, the CCA of WA Network entered into a contract with the Bill and Melinda Gates Foundation to provide support for the statewide expansion of Early Achievers, Washington's Quality Rating and Improvement System. The contract was finalized in fiscal year 2014.

Revenue and support –

Exchange transactions, such as cost reimbursement and fee-for-service contracts, are recorded as revenue when the related expenses are incurred or the services are rendered.

Contributions of cash or other assets, including unconditional promises to give those items in the future, are recognized as revenue in the period received. Contributions of services are recognized if they meet certain specified criteria.

The CCA of WA Network reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Such restricted contributions give rise to temporarily restricted net assets. When a donor restriction expires, either through the lapsing of a time restriction or through the accomplishment of a program or acquisition restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions.

NOTE 1 - continued:

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the CCA of WA Network reports expirations of donor restrictions when the acquired assets are placed in service.

Promises to give -

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Cash and cash equivalents -

The CCA of WA Network considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Equipment and depreciation -

Equipment includes office furniture and fixtures and is stated at cost. Expenditures in excess of \$1,000 for additions and major improvements are capitalized; maintenance and repair costs are expensed as incurred. Donated assets are recorded at their fair value at the date of gift. Depreciation is computed using the straight-line method based upon the estimated useful lives of the related assets, which are three to five years.

Deferred contract revenue -

Deferred revenue consists of unearned receipts on cost reimbursable grants or contracts.

Income taxes -

The CCA of WA Network is exempt from Federal income tax as a non-profit corporation under Section 501(c)(3) of the Internal Revenue Code.

The Network's Forms 990, Return of Organization Exempt from Income Tax, for the years June 30 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they were filed.

NOTE 1 - continued:

Functional expense classification –

The CCA of WA Network's federal award contracts, as passed through the State of Washington, include specific performance requirements for some activities that are often considered management and supporting services. For example, the Statements of Work in the contracts require the CCA of WA Network to conduct quarterly board meetings and board training sessions; to provide technical assistance to member agencies; to administer the Washington Scholarships program; to operate a public information telephone line; and to provide information to child care professionals and the general public regarding resource and referral services in Washington. The performance of these services and their associated costs are considered Program functions.

The CCA of WA Network identifies and allocates certain overhead expenses, when material, to functional categories on the basis of overall CCA of WA Network efforts expended in these areas. Allocated expenses during the years ended June 30, 2014 and 2013 primarily include salaries, subcontractor fees, rent, insurance, and depreciation.

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 amount of assets, liabilities and net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS:

Contracts, including those recorded as fees for service, accounted for approximately ninety-nine and ninety-eight percent of total revenues and other support for 2014 and 2013, respectively. The contract receivables are not collateralized, however credit risk with respect to such receivables is limited due to the governmental nature of the creditors and the underlying contractual arrangements.

NOTE 3 - CONTRACT REVENUES AND RECEIVABLES:

Contract revenue consisted of the following:

	Year ended June 30,	
	2014	2013
Federal awards:		
Washington State Department of Early Learning	\$10,349,817	\$9,280,482
Washington State Department of Social & Health Services	-	10,478
Total federal funds	<u>10,349,817</u>	<u>9,290,960</u>
State, local and contractor funds:		
Washington State Department of Early Learning	1,059,090	860,430
The Bill & Melinda Gates Foundation	-	158,968
Total state and local funds	<u>1,059,090</u>	<u>1,019,398</u>
Total contract revenue	<u><u>\$11,408,907</u></u>	<u><u>\$10,310,358</u></u>

Contract funds and other receivables consist of the following:

	June 30	
	2014	2013
Washington State Department of Early Learning	\$1,891,094	\$1,871,359
Other	2,877	13,692
The Bill & Melinda Gates Foundation	-	36,594
Washington State Department of Health	-	1,869
	<u>1,893,971</u>	<u>1,923,514</u>
Less: allowance for doubtful accounts	<u>(1,065)</u>	<u>(5,965)</u>
	<u><u>\$1,892,906</u></u>	<u><u>\$1,917,549</u></u>

NOTE 4 - PROMISES TO GIVE:

During the year ended June 30, 2013, the CCA of WA Network received an unconditional promise to give totaling \$200,000 over two years from The Boeing Company (Boeing) to support the CCA of WA Network's administration of the Race to the Top – Early Achievers: Washington State's Pathway to Success. The CCA of WA Network received \$100,000 from Boeing under this unconditional promise to give during and 2014 and 2013.

NOTE 5 - DEFERRED CONTRACT REVENUE:

As of June 30, 2014, deferred contract revenue consisted of the following:

	June 30	
	2014	2013
Washington State Department of Early Learning	\$196,761	\$154,324
Race to the Top - Early Learning Challenge - QRIS	-	372,874
Child Care and Development Block Grant	-	102,813
Total	<u>\$196,761</u>	<u>\$630,011</u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS:

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes. Amounts released were as follows:

	Year ended June 30,	
	2014	2013
Purpose restrictions:		
The Boeing Corporation	\$74,721	\$64,975
Bamford Foundation	10,000	8,871
Total	<u>\$84,721</u>	<u>\$73,846</u>

Temporarily restricted net assets at June 30, 2014 and 2013 consisted of the following:

	2014	2013
Purpose restrictions:		
The Boeing Corporation – Race to the Top – Early Achievers	\$60,304	\$135,025
The Bamford Foundation – Early Childhood Academy and Scholarship Program	-	10,000
Total	<u>\$60,304</u>	<u>\$145,025</u>

NOTE 7 - RETIREMENT PLAN:

Effective July 1, 2000, the CCA of WA Network began sponsoring a retirement plan that is available to substantially all employees. Under the plan, employees may elect to defer a portion of their salary subject to annual limits under Section 403(b) of the Internal Revenue Code. The CCA of WA Network contributes a total of \$750 per employee per month for 2014 and 2013, respectively, with the employee deciding how much, if any, to contribute to their individual 403(b) retirement account. The total employer 403(b) contributions for 2014 and 2013 were \$73,048 and \$53,439, respectively.

NOTE 8 - LEASE COMMITMENT:

Effective February 1, 2014, the CCA of WA Network entered into a non-cancelable operating lease addendum for office space that expires in January 31, 2021. The lease addendum contains escalating rents and a free rent benefit which is amortized on a straight-line basis over the lease term. In addition, CCA of WA Network is responsible for additional rent that includes their proportionate share of the lessor's operating expenses.

The future minimum annual lease commitments are as follows.

<u>For the year ended June 30:</u>	
2015	\$122,400
2016	123,815
2017	125,546
2018	126,866
2019	129,204
Thereafter	<u>208,449</u>
Total	<u><u>\$836,280</u></u>

Rental expense for the years ended June 30, 2014 and 2013 was \$136,360 and \$102,313, respectively.

NOTE 9 - SUBSEQUENT EVENTS:

The CCA of WA Network has evaluated subsequent events through January 14, 2015, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor/ <i>Program Title</i>	Federal CFDA Number	Pass-through Grantor's Number	Federal Program Expenditures
U.S. Department of Health and Human Services			
<u>Passed through Washington State Department of Early Learning</u>			
<i>Child Care and Development Block Grant</i>	93.575	14-1141	\$ 4,516,156
<i>Child Care and Development Block Grant</i>	93.575	12-1295-03	1,132,524
			<u>5,648,680</u>
 <i>Race to the Top - Early Learning Challenge</i>	 84.412	 14-1141	 3,730,683
<i>Race to the Top - Early Learning Challenge</i>	84.412	12-1295-03	970,454
			<u>4,701,137</u>
 <u>TOTAL</u>			 <u><u>\$ 10,349,817</u></u>

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK
(dba Child Care Aware of Washington)**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1- BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the CCA of WA Network and is presented in accordance with accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2- SUBRECIPIENTS:

Of the federal expenses presented in the schedule, the CCA of WA Network provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Child Care and Development Block Grant	93.575	\$2,953,210
Race to the Top – Early Learning Challenge	84.412	<u>4,521,661</u> <u>\$7,474,871</u>

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

January 14, 2015

To the Board of Trustees
The Washington State Child Care Resource & Referral Network (dba Child Care Aware of 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 The Washington State Child Care Resource & Referral Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Washington State Child Care Resource & Referral Network's 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 The Washington State Child Care Resource & Referral Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Smith Bunday Berman Britton, P.S.

**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

January 14, 2015

To the Board of Trustees

The Washington State Child Care Resource & Referral Network (dba Child Care Aware of Washington)

Report on Compliance for Each Major Federal Program

We have audited The Washington State Child Care Resource & Referral Network's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on The Washington State Child Care Resource & Referral Network's major federal program for the year ended June 30, 2014. The Washington State Child Care Resource & Referral Network's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of The Washington State Child Care Resource & Referral Network's compliance.

Opinion on the Major Federal Program

In our opinion, The Washington State Child Care Resource & Referral Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

Smith Bunday Berman Britton, P.S.

**The Washington State Child Care Resource & Referral Network
(dba Child Care Aware of Washington)
Schedule of Findings and Questioned Costs
Year Ended June 30, 2014**

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of The Washington State Child Care Resource & Referral Network.
2. No deficiencies, significant deficiencies or material weaknesses in internal control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of The Washington State Child Care Resource & Referral Network were disclosed during the year.
4. No deficiencies, significant deficiencies or material weaknesses in internal control over the major program were disclosed during the audit of The Washington State Child Care Resource & Referral Network.
5. The auditor's report on compliance for the major award program for The Washington State Child Care Resource & Referral Network expresses an unqualified opinion.
6. The audit did not disclose any audit findings relating to the major program.
7. The major program was the Child Care and Development Block Grant, CFDA #93.575.
8. The threshold for distinguishing Types A and B programs was \$310,495.
9. The Washington State Child Care Resource & Referral Network was determined to be a low-risk auditee.

FINDINGS-FINANCIAL STATEMENT AUDIT

There are no findings to report.

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM
AUDIT**

There are no findings to report.