

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

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

JUNE 30, 2016 AND 2015

BRANTLEY JANSON YOST & ELLISON
Certified Public Accountants
A Professional Service Corporation
1617 South 325th Street
Federal Way, Washington 98003-6009

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Child Care Aware of Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Aware of Washington (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Aware of Washington as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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 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 February 21, 2017, on our consideration of Child Care Aware of Washington'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and in considering Child Care Aware of Washington's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Child Care Aware of Washington as of June 30, 2015 were audited by other auditors whose report dated March 21, 2016, expressed an unmodified opinion on those statements.

Brantley Janson Yost & Ellison

February 21, 2017

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	<u>ASSETS</u>	
	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 888,270	\$ 2,396,705
Contract revenue receivable	4,128,969	1,331,049
Unconditional promises to give	-	100,000
Prepaid expenses	<u>8,823</u>	<u>22,175</u>
Total current assets	5,026,062	3,849,929
PROPERTY AND EQUIPMENT, net	33,813	31,606
DEPOSITS	<u>11,160</u>	<u>11,160</u>
TOTAL ASSETS	<u>\$ 5,071,035</u>	<u>\$ 3,892,695</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,181,306	\$ 1,871,304
Accrued payroll, vacation, and other expenses	216,072	138,935
Contract payable	-	31,476
Deferred contract revenue	<u>55,543</u>	<u>500,438</u>
Total current liabilities	3,452,921	2,542,153
DEFERRED RENT	<u>29,144</u>	<u>30,589</u>
Total liabilities	3,482,065	2,572,742
NET ASSETS		
Unrestricted	1,588,970	1,117,516
Temporarily restricted	<u>-</u>	<u>202,437</u>
	<u>1,588,970</u>	<u>1,319,953</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,071,035</u>	<u>\$ 3,892,695</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 AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contract revenue	\$ 21,684,174	\$ -	\$ 21,684,174
Membership, interest and other revenue	26,156	-	26,156
Contributions	2,469	-	2,469
	<u>21,712,799</u>	<u>-</u>	<u>21,712,799</u>
Net assets released from restriction			
Expiration of time restriction	202,437	(202,437)	-
Total revenues and other support	<u>21,915,236</u>	<u>(202,437)</u>	<u>21,712,799</u>
EXPENSES			
Program services	20,259,452	-	20,259,452
Supporting services			
Management and general	1,180,216	-	1,180,216
Fundraising	4,114	-	4,114
Total expenses	<u>21,443,782</u>	<u>-</u>	<u>21,443,782</u>
CHANGE IN NET ASSETS	471,454	(202,437)	269,017
NET ASSETS, beginning of year	<u>1,117,516</u>	<u>202,437</u>	<u>1,319,953</u>
NET ASSETS, end of year	<u>\$ 1,588,970</u>	<u>\$ -</u>	<u>\$ 1,588,970</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Contract revenue	\$ 13,507,559	\$ -	\$ 13,507,559
Membership, interest and other revenue	25,233	-	25,233
Contributions	8,635	205,000	213,635
	<u>13,541,427</u>	<u>205,000</u>	<u>13,746,427</u>
Net assets released from restriction			
Expiration of time restriction	62,867	(62,867)	-
Total revenues and other support	<u>13,604,294</u>	<u>142,133</u>	<u>13,746,427</u>
EXPENSES			
Program services	12,076,707	-	12,076,707
Supporting services			
Management and general	1,135,242	-	1,135,242
Fundraising	25,524	-	25,524
Total expenses	<u>13,237,473</u>	<u>-</u>	<u>13,237,473</u>
CHANGE IN NET ASSETS	366,821	142,133	508,954
NET ASSETS, beginning of year	<u>750,695</u>	<u>60,304</u>	<u>810,999</u>
NET ASSETS, end of year	<u><u>\$ 1,117,516</u></u>	<u><u>\$ 202,437</u></u>	<u><u>\$ 1,319,953</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
FOR THE YEAR ENDED JUNE 30, 2016

	Supporting Services				<u>Total</u>
	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u> <u>Supporting</u> <u>Services</u>	
Salaries	\$ 298,875	\$ 814,423	\$ 1,478	\$ 815,901	\$ 1,114,776
Payroll taxes and benefits	<u>74,556</u>	<u>189,738</u>	<u>252</u>	<u>189,990</u>	<u>264,546</u>
Total salaries and related expenses	373,431	1,004,161	1,730	1,005,891	1,379,322
Bad debt (recovery)	(217)	(1,093)	-	(1,093)	(1,310)
Communications	8,170	7,588	-	7,588	15,758
Contract Services	17,787,057	174	-	174	17,787,231
Curriculum and training	92,788	4,088	1,000	5,088	97,876
Depreciation	9	16,473	-	16,473	16,482
Evaluation services	100,567	-	-	-	100,567
Incentives and recognition	2,528	2,325	-	2,325	4,853
Insurance	208	9,388	-	9,388	9,596
Maintenance	1,688	1,187	-	1,187	2,875
Occupancy	94,481	22,435	1,347	23,782	118,263
Office supplies	1,303	19,777	-	19,777	21,080
Postage and shipping	4,464	104	-	104	4,568
Printing and publications	17,435	2,927	1	2,928	20,363
Professional fees	133,655	36,228	-	36,228	169,883
Scholarships	1,363,630	-	-	-	1,363,630
Training and technology expenses	147,065	32,895	-	32,895	179,960
Travel and meetings	<u>131,190</u>	<u>21,559</u>	<u>36</u>	<u>21,595</u>	<u>152,785</u>
 Total expenses	 <u>\$ 20,259,452</u>	 <u>\$ 1,180,216</u>	 <u>\$ 4,114</u>	 <u>\$ 1,184,330</u>	 <u>\$ 21,443,782</u>

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THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK
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STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Supporting Services				<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries	\$ 294,894	\$ 672,117	\$ 8,604	\$ 680,721	\$ 975,615
Payroll taxes and benefits	<u>73,679</u>	<u>167,598</u>	<u>2,119</u>	<u>169,717</u>	<u>243,396</u>
Total salaries and related expenses	368,573	839,715	10,723	850,438	1,219,011
Bad debt	1,391	-	-	-	1,391
Communications	15,154	2,067	-	2,067	17,221
Contract Services	9,668,753	-	-	-	9,668,753
Curriculum and training	12,513	1,161	300	1,461	13,974
Depreciation	-	9,985	-	9,985	9,985
Evaluation services	83,927	-	-	-	83,927
Incentives and recognition	8,053	2,243	-	2,243	10,296
Insurance	-	8,704	-	8,704	8,704
Maintenance	1,784	1,297	-	1,297	3,081
Occupancy	112,755	28,533	-	28,533	141,288
Office supplies	1,060	8,745	-	8,745	9,805
Postage and shipping	4,620	326	2	328	4,948
Printing and publications	13,634	2,252	155	2,407	16,041
Professional fees	89,157	197,055	1,767	198,822	287,979
Scholarships	1,504,429	-	-	-	1,504,429
Training and technology expenses	87,638	22,081	-	22,081	109,719
Travel and meetings	<u>103,266</u>	<u>11,078</u>	<u>12,577</u>	<u>23,655</u>	<u>126,921</u>
 Total expenses	 <u>\$ 12,076,707</u>	 <u>\$ 1,135,242</u>	 <u>\$ 25,524</u>	 <u>\$ 1,160,766</u>	 <u>\$ 13,237,473</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)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from contracts	\$ 18,509,883	\$ 14,373,093
Cash received from donors	2,469	113,635
Cash received from members, employer contracts, and other	25,000	25,000
Cash paid to suppliers and employees	(20,028,254)	(12,650,126)
Interest received	<u>1,156</u>	<u>233</u>
Net cash provided (used) by operating activities	(1,489,746)	1,861,835
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(18,689)</u>	<u>(23,514)</u>
NET INCREASE (DECREASE) IN CASH	(1,508,435)	1,838,321
CASH, beginning of year	<u>2,396,705</u>	<u>558,384</u>
CASH, end of year	<u>\$ 888,270</u>	<u>\$ 2,396,705</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)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 – NATURE OF ORGANIZATION

The Washington State Child Care Resource & Referral Network dba Child Care Aware of Washington (CCA of WA) is a nonprofit organization dedicated to ensuring that every child in Washington has access to high-quality child care and early learning programs. As a statewide organization, we influence child care and early learning policies while also delivering the means to make a positive difference for all children, including those furthest from opportunity.

CCA of WA administers Early Achievers, Washington’s Quality Rating and Improvement System that provides high-quality training and professional development opportunities to child care providers across our state. Early Achievers delivers research-based, culturally-responsive best practices to providers so they may offer care that improves the lives of children and families, and helps close the opportunity gap.

With our Washington Scholarships for Child Care Professionals program we have a direct impact on early learning professionals who can enrich their expertise to provide a level of excellent care. CCA of WA also connects families to high-quality child care programs through our Family Center, which assisted more than 16,000 families in 2016. Our strengths enable us to advocate on both the state and national levels for high-quality child care for all children, no matter their circumstance.

CCA of WA is associated with six local member child care resource and referral programs housed in a variety of host organizations. The CCA of WA Network subcontracts with these organizations to provide local child care resource and referral services, which include, but are not limited to: child care provider training, technical assistance and coaching for participants in Early Achievers, outreach to parents and family, friend and neighbor (FFN) caregivers, and community capacity-building.

The CCA of WA Network serves as a statewide information hub for the child care and early learning field, leads and contributes to policy and advocacy efforts, hosts a free 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 organization of child care resource and referral agencies in the State of Washington.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 – NATURE OF ORGANIZATION (Continued)

In December 2011, the Department of Early Learning was awarded one of nine Race to the Top - Early Learning Challenge Grants (administered jointly by the U.S. Department of Education and the U.S. Department of Health and Human Services) which authorized \$60 million dollars over the next four years (ended December 2015) to implement capacity-building and systems-integration to improve the quality of services offered by licensed family child care programs and licensed child care centers across Washington. The most prominent portion of Washington's proposal is Early Achievers (a Quality Rating and Improvement System – QRIS – for child care facilities and Head Start and Early Childhood Education and Assistance Programs).

CCA of WA is responsible for recruiting eligible child care facilities to join Early Achievers, providing the appropriate individualized technical assistance and coaching to enrolled providers, as well as helping to prepare each facility for a successful Early Achievers quality rating of Levels 3, 4, or 5.

2015 was a historic year for early learning in Washington State, and also for CCA of WA. The state legislature passed and funded the Early Start Act, which invests substantially in early learning and child care. The new legislation calls for greater alignment between the various child care and early learning programs in Washington, as well as expands Early Achievers.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are presented in accordance with Accounting Principles Generally Accepted in the United States of America (GAAP). Nonprofit organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The net assets of CCA of WA are classified as follows:

Unrestricted net assets: Net assets that are not subject to donor-imposed stipulations. The Board of Directors can designate funds as an operating reserve for current operations.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Total temporarily restricted net assets at June 30, 2015 are from the Boeing Company grant subject to time restrictions. There are no temporarily restricted net assets at June 30, 2016.

Permanently restricted net assets: Net assets subject to donor-imposed stipulations that may be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at June 30, 2016 or 2015.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in these financial statements. Accordingly, actual results could differ from those estimates.

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 benefits received. Conditional promises to give are recognized in the financial statements when the conditions on which they depend are substantially met and the promises become unconditional.

There were no unconditional promises to give at June 30, 2016. At June 30, 2015, promises to give were unconditional and considered collectible in the current period. An allowance for uncollectible promises to give was not considered necessary at June 30, 2015.

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

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Equipment includes office furniture and fixtures and are stated at cost, if purchased, and at estimated fair value at the date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the property, which range from three to five years. Generally, acquisitions with a cost or estimated fair value in excess of \$1,000 and an estimated useful life of one year or more are capitalized. Equipment and furnishings costing less than \$1,000 per item are expensed when purchased.

Deferred Contract Revenue

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

Functional Allocation of Expenses

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, 2016 and 2015 primarily include salaries, subcontractor fees, rent and insurance, among other costs.

Income Tax

The Internal Revenue Service has recognized CCA of WA Network as exempt from federal income tax as an entity described in Section 501(c)(3).

CCA of WA Network follows GAAP for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the years ended June 30, 2016 and 2015, CCA of WA Network has no material uncertain tax positions to be accounted for in the financial statements. Typically, the U.S. federal tax returns are open to examination for a period of three years after the filing date.

THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2015 financial statements in order to conform to the 2016 presentation. These reclassifications have no impact on change in net assets or net assets.

Date of Management Review

Management has evaluated subsequent events through February 21, 2017, the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATIONS AND CREDIT RISK

The Organization maintains cash in checking and savings accounts in depository institutions. These cash deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization periodically maintains cash balances in excess of FDIC coverage. Management considers this to be a normal business risk.

Contracts, including those recorded as fees for service, accounted for approximately 99% of total revenues and other support for 2016 and 2015. 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 4 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation are as follows at December 31:

	<u>2016</u>	<u>2015</u>
Furniture and equipment	\$ 365,518	\$ 346,829
Leasehold improvements	<u>15,318</u>	<u>15,318</u>
	380,836	362,147
Less accumulated depreciation	<u>(347,023)</u>	<u>(330,541)</u>
	<u>\$ 33,813</u>	<u>\$ 31,606</u>

THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 – CONTRACT REVENUES AND RECEIVABLES

Contract revenue consisted of the following for the year ended June 30:

	<u>2016</u>	<u>2015</u>
Federal awards:		
Washington State Department of Early Learning	\$ 9,300,512	\$ 12,450,062
State, local and contractor funds:		
Washington State Department of Early Learning	<u>12,383,662</u>	<u>1,057,497</u>
Total contract revenue	<u>\$ 21,684,174</u>	<u>\$ 13,507,559</u>

Contract funds and other receivables consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Washington State Department of Early Learning	\$ 4,127,767	\$ 1,327,706
Other	<u>1,202</u>	<u>4,436</u>
	4,128,969	1,332,142
Less: allowance for doubtful accounts	<u>-</u>	<u>(1,093)</u>
	<u>\$ 4,128,969</u>	<u>\$ 1,331,049</u>

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes. Amounts were as follows at June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions:		
The Boeing Company	\$ 202,437	\$ 57,867
Bamford Foundation	<u>-</u>	<u>5,000</u>
Total	<u>\$ 202,437</u>	<u>\$ 62,867</u>

Temporarily restricted net assets consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Time restrictions:		
The Boeing Company – Race to the Top – Early Achievers	<u>\$ -</u>	<u>\$ 202,437</u>

THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 – CONTRACT PAYABLE AND DEFERRED CONTRACT REVENUE

At June 30, 2015, the CCA of WA Network owed the Washington State Department of Early Learning \$31,476 for state funds for services and support for parents, FFN caregivers and other community partners that were not expended by the end of a contract period. At June 30, 2016, this balance was fully repaid.

Deferred contract revenue consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Washington State Department of Early Learning	\$ 44,207	\$ 25,548
Race to the Top – Early Learning Challenge – QRIS	<u>11,336</u>	<u>474,890</u>
Total	<u>\$ 55,543</u>	<u>\$ 500,438</u>

NOTE 8 – OPERATING LEASES

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.

Future minimum annual lease commitments are as follows for the year ending June 30:

2017	\$ 123,815
2018	126,866
2019	129,204
2020	130,819
2021	<u>77,630</u>
Total minimum lease payments	<u>\$ 588,334</u>

Rental expense for the years ended June 30, 2016 and 2015 was \$118,263 and \$141,288.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 9 – 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 2016 and 2015, with the employee deciding how much, if any, to contribute to their individual 403(b) retirement account. The total employer 403(b) contributions for the years ended June 30, 2016 and 2015 were \$66,184 and \$46,729.

NOTE 10 – PROMISES TO GIVE

During the year ended June 30, 2015, the CCA of WA Network received an unconditional promise to give totaling \$200,000 over two years from The Boeing Company 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 in 2016 and 2015 from The Boeing Company under this unconditional promise to give.

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016

Federal Grantor/Pass-Through Grantor "Program Title"	CFDA Number	Pass-through Grantor's Number	Federal Program Expenditures	Expenditures to Subrecipients
US Department of Health and Human Services				
Passed through Washington State Department of Early Learning Child Care and Development Block Grant	93.575	14-1141	\$ 4,300,336	\$ 4,120,932
Race to the Top - Early Learning Challenge	84.412	14-1141	<u>5,000,176</u>	<u>4,676,495</u>
Total Expenditures of Federal Awards			<u>\$ 9,300,512</u>	<u>\$ 8,797,427</u>

SUPPLEMENTARY INFORMATION

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Child Care Aware of Washington under programs of the federal government for the year ended June 30, 2016. 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. Because the Schedule presents only a selected portion of the operations of CCA of WA Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CCA of WA Network.

NOTE 2 – INDIRECT COST RATE

Child Care Aware of Washington did not elect to use the 10 percent de minimis indirect cost rate. They chose to use actual expenses incurred. For the year ending June 30, 2016, the Organization expended indirect expenses of \$511,594 or about 2.5% of direct program expenses.

**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***

To the Board of Directors of
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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Child Care Aware of Washington (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 21, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Aware of Washington'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 Child Care Aware of Washington's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Child Care Aware of Washington'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 Child Care Aware of Washington's financial statements are free of 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.

A handwritten signature in black ink that reads "Brantley Janson Yost & Ellison". The signature is written in a cursive, flowing style.

February 21, 2017

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

To the Board of Directors of
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 Child Care Aware of Washington's 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 Aware of Washington's major federal programs for the year ended June 30, 2016. Child Care Aware of Washington's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Child Care Aware of Washington's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Child Care Aware of Washington'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 each major federal program. However, our audit does not provide a legal determination of Child Care Aware of Washington's compliance.

Opinion on Each Major Federal Program

In our opinion, Child Care Aware of Washington 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, 2016.

Report on Internal Control Over Compliance

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

Brantley Janson Yost & Ellison

February 21, 2017

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

1. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be material weakness?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major federal award programs:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be material weakness?	None reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Programs Tested as Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.573	U.S. Department of Health and Human Services Child Care and Development Block Grant

Dollar threshold used to distinguish between
Type A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

2. Financial Statement Findings

None

3. Federal Award Findings and Questioned Costs

None