

SMITH BUNDAY BERMAN BRITTON, P.S.

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2011 AND 2010

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

JUNE 30, 2011 and 2010

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Independent Auditor's Report

November 29, 2011

To the Board of Trustees

The Washington State Child Care Resource & Referral Network

We have audited the accompanying statement of financial position of The Washington State Child Care Resource & Referral Network (a not-for-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Network's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Washington State Child Care Resource & Referral Network as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2011, on our consideration of The Washington State Child Care Resource & Referral Network's internal control over financial reporting and 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 should be considered in assessing the results of our audit.

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 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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.

Smith Bunday Berman Britton, P.S.

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

STATEMENT OF FINANCIAL POSITION

	June 30,	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents	\$1,056,331	\$1,287,473
Contract revenues receivable, net - Note 3	907,150	837,209
Unconditional promises to give - Note 4		249,074
Prepaid expenses	2,754	4,129
Total current assets	1,966,235	2,377,885
Equipment, net of accumulated depreciation of \$275,136 and \$266,146, respectively	21,978	8,641
Deposits	11,160	11,160
Total assets	\$1,999,373	\$2,397,686
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$956,547	\$649,403
Accrued vacation and other expenses	40,679	40,692
Total current liabilities	997,226	690,095
Lease commitment - Note 7		
Net assets:		
Unrestricted	857,940	1,091,624
Temporarily restricted - Note 5	144,207	615,967
Total net assets	1,002,147	1,707,591
Total liabilities and net assets	\$1,999,373	\$2,397,686

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and other support:			
Contract revenue - Note 3	\$4,578,719		\$4,578,719
Fees for services	1,801		1,801
Membership, investment and other revenue	18,701		18,701
Contributions	37,967	\$314,926	352,893
	<u>4,637,188</u>	<u>314,926</u>	<u>4,952,114</u>
Net assets released from restrictions - Note 5			
Satisfaction of program restrictions	<u>786,686</u>	<u>(786,686)</u>	
Total revenues and other support	<u>5,423,874</u>	<u>(471,760)</u>	<u>4,952,114</u>
Expenses:			
Program services	5,185,109		5,185,109
Membership and general management	462,188		462,188
Fundraising	10,261		10,261
Total expenses	<u>5,657,558</u>		<u>5,657,558</u>
Change in net assets	(233,684)	(471,760)	(705,444)
Net assets at beginning of year	<u>1,091,624</u>	<u>615,967</u>	<u>1,707,591</u>
Net assets at end of year	<u><u>\$857,940</u></u>	<u><u>\$144,207</u></u>	<u><u>\$1,002,147</u></u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2010**

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contract revenue - Note 3	\$4,865,519		\$4,865,519
Fees for services	6,097		6,097
Membership, investment and other revenue	23,299		23,299
Contributions	1,701	\$181,482	183,183
	4,896,616	181,482	5,078,098
Net assets released from restrictions - Note 5			
Satisfaction of program restrictions	714,164	(714,164)	
	5,610,780	(532,682)	5,078,098
Expenses:			
Program services	5,246,366		5,246,366
Membership and general management	364,960		364,960
Fundraising	5,339		5,339
Total expenses	5,616,665		5,616,665
Change in net assets	(5,885)	(532,682)	(538,567)
Net assets at beginning of year	1,097,509	1,148,649	2,246,158
Net assets at end of year	\$1,091,624	\$615,967	\$1,707,591

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011**

	<u>Program Services</u>	<u>Membership and General Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$3,762,003	\$5,503		\$3,767,506
Salaries	438,445	253,040	\$8,055	699,540
Scholarships	506,062			506,062
Payroll taxes and benefits	94,567	52,668	1,296	148,531
Curriculum and training	103,111	2,274		105,385
Evaluation services	96,380			96,380
Occupancy	55,624	35,839		91,463
Training and technology expenses	26,504	34,388		60,892
Travel and meetings	45,216	9,060	259	54,535
Printing and publications	21,226	9,241	644	31,111
Office supplies and expense	2,960	18,093		21,053
Professional fees		18,742		18,742
Communications	12,840	4,792		17,632
Postage and shipping	7,454	3,567	5	11,026
Depreciation	3,477	5,513		8,990
Insurance		7,430		7,430
Incentives and recognition	5,010	653		5,663
Bad debt expense and other	4,230	1,385	2	5,617
	<u>\$5,185,109</u>	<u>\$462,188</u>	<u>\$10,261</u>	<u>\$5,657,558</u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2010**

	<u>Program Services</u>	<u>Membership and General Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$3,837,189		\$800	\$3,837,989
Salaries	456,886	\$208,018	3,696	668,600
Scholarships	533,403			533,403
Payroll taxes and benefits	100,866	44,527	656	146,049
Occupancy	60,787	27,525		88,312
Evaluation services	75,852			75,852
Travel and meetings	64,430	9,229	186	73,845
Training and technology expenses	19,722	18,053		37,775
Curriculum and training	20,355	7,901		28,256
Printing and publications	22,930	2,725	1	25,656
Communications	16,951	2,615		19,566
Office supplies and expense	3,316	15,994		19,310
Professional fees	5,000	13,397		18,397
Postage and shipping	10,287	1,866		12,153
Incentives and recognition	10,522	496		11,018
Insurance		7,360		7,360
Depreciation	4,489	2,674		7,163
Other	3,381	2,580		5,961
	<u>\$5,246,366</u>	<u>\$364,960</u>	<u>\$5,339</u>	<u>\$5,616,665</u>

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

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

**STATEMENT OF CASH FLOWS
Years Ended June 30, 2011 and 2010**

	2011	2010
<i>Cash flows from operating activities:</i>		
Cash received from contracts	\$4,508,778	\$4,891,077
Cash received from donors	601,967	426,701
Cash received from members, employer contracts, and other	16,800	21,097
Cash paid to suppliers and employees	(5,340,062)	(5,593,097)
Interest received	3,702	8,299
Cash used in operating activities	(208,815)	(245,923)
<i>Cash used in investing activities for the acquisition of capital assets:</i>		
	(22,327)	(5,821)
Net decrease in cash and cash equivalents	(231,142)	(251,744)
Cash and cash equivalents at beginning of period	1,287,473	1,539,217
Cash and cash equivalents at end of period	\$1,056,331	\$1,287,473

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

Change in net assets	(\$705,444)	(\$538,567)
<i>Items which reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation	8,990	7,163
Changes in related asset and liability accounts:		
Contract revenues receivable	(72,391)	23,758
Provision for uncollectible accounts	2,450	1,800
Unconditional promises to give	249,074	243,518
Prepaid expenses	1,375	840
Accounts payable and accrued expenses	307,131	15,565
	496,629	292,644
Net cash used in operating activities	(\$208,815)	(\$245,923)

**SUPPLEMENTAL DISCLOSURES OF NONCASH
OPERATING ACTIVITIES**

In-kind contribution received	\$7,840	\$0
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The accompanying notes are an integral part of these financial statements.

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

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 (the “CCR&R Network”) is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the CCR&R Network’s management, who are responsible for their integrity and objectivity. The CCR&R 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 CCR&R Network is an association of 11 local member child care resource and referral programs housed in a variety of types of host organizations. The CCR&R Network subcontracts with these organizations for provision of local resource and referral core services, which include but are not limited to, child care consumer education and referrals, caregiver training and technical assistance, and community capacity-building. The CCR&R 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 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 CCR&R Network is the only association of child care resource and referral agencies in the State of Washington.

One of the CCR&R Network’s primary programs for the professional development of child care providers is its administration of 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 private foundations and government contracts (see Notes 3 and 4).

Substantially all of the CCR&R 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:

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 CCR&R 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.

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 CCR&R 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 CCR&R 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.

NOTE 1 - continued:

Income taxes –

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

Functional expense classification –

The CCR&R 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 CCR&R 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 CCR&R Network identifies and allocates certain overhead expenses, when material, to functional categories on the basis of overall CCR&R Network efforts expended in these areas. Allocated expenses during the years ended June 30, 2011 and 2010 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:

As of June 30, 2011 and 2010, the CCR&R Network held \$3,196 and \$3,194, respectively, in an interest bearing account associated with a sublease deposit from the City of Tacoma which is restricted from withdrawal until termination of the underlying lease agreement. See Note 7.

Contracts, including those recorded as fees for service, accounted for approximately ninety-two and ninety-five percent of total revenues and other support for 2011 and 2010, 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,	
	2011	2010
Federal awards:		
Washington State Department of Early Learning (Note 1)	\$3,847,608	\$1,838,571
Federal Pathways to Quality Grant Performance - Administration for Children and Families		219,758
Washington State Department of Health	18,755	
Washington State Department of Social & Health Services	779	
Total federal funds	<u>3,867,142</u>	<u>2,058,329</u>
State, local and contractor funds:		
Washington State Department of Early Learning	638,312	2,579,736
Washington Scholarships for Child Care Professionals – City of Seattle		154,960
Early Learning Network and Child Care Comprehensive Program – Child Care Resources	30,808	42,188
Community-Minded Enterprises	8,809	
Educational Service District 112	24,373	
Olympic Educational Service District 114	9,275	
Healthy Child Care Washington – Washington State Department of Health		30,306
Total state and local funds	<u>711,577</u>	<u>2,807,190</u>
Total contract revenue	<u>\$4,578,719</u>	<u>\$4,865,519</u>

Contract funds and other receivables consist of the following:

	June 30	
	2011	2010
Washington State Department of Early Learning	\$829,469	\$795,141
Washington State Department of Health	18,755	15,465
Early Learning Network and Child Care Comprehensive Program – Child Care Resources	4,895	11,226
Community-Minded Enterprises	4,391	
Educational Service District 112	16,237	
Olympic Educational Service District 114	8,975	
Other	28,678	17,177
	<u>911,400</u>	<u>839,009</u>
Less: allowance for doubtful accounts	(4,250)	(1,800)
	<u>\$907,150</u>	<u>\$837,209</u>

NOTE 4 - PROMISES TO GIVE:

During the year ended June 30, 2009, the CCR&R Network received an unconditional promise to give totaling \$750,000 over three years from the Bill & Melinda Gates Foundation (Gates Foundation) to support the CCR&R Network's administration of the Washington Scholarships for Child Care Professionals program, the Quality Assurance Program, and the Early Childhood Academy. The CCR&R Network received \$250,000 from the Gates Foundation during 2009, 2010 and 2011.

These promises to give are summarized as follows:

	As of June 30,	
	2011	2010
Unconditional promise to give – Gates Foundation	\$750,000	\$750,000
Less: amounts received to date	(750,000)	(500,000)
Remaining promise to give	0	250,000
Less: unamortized discount		(926)
Promises to give, net of discount	<u>\$0</u>	<u>\$249,074</u>

NOTE 5 - 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,	
	2011	2010
Purpose restrictions:		
Thrive by Five	\$152,804	\$225,625
Gates Foundation	362,087	195,672
The Boeing Company	100,000	186,766
Discuren	40,000	40,000
Child Care Resources	62,488	66,101
Bamford Foundation	69,307	
Total	<u>\$786,686</u>	<u>\$714,164</u>

NOTE 5 - continued:

Temporarily restricted net assets at June 30, 2011 and 2010 consisted of the following:

	Year ended June 30,	
	2011	2010
Purpose restrictions:		
Gates Foundation – Scholarship Program, Quality Assurance Program, and Early Childhood Academy	\$83,104	\$444,265
Thrive by Five – Scholarship Program, Quality Assurance Program, and Early Childhood Academy		152,804
Child Care Resources – Family, Friend, & Neighbor (FFN) & Parents	31,410	13,898
The Bamford Foundation – Early Childhood Academy and Scholarship Program	29,693	5,000
Total	<u>\$144,207</u>	<u>\$615,967</u>

NOTE 6 - RETIREMENT PLAN:

Effective July 1, 2000, the CCR&R 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 CCR&R Network contributes a total of \$550 per employee per month with the employee deciding how much, if any, to contribute to their individual 403(b) retirement account. The total employer 403(b) contributions for 2011 and 2010 were \$29,791 and \$31,287, respectively.

NOTE 7 - LEASE COMMITMENT:

Effective July 1, 2007, the CCR&R Network entered into a non-cancelable operating lease agreement for office space that expires in June 2014. The lease contains escalating rent and the CCR&R 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:

For the year ended June 30:	
2012	\$126,247
2013	130,035
2014	133,935
Total	<u>\$390,217</u>

The CCR&R Network subleases a portion of the above office space on a month-to-month basis.

Rental expense net of sublease income for the years ended June 30, 2011 and 2010 was \$91,463 and \$88,312, respectively.

NOTE 8 - SUBSEQUENT EVENTS:

The CCR&R Network has evaluated subsequent events through November 29, 2011, the date these financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

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 Health</u>			
<i>Maternal and Child Health Services Block Grant to the States</i>	93.994	N17155	<u>\$ 18,755</u>
<u>Passed through Washington State Department of Social & Health Services</u>			
<i>Lifespan Respite Care Program</i>	93.072	1036-13991	<u>779</u>
<u>Passed through Washington State Department of Early Learning</u>			
<i>Child Care and Development Block Grant</i>	93.575	10-1155-07	3,227,608
<i>ARRA - Child Care and Development Block Grant</i>	93.713	10-1155-07	<u>620,000</u>
Total Child Care Development Fund Cluster			<u>3,847,608</u>
<u>TOTAL</u>			<u><u>\$ 3,867,142</u></u>

**THE WASHINGTON STATE CHILD CARE
RESOURCE & REFERRAL NETWORK**

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 CCR&R Network and is presented in accordance with generally accepted accounting principles 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 CCR&R Network provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amounts Provided to Subrecipients
Child Care and Development Block Grant	93.575	\$2,524,783
ARRA - Child Care and Development Block Grant	93.713	609,500
		\$3,134,283

**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***

November 29, 2011

To the Board of Trustees

The Washington State Child Care Resource & Referral Network

We have audited the financial statements of The Washington State Child Care Resource & Referral Network (a nonprofit organization) as of and for the year ended June 30, 2011, and have issued our report thereon dated November 29, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered The Washington State Child Care Resource & Referral Network's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Washington State Child Care Resource & Referral Network's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Smith Bunday Berman Britton, P.S.

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 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*.

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

**Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

November 29, 2011

To the Board of Trustees
The Washington State Child Care Resource & Referral Network

Compliance

We have audited The Washington State Child Care Resource & Referral Network's (a nonprofit organization) 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 each of The Washington State Child Care Resource & Referral Network's major federal programs for the year ended June 30, 2011. The Washington State Child Care Resource & Referral Network's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of The Washington State Child Care Resource & Referral Network's management. Our responsibility is to express an opinion on The Washington State Child Care Resource & Referral Network's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on The Washington State Child Care Resource & Referral Network's compliance with those requirements.

In our opinion, The Washington State Child Care Resource & Referral Network complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Smith Bunday Berman Britton, P.S.

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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The Washington State Child Care Resource & Referral Network's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The 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.

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

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

**The Washington State Child Care Resource & Referral Network
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011**

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 programs 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 programs 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 programs.
7. The major program was comprised of the Child Care Development Fund cluster consisting of the Child Care and Development Block Grant, CFDA #93.575 and ARRA – Child Care and Development Block Grant, CFDA #93.713.
8. The threshold for distinguishing Types A and B programs was \$300,000.
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.