CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013
(WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2012)

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Resource Center, Inc. ("CCRC"), which comprise the statement of financial position as of June 30, 2013, the related statements of activities, 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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CCRC as of June 30, 2013 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CCRC's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 11, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2013 on our consideration of CCRC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering CCRC's internal control over financial reporting and compliance.

SingerLewak LLP

SingerLewak LLP

Los Angeles, California
December 11, 2013

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
June 30, 2013
(With Comparative Totals at June 30, 2012)

ASSETS

	2013	2012
Current assets		
Cash and cash equivalents	$ 1,289,053	$ 4,652,501
Cash held in reserve	335,489	338,804
Government contracts receivable	10,490,576	2,842,619
Other receivables	86,865	35,701
Prepaid expenses and other current assets	217,319	105,301
Total current assets	12,419,302	7,974,926
Property and equipment, net	3,858,884	4,109,790
Other assets	192,170	202,243
Total assets	**$ 16,470,356**	**$ 12,286,959**

LIABILITIES AND NET ASSETS

	2013	2012
Current liabilities		
Accounts payable	$ 9,463,856	$ 5,816,074
Accrued expenses	2,277,691	1,508,721
Capital lease obligation	-	61,223
Due to funding agencies	-	178,900
Reserve funds	335,489	338,804
Deferred rent, current portion	9,323	77,102
Total current liabilities	12,086,359	7,980,824
Deferred rent, net of current portion	157,990	333,397
Total liabilities	12,244,349	8,314,221
Commitments and contingencies (Note 10)		
Net assets		
Unrestricted	4,129,479	3,909,259
Temporarily restricted	96,528	63,479
Total net assets	4,226,007	3,972,738
Total liabilities and net assets	**$ 16,470,356**	**$ 12,286,959**

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Unrestricted	Temporarily Restricted	2013	2012
Revenue and support				
Grant revenue	$ 91,266,138	$ 237,498	$ 91,503,636	$ 81,202,644
Fees for services	18,119,838	-	18,119,838	19,654,214
Family fees	1,246,764	-	1,246,764	1,214,044
Contributions	152,560	-	152,560	239,772
Gain (loss) on disposal of property and equipment	14,650	-	14,650	(1,444)
Interest income	3,539	-	3,539	3,992
Other income	368,511	-	368,511	421,626
Net assets released from restrictions	204,449	(204,449)	-	-
Total revenue and support	111,376,449	33,049	111,409,498	102,734,848
Functional expenses				
Program services	104,147,271	-	104,147,271	95,969,497
General and administrative expenses	6,964,504	-	6,964,504	6,540,599
Fundraising costs	44,454	-	44,454	121,135
Total functional expenses	111,156,229	-	111,156,229	102,631,231
Changes in net assets	220,220	33,049	253,269	103,617
Net assets, beginning of year	3,909,259	63,479	3,972,738	3,869,121
Net assets, end of year	**$ 4,129,479**	**$ 96,528**	**$ 4,226,007**	**$ 3,972,738**

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

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013	2012
Cash flows from operating activities		
Changes in net assets	$ 253,269	$ 103,617
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	823,991	609,432
(Gain) loss on disposal of property and equipment	(14,650)	1,444
(Increase) decrease in		
Cash held in reserve	3,315	64,161
Government contracts receivable	(7,647,957)	4,367,528
Other receivables	(51,164)	14,299
Prepaid expenses and other assets	(101,945)	50,689
Increase (decrease) in		
Accounts payable	3,647,782	(532,073)
Accrued expenses	768,970	(424,528)
Due to funding agencies	(178,900)	(1,184,802)
Reserve funds	(3,315)	(64,161)
Deferred rent	(243,186)	28,608
Net cash (used in) provided by operating activities	(2,743,790)	3,034,214
Cash flows from investing activities		
Purchase of property and equipment	(577,569)	(508,257)
Proceeds from sale of property and equipment	19,134	-
Net cash used in investing activities	(558,435)	(508,257)
Cash flows from financing activities		
Net payments on line of credit	-	(2,000,000)
Net payments on obligations under capital leases	(61,223)	(137,932)
Net cash used in financing activities	(61,223)	(2,137,932)
Net (decrease) increase in cash and cash equivalents	(3,363,448)	388,025
Cash and cash equivalents, beginning of year	4,652,501	4,264,476
Cash and cash equivalents, end of year	**$ 1,289,053**	**$ 4,652,501**
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	**$ -**	**$ 8,314**

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	Program Services	General and Administrative	Fundraising	2013	2012
Payments to child care providers	$ 76,971,018	$ -	$ -	$ 76,971,018	$ 70,220,283
Personnel expenses					
Salaries and wages	16,390,166	3,668,935	17,547	20,076,648	18,407,715
Payroll taxes	1,499,233	286,349	1,505	1,787,087	1,643,061
Employee benefits	2,526,235	541,370	2,748	3,070,353	3,238,324
Workers' compensation insurance	508,330	36,663	243	545,236	686,157
Total personnel expenses	20,923,964	4,533,317	22,043	25,479,324	23,975,257
Other expenses					
Advertising	27,654	25,568	624	53,846	102,207
Bank Fees	26	24,733	27	24,786	19,928
Business insurance	136,339	72,760	160	209,259	189,188
Conferences and staff development	158,810	77,703	2,364	238,877	199,762
Depreciation expense	785,033	38,958	-	823,991	609,432
In-kind contributions	90,485	-	-	90,485	108,763
Interest expense	1,384	-	-	1,384	20,640
Membership dues	1,742	109,262	8	111,012	132,811
Office equipment leases and maintenance	138,373	102,109	447	240,929	220,733
Other expenses	125,136	66,384	157	191,677	144,316
Postage and delivery	192,593	63,985	1,495	258,073	316,523
Printing	12,465	8,613	760	21,838	27,013
Professional services	504,329	374,627	1,674	880,630	677,571
Rent	2,068,074	686,880	5,748	2,760,702	3,099,333
Repairs and maintenance	289,225	104,451	503	394,179	449,990
Software costs	50,223	247,447	15	297,685	311,657
Supplies	1,062,516	170,453	7,241	1,240,210	1,000,260
Telephone	145,067	51,453	333	196,853	211,746
Temporary help	51,329	93,901	-	145,230	154,208
Travel	120,389	27,214	93	147,696	100,291
Utilities	291,097	84,686	762	376,545	339,319
Total other expenses	6,252,289	2,431,187	22,411	8,705,887	8,435,691
Total functional expenses	**$ 104,147,271**	**$ 6,964,504**	**$ 44,454**	**$ 111,156,229**	**$ 102,631,231**

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

NOTE 1 – NATURE OF OPERATIONS

The Child Care Resource Center, Inc. ("CCRC") is a California Nonprofit Public Benefit Corporation that has assisted parents, child care professionals, employers and local communities in all matters related to early care and education since 1976. CCRC's mission has been guided by the belief that our social and economic future depends on the quality of a young child's experiences. We encourage the growth and development of children and their families through our creative, informative and supportive programs and services.

In 2013, CCRC was awarded additional funds under the contracts with the California Department of Education to provide Resource & Referral and Child Care Financial Assistance services to constituents in the San Bernardino County. With this expansion, CCRC currently serves over 35,000 children and families each month in both Northern Los Angeles and San Bernardino Counties by working effectively with parents, child care professionals, community members, businesses and government agencies to promote higher standards in child care and early education.

CCRC provides the following services:

Resource and Referral – CCRC's Resource and Referral Department (R&R) assists parents, at no charge, with locating and selecting the best child care for their children. Parents call CCRC to discuss child care needs with a Resource & Referral Specialist who provides information on licensed family child care professionals, child care centers, school age programs and other early education program options available in the area. Resource & Referral Specialists also help parents and child care professionals by offering technical assistance ranging from finding special needs child care and child development ages & stages to marketing child care businesses and CPR training and certification.

Child Care Financial Assistance – CCRC administers several programs, funded through the state and federal government including the California Department of Education, to help families pay for child care. This assistance pays for part, or all, of the cost of child care, depending on family size and income. CCRC Family Support Specialists certify eligible families and work with parents and Resource & Referral Specialists to locate appropriate child care and arrange for payment. Parents may choose licensed or legally exempt child care.

The CalWORKs Child Care Program has been designed for parents who are currently in the Welfare to Work Program and is funded through Los Angeles County's Department of Public Social Services. Parents need this type of child care financial assistance in order to experience a smooth transition from dependence on cash aid into the workforce. Eligibility for both the Child Care Financial Assistance and CalWORKS Child Care programs is based on a number of variables and conditions.

NOTE 1 – NATURE OF OPERATIONS (Continued)

Head Start & Early Head Start – CCRC provides Head Start preschool for three- and four-year olds, Early Head Start for children 0-3, and professional services to over 1,400 qualifying families in the San Fernando Valley. These programs serve children from low-income families and provide learning activities that promote cognitive, social, emotional, and physical growth and development. Head Start and Early Head Start both focus on the whole family giving them the necessary resources needed to care for their children in healthy and productive ways. CCRC staff offer medical, dental, mental health, special needs and nutrition services as well as many opportunities for parents to be involved in their child's growth, development and education.

School Readiness Initiative (SRI) … Ready For School – The School Readiness Initiative ensures a high quality parent and child environment that allows children 0-5 years of age to receive early learning experiences that are crucial to their success. The initiative helps young children develop the skills necessary to be successful when they enter kindergarten through targeted services in four areas: improved family functioning, improved child development, improved health, and improved systems of care.

Family Child Care Home Education Networks (FCCHEN) – The Family Child Care Home Education Networks consists of a number of licensed family child care providers who accept children referred by CCRC and participate in comprehensive early childhood and education training from CCRC's Child Development Specialists to maintain a high level of quality for the children in their care. The network combines the standards of a first rate center with the intimacy of a home environment. Child care professionals in FCCHEN receive monthly resource van visits, education in child assessment and development, individualized training, and child care financial assistance for enrolled families who are eligible. CCRC coordinates networks in the San Fernando and Antelope Valleys serving hundreds of families and child care professionals.

Careers in Child Development – CCRC has developed a Careers in Child Development increase literacy and professional skills of low income residents while increasing the capacity of the early childhood education field. The program participants gain access to at least 12 units of higher education, 150 hours of volunteer work service in area preschools or elementary schools, and help finding employment. The main goal of the program is to obtain an Associate Teacher Permit and become employed in the Child Development field.

Book, Toy and Resource Library – Child Care Resource Center's Book, Toy and Resource Library locations in Chatsworth, Palmdale, San Bernardino and Victorville offer thousands of high quality, age appropriate toys, instructional videos, parent and child books, games, and child development educational materials at no cost to library card holders (free and easy to obtain). CCRC also offers a variety of resource materials for child care professionals, child development students and parents, such as lesson plan ideas, child development information, and training guides and videos.

NOTE 1 – NATURE OF OPERATIONS (Continued)

Training and Technical Assistance/Workshops/Conferences – CCRC's Child Development Specialists and other staff work directly with parents and child care professionals by offering technical assistance, information, and training and support. CCRC provides or hosts over 250 workshops, trainings and Early Care Institutes each year focusing on various areas of interest in early care and education. Workshops are offered both in English and Spanish. The educational opportunities offered by CCRC include topics such as: child growth and development, health and nutrition, learning environments and curriculum, promoting diversity, program administration and business management, positive child interactions and guidance, and special needs and inclusion.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>
The financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CCRC's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

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

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CCRC and/or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by CCRC. Investment income generated from these funds is available for general support of CCRC unless otherwise stipulated by the donor. As of June 30, 2013 and 2012, CCRC had no permanently restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash Held in Reserve
Cash held in reserve is cash whose use by CCRC has been limited under contract funding terms and conditions. Of the total $335,489, $262,427 relates to contracts with the California Department of Education ("CDE"). The amount with CDE represents cash received but not earned by CCRC. Under CDE's rules, the reserve amount may be used for operations in certain cases. Any unused reserve funds must be returned to CDE upon termination of services under the child development contracts. The reserve balance is reviewed and re-calculated by CDE on an annual basis. The amount in excess of the required reserve balance must be repaid to CDE.

The remaining $73,062 of the cash held in reserve balance relates to CCRC's contract with the Los Angeles County Office of Education ("LACOE") for the Head Start Program. CCRC is required by LACOE to segregate cash received for future payments of accrued leave liability. Accordingly, CCRC maintains the cash received for future payments of accrued leave liability in a separate bank account.

The related liabilities for cash held in reserve for contracts with CDE and LACOE have been reflected in Reserve Funds in the accompanying statement of financial position at June 30, 2013 and 2012.

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

CCRC accounts for its long-lived assets with definite useful lives in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") Topic No. 360, *Property, Plant and Equipment*. Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, CCRC first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. CCRC determined that there were no impairments on its long-lived assets for the years ended June 30, 2013 and 2012.

Due to Funding Agencies

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

Revenue and Support

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Support (Continued)
Contributions of donated non-cash assets are recorded at their fair values in the period in which they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period in which they are received. CCRC received professional services relating to the Head Start Program valued at $90,485 and $108,763 for the years ended June 30, 2013 and 2012, respectively, which is included in contribution revenue.

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

Functional Allocation of Expenses
Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management. Fundraising costs of $44,454 and $121,135 for the years ended June 30, 2013 and 2012, respectively, were not charged to any child development contracts.

Estimated Fair Value of Financial Statements
As defined in FASB ASC Topic No. 820, “Fair Value Measurements and Disclosures” (“ASC 820”) (formerly SFAS No. 157, “Fair Value Measurements”), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the CCRC uses the market or income approach. Based on this approach, CCRC utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. CCRC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Statements (Continued)

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

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

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

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended June 30, 2013, the application of valuation techniques applied to similar assets and liabilities has been consistent.

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

In accordance with ASC 820, CCRC classified all its cash in the Level 1 fair value hierarchy measured at fair value on a recurring basis at June 30, 2013.

Income Taxes

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

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)
CCRC's state income tax returns remain subject to examination for all tax years ended on June 30, 2009, 2010, 2011 and 2012 with regard to all tax positions and the results reported. CCRC's federal income tax returns remain subject to examination for all tax years ended on June 30, 2010, 2011 and 2012 with regard to all tax positions and the results reported.

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

NOTE 3 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject CCRC to concentrations of credit risk consist of cash and accounts receivable. CCRC maintains its cash with high-credit, quality financial institutions, and that cash may, at times, exceed amounts insured by the Federal Deposit Insurance Corporation (the "FDIC"). CCRC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents. For the years ended June 30, 2013 and 2012, uninsured cash amounted to $1,950,424 and $1,181,279, respectively.

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

A majority of CCRC's annual funding, $109,034,101 or 97.9% and $100,670,022 or 97.7% in 2013 and 2012, respectively, of total operating revenues is derived from grant agreements with federal and nonfederal agencies. CCRC has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements, withholding of funds or significant decreases to funding) would adversely affect CCRC's ability to finance ongoing operations.

NOTE 4 – GOVERNMENT CONTRACTS RECEIVABLE

Government contracts receivable at June 30, 2013 and 2012 are as follows:

	2013	2012
California Department of Education	$ 9,224,957	$ 1,531,702
County of Los Angeles DPSS – CalWORKs Stage I	205,507	730,206
Department of Health and Human Services – Administration for Children & Families	92,896	275,009
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	116,962	136,366
Los Angeles County – Office of Education	414,355	-
Los Angeles County Early Care & Education Workforce Consortium – Gateways for Early Educators Project	198,231	136,058
Other funding sources	237,668	33,278
Government contracts receivable	**$ 10,490,576**	**$ 2,842,619**

Government contracts receivable are all due within one year.

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2013 and 2012 is as follows:

	2013	2012
Leasehold improvements	$ 547,971	$ 441,828
Computer equipment and software	2,490,141	2,294,915
Office equipment	4,270,512	4,107,633
Furniture and fixtures	1,940,923	1,925,497
Vehicles	579,623	573,081
	9,829,170	9,342,954
Less accumulated depreciation and amortization	(5,970,286)	(5,233,164)
Property and equipment, net	**$ 3,858,884**	**$ 4,109,790**

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 amounted to $823,991 and $609,432, respectively. For the years ended June 30, 2013 and 2012, CCRC had gains (losses) on disposal of property and equipment of $14,650 and ($1,444), respectively.

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Certain property and equipment with a net carrying amount of $336,546 was acquired with federal grant funds. Under federal regulations, the federal government maintains ownership interests in these properties and equipment. Use of these properties and equipment for other than the purpose for which they were funded must be approved by the federal agencies.

NOTE 6 – LINE OF CREDIT

At June 30, 2013, CCRC had a revolving line of credit of $8,000,000, which expires on March 15, 2015. At June 30, 2013 and 2012, there were no outstanding balances on the line of credit. The effective interest rate at June 30, 2013 was 4.00% per annum. Collateral used to secure the line of credit does not include any property acquired or improved with federal funds from the U.S. Department of Health & Human Services, Administration for Children & Families for the benefit of the Head Start Program.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Movements in temporarily restricted net assets were as follows:

	Available June 30, 2012	New Revenues	Expenditures/ Released from Restriction	Available June 30, 2013
Child care and educational preschool programs	$ 63,479	$ 237,498	$ 204,449	$ 96,528

NOTE 8 – GRANT SUPPORT

Grant support for CCRC for the years ended June 30, 2013 and 2012 was received from the following sources:

	2013	2012
California Department of Education		
CalWORKs Stage II	$ 46,487,514	$ 44,098,982
CalWORKs Stage III	17,109,751	11,766,706
Alternative Payments	9,777,702	8,171,597
Family Child Care Home Education Networks	2,290,469	2,610,431
Resource & Referral	893,405	775,771
Child and Adult Care Food Program	639,776	635,278
Other grants	206,260	95,864
Department of Health and Human Services – Administration for Children & Families	6,771,877	6,702,811
Los Angeles County – Office of Education	5,740,632	5,459,741
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	400,256	402,491
Los Angeles County – Department of Public Health Emergency Preparedness and Response Services	150,633	92,826
Los Angeles County – Department of Public Health, Los Angeles – Reduce Obesity in Child Care Setting	191,342	-
Child Care Alliance of Los Angeles, Gateways	475,162	203,310
Other grants	368,857	186,836
Total grant support	**$ 91,503,636**	**$ 81,202,644**

NOTE 9 – RETIREMENT PLANS

CCRC maintains two contributory retirement plans for its eligible employees. The plans are a defined contribution pension plan under Internal Revenue Code Section 403(b) that is available to all of its employees with at least ninety days of employment and a defined contribution plan under Section 457(b) that is available to eligible executive management employees. During the years ended June 30, 2013 and 2012, CCRC made discretionary employer contributions to these plans totaling $57,557 and $156,459, respectively.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Leases

CCRC leases various equipment and facilities under non-cancelable operating lease agreements expiring at various dates through 2027. The future minimum lease payments required under these lease agreements at June 30, 2013 are as follows:

Years Ending June 30,	
2014	$ 3,356,756
2015	2,561,030
2016	2,459,391
2017	2,243,802
2018	2,150,190
Thereafter	3,433,117
Total	**$ 16,204,286**

Rental expense for facilities includes common area maintenance charges. Total rental expense for the years ended June 30, 2013 and 2012 was $2,760,702 and $3,099,333, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date and through December 11, 2013, which represents the date that the financial statements were available for issue. No events or transactions have occurred during this period that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES BY AREA
For the Year Ended June 30, 2013
(With Comparative Totals for the Year Ended June 30, 2012)

	2013							2012
	CDE Programs	County Child Care	Head Start	Property and Equipment	Deferred Rent	All Other Programs	Total	Total
Revenue and support								
Grant revenue	$ 77,404,878	$ -	$ 12,512,509	$ -	$ -	$ 1,586,249	$ 91,503,636	$ 81,202,644
Fees for services	-	18,119,838	-	-	-	-	18,119,838	19,654,214
Family fees	1,246,584	180	-	-	-	-	1,246,764	1,214,044
Contributions	-	-	-	-	-	62,075	62,075	131,009
In-kind contributions	-	-	90,485	-	-	-	90,485	108,763
Gain (loss) on disposal of property and equipment	-	-	-	14,650	-	-	14,650	(1,444)
Interest income	-	-	-	-	-	3,539	3,539	3,992
Other income	3,370	-	-	76,983	-	288,158	368,511	421,626
Total revenue and support	78,654,832	18,120,018	12,602,994	91,633	-	1,940,021	111,409,498	102,734,848
Expenditures								
Provider payments	63,797,608	13,172,300	-	-	-	1,110	76,971,018	70,220,283
Salaries and wages	8,494,053	3,180,185	7,535,100	-	-	867,310	20,076,648	18,407,715
Employee benefits and payroll taxes	2,032,652	794,650	2,336,222	-	-	239,153	5,402,677	5,567,542
Supplies	704,669	93,105	336,186	-	-	106,249	1,240,209	1,000,260
Services and other operating expenses	2,895,489	816,443	2,162,444	(61,223)	(243,183)	981,231	6,551,201	6,712,566
In-kind contributions	-	-	90,485	-	-	-	90,485	108,763
Equipment	350,817	7,143	142,557	(500,585)	-	68	-	4,670
Depreciation	-	-	-	823,991	-	-	823,991	609,432
Total expenditures per audited financials	78,275,288	18,063,826	12,602,994	262,183	(243,183)	2,195,121	111,156,229	102,631,231
Change in net assets	$ 379,544	$ 56,192	$ -	$ (170,550)	$ 243,183	$ (255,100)	$ 253,269	$ 103,617
Adjustments to reconcile to regulatory reporting								
Capitalized equipment expensed on AUD forms	350,817	-	-	-	-	-	350,817	220,475
Total expenditures by state categories	78,626,105	18,063,826	12,602,994	262,183	(243,183)	2,195,121	111,507,046	102,851,706
Revenues over (under) expenditures for regulatory reporting	**$ 28,727**	**$ 56,192**	**$ -**	**$ (170,550)**	**$ 243,183**	**$ (255,100)**	**$ (97,548)**	**$ (116,858)**

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