

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

(WITH COMPARATIVE TOTALS

FOR THE YEAR ENDED JUNE 30, 2014)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Child Care Resource Center, Inc.
(A Nonprofit Organization)
Chatsworth, California

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Resource Center, Inc. (a nonprofit organization) ("CCRC"), which comprise the statement of financial position as of June 30, 2015, 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, 2015 and the changes in 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 12, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 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 financial statements as a whole. The accompanying statement of activities by area is presented for the purpose 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 taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 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

Los Angeles, California
December 14, 2015

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

STATEMENTS OF FINANCIAL POSITION

June 30, 2015

(With Comparative Totals at June 30, 2014)

	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	\$ 6,113,900	\$ 6,052,548
Cash held in reserve	504,092	383,546
Government contracts receivable	8,904,629	6,468,281
Other receivables	95,328	96,222
Prepaid expenses and other current assets	<u>668,284</u>	<u>482,503</u>
Total current assets	16,286,233	13,483,100
Property and equipment, net	4,089,939	3,874,861
Other assets	<u>238,390</u>	<u>209,370</u>
Total assets	<u>\$ 20,614,562</u>	<u>\$ 17,567,331</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 11,242,808	\$ 10,067,485
Accrued expenses	3,242,158	2,639,211
Due to funding agencies	822,400	34,282
Reserve funds	504,092	383,546
Deferred rent, current portion	<u>4,423</u>	<u>14,671</u>
Total current liabilities	15,815,881	13,139,195
Deferred rent, net of current portion	<u>201,623</u>	<u>65,928</u>
Total liabilities	<u>16,017,504</u>	<u>13,205,123</u>
Commitments and contingencies (Note 9)		
Net assets		
Unrestricted	4,597,058	4,361,862
Temporarily restricted	<u>-</u>	<u>346</u>
Total net assets	<u>4,597,058</u>	<u>4,362,208</u>
Total liabilities and net assets	<u>\$ 20,614,562</u>	<u>\$ 17,567,331</u>

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	2015	2014
Revenue and support				
Grant revenue	\$ 144,205,909	\$ -	\$ 144,205,909	\$ 126,847,800
Fees for services	18,194,974	-	18,194,974	14,862,206
Family fees	2,544,938	-	2,544,938	2,052,071
Contributions	81,800	-	81,800	60,221
In-kind contributions	129,806	-	129,806	98,414
Interest income	5,700	-	5,700	4,118
Other income	236,308	-	236,308	200,648
Net assets released from restrictions	346	(346)	-	-
Total revenue and support	<u>165,399,781</u>	<u>(346)</u>	<u>165,399,435</u>	<u>144,125,478</u>
Functional expenses				
Program services	155,619,761	-	155,619,761	135,687,641
General and administrative expenses	9,485,384	-	9,485,384	8,258,834
Fundraising costs	59,440	-	59,440	42,802
Total functional expenses	<u>165,164,585</u>	<u>-</u>	<u>165,164,585</u>	<u>143,989,277</u>
Changes in net assets	235,196	(346)	234,850	136,201
Net assets, beginning of year	<u>4,361,862</u>	<u>346</u>	<u>4,362,208</u>	<u>4,226,007</u>
Net assets, end of year	<u>\$ 4,597,058</u>	<u>\$ -</u>	<u>\$ 4,597,058</u>	<u>\$ 4,362,208</u>

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	General and			2015	2014
	Program Services	Administrative	Fundraising		
Payments to child care providers	\$ 109,542,833	\$ -	\$ -	\$ 109,542,833	\$ 98,165,666
Payments for contracted services	11,470,182	-	-	11,470,182	6,072,520
Personnel expenses					
Salaries and wages	21,200,520	5,253,865	32,328	26,486,713	23,568,801
Payroll taxes	1,826,553	400,012	2,007	2,228,572	2,008,156
Employee benefits	2,736,324	531,054	2,662	3,270,040	3,212,296
Workers' compensation insurance	507,341	51,597	357	559,295	687,174
Total personnel expenses	<u>26,270,738</u>	<u>6,236,528</u>	<u>37,354</u>	<u>32,544,620</u>	<u>29,476,427</u>
Other operating expenses					
Advertising	84,823	69,724	-	154,547	187,987
Bank fees	219	30,748	-	30,967	34,432
Business insurance	58,797	145,035	-	203,832	201,775
Conferences and staff development	341,282	137,822	8,479	487,583	344,086
Depreciation expense	916,720	-	-	916,720	810,673
In-kind professional services	129,806	-	-	129,806	98,414
Interest expense	-	5,222	-	5,222	1,050
Membership dues	6,258	153,759	515	160,532	141,621
Office equipment leases and maintenance	120,789	149,212	702	270,703	277,189
Other expenses	275,744	29,819	11	305,574	176,505
Postage and delivery	317,261	109,821	2,113	429,195	375,559
Printing	70,845	152	12	71,009	49,429
Professional services	598,358	723,365	2,207	1,323,930	848,894
Rent	2,764,383	831,581	2,419	3,598,383	3,426,811
Repairs and maintenance	398,735	95,666	637	495,038	557,060
Software costs	164,294	335,292	162	499,748	533,445
Supplies	1,310,423	203,743	3,743	1,517,909	1,277,852
Telephone	261,044	83,152	437	344,633	383,208
Travel	206,809	39,353	581	246,743	152,135
Utilities	309,418	105,390	68	414,876	396,539
Total other expenses	<u>8,336,008</u>	<u>3,248,856</u>	<u>22,086</u>	<u>11,606,950</u>	<u>10,274,664</u>
Total functional expenses	<u>\$ 155,619,761</u>	<u>\$ 9,485,384</u>	<u>\$ 59,440</u>	<u>\$ 165,164,585</u>	<u>\$ 143,989,277</u>

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT ORGANIZATION)
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Changes in net assets	\$ 234,850	\$ 136,201
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation and amortization	916,720	810,673
(Increase) decrease in		
Cash held in reserve	(120,546)	(48,057)
Government contracts receivable	(2,436,348)	4,022,295
Other receivables	894	(9,357)
Prepaid expenses and other assets	(214,801)	(282,384)
Increase (decrease) in		
Accounts payable	1,175,323	603,629
Accrued expenses	602,947	361,520
Due to funding agencies	788,118	34,282
Reserve funds	120,546	48,057
Deferred rent	125,447	(86,714)
Net cash provided by operating activities	1,193,150	5,590,145
Cash flows from investing activities		
Purchase of property and equipment	(1,131,798)	(826,650)
Net increase in cash and cash equivalents	61,352	4,763,495
Cash and cash equivalents, beginning of year	6,052,548	1,289,053
Cash and cash equivalents, end of year	\$ 6,113,900	\$ 6,052,548
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 5,223	\$ 2,333

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

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – NATURE OF OPERATIONS

The Child Care Resource Center, Inc. ("CCRC") is a California Nonprofit Public Benefit Corporation that has been serving children, families and child care providers since 1976. CCRC's vision of healthy and strong children and families living in thriving communities guides its mission to cultivate child, family and community well-being. CCRC manages programs to assist with issues such as finding and selecting child care and vocational training. Children and families benefit from these programs allowing parents to go to work and attend school, contribute to the economy and strengthen their families and the community. CCRC provides services for close to 50,000 children, parents and child care providers each month in Northern Los Angeles County and the entirety of San Bernardino County serving a total area of 25,000 square miles.

CCRC provides the following services:

Book, Toy & Resource Library – CCRC offers four full-service resource libraries that provide thousands of high quality, age appropriate children's books, toys, games, puzzles and play equipment as well as child development books, videos and other resources for parents, child care providers, students and the general community.

Child Care Financial Assistance – CCRC offers a number of different funded programs that help families pay for child care. These programs offer an educational component that is developmentally, culturally, and linguistically appropriate for the children served. Meals and snacks are provided to children, along with parent education, referrals to health and social services for families, and staff development opportunities to employees. These programs are intended to increase parental choice and accommodate the individual needs of the family.

Child Care Workforce Development

- Gateways for Early Educators – The Gateways program improves outcomes for children by enhancing the early education workforce. Gateways coaches encourage, mentor, and support child care providers to improve the level of quality in their child care environments.
- California Child Care Initiative Project (CCIP) – The CCIP program is designed to increase the availability of licensed, quality child care. CCRC's trained child development specialists provide technical assistance and training to help child care providers meet California state licensing requirements and grow their businesses.
- Family Child Care Home Education Network (FCCHEN) – The FCCHEN program provides a quality child care experience in a home-based environment. Child care providers participating in this program are required to attend training to support ongoing professional development and receive assessments of both their child care environment and developmental progress of children in their care.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – NATURE OF OPERATIONS (Continued)

Child & Family Health & Wellness

- Choose Health LA – Child Care supports the healthy growth and development of children by improving the nutrition and physical environment of child care settings. CCRC offers free workshops for child care providers, events for parents and children, and information and tools for everyone.
- On the Move – In partnership with two other entities, CCRC offers a free opportunity for child care providers to learn more about integrating age appropriate physical activities into the child care environment.
- The Healthy Mouths, Healthy Children – This program is part of an overall effort to improve the oral health of young children in Los Angeles.

Child & Family Literacy – CCRC offers several different opportunities for families to participate in literacy activities including Motherread, Jumpstart’s Read for the Record, and family literacy workshops. In addition, the agency collects over 100,000 books annually for families in our service area.

Help Finding Child Care – CCRC’s Referral Specialists assist parents, at no charge, in locating and selecting the best child care for their family’s needs – types of child care, how to identify a quality environment, and referrals to licensed child care providers.

Head Start & Early Head Start – Head Start is a high quality preschool program that works to ensure the healthy development of thousands of local three and four-year old children and their families. The program provides young learners with social and academic skills as well as necessary medical and dental exams. Children with disabilities are integrated into the learning environment and parents are assisted with locating and utilizing disability services their child may need. Early Head Start is a federally funded community-based program serving low-income families with infants and toddlers and pregnant women. The program is designed to promote healthy prenatal outcomes for pregnant women, enhance the development of very young children, and promote healthy family functioning. Effective January 1, 2014, the Department of Health and Human Services was appointed as a grantee to oversee Head Start/Early Head Start services in the Antelope Valley.

Early Head Start – Child Care Partnership – Under this program, child care providers receive training in order to offer working families the same comprehensive services as the Early Head Start program. Each child participating in the program receives appropriate activities and comprehensive services such as nutrition, health, and dental evaluations. Child care providers benefit from coaching and mentoring to maintain a high level of care. Families also receive parenting and child development support.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1 – NATURE OF OPERATIONS (Continued)

Home Visitation – CCRC’s Home Visitation program which began on December 1, 2013, is an initiative directly linked to Welcome Baby which is active in 14 Best Start Communities throughout Los Angeles County. To participate, families must live within the Best Start community boundaries. The program is through Welcome Baby referrals and utilizes the Parents as Teachers curriculum to provide the information, support and encouragement parents need to help their children achieve optimal development during the crucial early years of life.

Research & Program Evaluation – CCRC’s Research & Evaluation staff ensures optimal services for families and children by providing internal and external stakeholders with useful tools and information that can be used for program evaluation, forecasting and strategic planning, contract compliance, and advocacy.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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, 2014, 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, 2015 and 2014, CCRC had no permanently restricted net assets.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification

Certain prior-year account balances have been reclassified to conform to the current year's presentation and have had no significant impact on the financial statements.

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 \$504,092, \$422,070 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 \$82,022 of the cash held in reserve balance relates to CCRC's contract with Office of Head Start (or "OHS"). CCRC is required 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, 2015 and 2014.

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 office equipment	10 years
Vehicles	10 years
Leasehold improvements	Lesser of useful life or remaining term of the lease

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 and 2014.

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.

Deferred Rent

CCRC recognizes rent expense on a straight-line basis over the terms of the leases. The difference between rent expense and the actual cash rent payments is classified as a deferred rent liability. Deferred rent totaled \$206,046 and \$80,599 at June 30, 2015 and 2014, respectively.

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 – Department of Public Health (“LADPH”) 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, LADPH 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.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

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 \$129,806 and \$98,414 for the years ended June 30, 2015 and 2014, respectively.

Fees for Services 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 statements of activities.

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 \$59,441 and \$42,802 for the years ended June 30, 2015 and 2014, 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:

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Statements (Continued)

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 year ended June 30, 2015 and 2014, 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 government contracts receivable, other current assets, accounts payable and accrued expenses approximate fair values due to the short maturity of these instruments.

In accordance with ASC 820, CCRC classified all its cash and cash equivalents in the Level 1 fair value hierarchy measured at fair value on a recurring basis at June 30, 2015 and 2014.

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.

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT ORGANIZATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2011, 2012, 2013 and 2014 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, 2012, 2013 and 2014 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 cash equivalents and government contracts receivable.

CCRC maintains its cash and cash equivalents with high-credit, quality financial institutions, which 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 its cash and cash equivalents. For the years ended June 30, 2015 and 2014, uninsured cash and cash equivalents amounted to \$6,045,756 and \$5,862,837, 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, \$161,528,618 or 97.7% and \$141,033,998 or 97.9% in 2015 and 2014, respectively, of total revenues and support 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 (e.g., the failure to renew grant agreements, withholding of funds or significant decreases to funding) would adversely affect CCRC's ability to finance its ongoing operations.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 4 – GOVERNMENT CONTRACTS RECEIVABLE

Government contracts receivable at June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
California Department of Education	\$ 6,255,920	\$ 3,121,068
County of Los Angeles DPSS – CalWORKs Stage I	35,436	1,039,231
Department of Health and Human Services – Administration for Children & Families	1,142,836	1,085,432
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	343,958	297,183
Los Angeles County – Department of Public Health	486,656	595,787
Los Angeles County – Office of Education	-	13,750
San Bernardino County Preschool Service Department – Early Head Start - Child Care Partnership	152,800	-
Los Angeles County Early Care & Education Workforce Consortium – Gateways for Early Educators Project	272,705	130,920
Children's Bureau - PFF Partnerships for Families AV	42,988	8,708
Child Care Alliance of Los Angeles-Race to the Top	42,001	48,365
Other funding sources	<u>129,329</u>	<u>127,837</u>
Government contracts receivable	<u>\$ 8,904,629</u>	<u>\$ 6,468,281</u>

Government contracts receivable are all due within one year.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 1,089,230	\$ 583,989
Computer equipment and software	3,139,787	2,799,420
Office equipment	4,642,716	4,600,370
Furniture and fixtures	2,056,216	2,036,011
Vehicles	<u>857,843</u>	<u>636,030</u>
	11,785,792	10,655,820
Less accumulated depreciation and amortization	<u>(7,695,853)</u>	<u>(6,780,959)</u>
Property and equipment, net	<u>\$ 4,089,939</u>	<u>\$ 3,874,861</u>

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 amounted to \$916,720 and \$810,673, respectively.

CHILD CARE RESOURCE CENTER, INC.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5 – PROPERTY AND EQUIPMENT (Continued)

Certain properties and equipment with a net carrying amount of \$211,106 were 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, 2015, CCRC had a revolving line of credit of \$8,000,000, which expires on March 15, 2017. At June 30, 2015 and 2014, there were no outstanding balances on the line of credit. The effective interest rate at June 30, 2015 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 DHHS – ACF for the benefit of the Head Start Program.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT ORGANIZATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7 – GRANT REVENUE

Grant revenue for CCRC for the years ended June 30, 2015 and 2014 was received from the following sources:

	<u>2015</u>	<u>2014</u>
California Department of Education		
CalWORKs Stage II	\$ 58,178,988	\$ 54,872,885
CalWORKs Stage III	33,892,072	30,528,419
Alternative Payments	18,334,390	16,249,077
Family Child Care Home Education Networks	2,483,741	2,350,330
Resource & Referral	1,618,910	1,615,016
Child and Adult Care Food Program	629,557	635,166
Other grants	154,650	155,690
Department of Health and Human Services –		
Administration for Children & Families	24,696,977	14,740,836
Los Angeles County – Office of Education	-	2,658,491
San Bernardino County – Preschool Service Department	152,800	-
Los Angeles County Children and Families First		
Proposition 10 Commission (First 5 LA)	1,245,016	600,698
Los Angeles County – Department of Public Health		
Emergency Preparedness and Response Services	247,173	318,978
Los Angeles County – Department of Public Health, Los		
Angeles – Reduce Obesity in Child Care Setting	1,250,479	1,274,264
Child Care Alliance of Los Angeles, Gateways	733,000	490,919
Other grants	<u>588,156</u>	<u>357,031</u>
Total grant revenue	<u>\$144,205,909</u>	<u>\$126,847,800</u>

NOTE 8 – 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, 2015 and 2014, CCRC made discretionary employer contributions to these plans totaling \$596,270 and \$310,638, respectively, and is recorded within “employee benefits” in the accompanying statements of functional expenses.

CHILD CARE RESOURCE CENTER, INC.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 9 – 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, 2015 are as follows:

Years Ending <u>June 30,</u>	
2016	\$ 3,499,785
2017	3,372,348
2018	3,308,381
2019	3,305,234
2020	1,434,333
Thereafter	<u>274,343</u>
Total	<u>\$ 15,194,424</u>

Rental expense for facilities includes common area maintenance charges. Total rental expense for the years ended June 30, 2015 and 2014 was \$ 3,598,383 and \$3,426,811, respectively.

NOTE 10 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the statement of financial position date and through December 14, 2015, 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 ORGANIZATION)
STATEMENTS OF ACTIVITIES BY AREA
For the Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015					2014	
	CDE Programs	County Child Care	Head Start	All Other Programs	Property & Equipment and Deferred Rent	Total	Total
Revenue and support							
Grant revenue	\$ 115,347,568	\$ -	\$ 24,813,301	\$ 4,045,040	\$ -	\$ 144,205,909	\$ 126,847,800
Fees for services	-	18,194,974	-	-	-	18,194,974	14,862,206
Family fees	2,544,873	65	-	-	-	2,544,938	2,052,071
Contributions	-	-	-	81,800	-	81,800	60,221
In-kind contributions	-	-	129,806	-	-	129,806	98,414
Interest income	-	-	-	5,700	-	5,700	4,118
Other income	10,073	2,441	30,356	193,438	-	236,308	200,648
Total revenue and support	117,902,514	18,197,480	24,973,463	4,325,978	-	165,399,435	144,125,478
Expenditures							
Direct provider payments	96,171,997	13,369,770	-	1,066	-	109,542,833	98,165,666
Payments made for contracted services	-	-	10,564,577	905,605	-	11,470,182	6,072,520
Personnel costs							
Salaries	13,045,544	3,101,625	8,492,109	1,847,435	-	26,486,713	23,568,801
Payroll taxes	1,084,761	250,837	738,961	154,013	-	2,228,572	2,008,156
Employee benefits	1,601,727	364,581	1,108,650	195,082	-	3,270,040	3,212,296
Workers' compensation insurance	131,365	27,556	380,658	19,716	-	559,295	687,174
Personnel expenses	15,863,397	3,744,599	10,720,378	2,216,246	-	32,544,620	29,476,427
Other operating expenses							
Advertising	71,652	27,519	13,424	41,952	-	154,547	187,987
Bank fee	23,247	4,283	1,123	2,314	-	30,967	34,432
Business insurance	98,560	21,418	78,566	5,288	-	203,832	201,775
Conferences and staff development	181,391	25,522	202,618	78,052	-	487,583	344,086
Depreciation expense	-	-	-	-	916,720	916,720	810,673
In-kind professional services	-	-	129,806	-	-	129,806	98,414
Interest expense	4,667	-	-	555	-	5,222	1,050
Membership dues	138,435	15,124	4,047	2,926	-	160,532	141,621
Office equipment leases and maintenance	161,857	34,118	71,305	3,423	-	270,703	277,189
Other expenses	70,699	47,526	71,267	116,082	-	305,574	176,505
Postage and delivery	345,225	52,444	12,094	19,432	-	429,195	375,559
Printing	84	28	2,185	68,712	-	71,009	49,429
Professional services	632,970	117,505	350,722	222,733	-	1,323,930	848,894
Rent	1,932,953	303,797	992,232	243,958	125,443	3,598,383	3,426,811
Repairs and maintenance	250,849	33,889	177,440	32,860	-	495,038	557,060
Software costs	285,467	60,860	148,872	4,549	-	499,748	533,445
Supplies	828,051	75,576	502,061	112,221	-	1,517,909	1,277,852
Telephone	342,060	43,724	(82,053)	40,902	-	344,633	383,208
Travel	79,267	17,685	106,045	43,746	-	246,743	152,135
Utilities	208,580	43,033	130,826	32,437	-	414,876	396,539
Total expenditures per audited financials	117,691,408	18,038,420	24,197,535	4,195,059	1,042,163	165,164,585	143,989,277
Change in net assets	\$ 211,106	\$ 159,060	\$ 775,928	\$ 130,919	\$ (1,042,163)	\$ 234,850	\$ 136,201
Adjustments to reconcile to regulatory reporting							
Capitalized renovation and repairs expensed on AUD forms	-	-	-	-	-	-	-
Capitalized equipment, renovations and repairs expensed on reports to funders	211,106	48,400	775,101	97,190	(1,131,797)	-	-
Total expenditures by funder categories	117,902,514	18,086,820	24,972,636	4,292,249	(89,634)	165,164,585	143,989,277
Revenues over (under) expenditures for regulatory reporting	\$ -	\$ 110,660	\$ 827	\$ 33,729	\$ 89,634	\$ 234,850	\$ 136,201

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