



Report of Independent Auditors
and Financial Statements

Child Care Resource Center, Inc.

June 30, 2016 (with summarized comparative
information for June 30, 2015)

MOSS ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors
Child Care Resource Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Resource Center, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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. 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.

MOSS ADAMS LLP

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resource Center, Inc. as of June 30, 2016, 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.

Other Matters

Prior Year Summarized Comparative Information

The summarized comparative information of Child Care Resource Center, Inc. as of and for the year ended June 30, 2015 was audited by other auditors whose report thereon, dated December 14, 2015 expressed an unmodified opinion on those financial statements.

Moss Adams LLP

Los Angeles, California
December 14, 2016

CHILD CARE RESOURCE CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	June 30,	
	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 5,647,916	\$ 6,113,900
Cash held in reserve	594,680	504,092
Government contracts receivable	10,166,696	8,904,629
Other receivables	425,332	95,328
Investments	2,388,609	-
Prepaid expenses and other current assets	776,946	668,284
Total current assets	20,000,179	16,286,233
Property and equipment, net	4,477,942	4,089,939
Other assets	268,594	238,390
Total assets	\$ 24,746,715	\$ 20,614,562
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 19,032,527	\$ 14,484,966
Due to funding agencies	6,070	822,400
Reserve funds	594,680	504,092
Deferred revenue	20,474	-
Deferred rent, current portion	8,391	4,423
Total current liabilities	19,662,142	15,815,881
Deferred rent, net of current portion	226,696	201,623
Total liabilities	19,888,838	16,017,504
Commitments and contingencies (Note 12)		
Net assets		
Unrestricted	4,805,918	4,597,058
Temporarily restricted	51,959	-
Total net assets	4,857,877	4,597,058
Total liabilities and net assets	\$ 24,746,715	\$ 20,614,562

CHILD CARE RESOURCE CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Year Ended June 30, 2016			Year Ended June 30, 2015
	Unrestricted	Temporarily Restricted	Total	
Revenue and support				
Grant revenue	\$ 165,296,847	\$ 51,959	\$ 165,348,806	\$ 144,205,909
Fees for services	19,262,708	-	19,262,708	18,194,974
Family fees	3,482,591	-	3,482,591	2,544,938
Contributions	66,471	-	66,471	81,800
In-kind contributions	76,299	-	76,299	129,806
Interest income	10,833	-	10,833	5,700
Investment income	100,910	-	100,910	-
Other income	223,235	-	223,235	236,308
Total revenue and support	188,519,894	51,959	188,571,853	165,399,435
Functional expenses				
Program services	178,754,532	-	178,754,532	155,619,761
General and administrative expenses	9,465,112	-	9,465,112	9,485,384
Fundraising costs	91,390	-	91,390	59,440
Total functional expenses	188,311,034	-	188,311,034	165,164,585
Changes in net assets	208,860	51,959	260,819	234,850
Net assets, beginning of year	4,597,058	-	4,597,058	4,362,208
Net assets, end of year	<u>\$ 4,805,918</u>	<u>\$ 51,959</u>	<u>\$ 4,857,877</u>	<u>\$ 4,597,058</u>

CHILD CARE RESOURCE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016
(WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2015)

	Year Ended June 30, 2016			Total	Year Ended June 30, 2015
	Program Services	General and Administrative	Fundraising		
Payments to child care providers	\$ 126,808,268	\$ -	\$ -	\$ 126,808,268	\$ 109,542,833
Payments for contracted services	12,272,668	-	-	12,272,668	11,470,182
Personnel expenses					
Salaries and wages	22,781,667	5,442,537	44,326	28,268,530	26,486,713
Payroll taxes	1,933,307	392,516	2,890	2,328,713	2,228,572
Employee benefits	3,298,045	641,585	4,640	3,944,270	3,270,040
Workers' compensation insurance	699,228	79,090	558	778,876	559,295
Total personnel expenses	<u>28,712,247</u>	<u>6,555,728</u>	<u>52,414</u>	<u>35,320,389</u>	<u>32,544,620</u>
Other operating expenses					
Advertising	138,231	108,792	1,339	248,362	154,547
Bank fees	189	54,122	3	54,314	30,967
Business insurance	101,210	113,134	-	214,344	203,832
Conferences and staff development	402,529	167,816	2,311	572,656	487,583
Depreciation and amortization expense	1,099,376	-	-	1,099,376	916,720
In-kind professional services	76,299	-	-	76,299	129,806
Interest expense	-	417	-	417	5,222
Membership dues	40,026	157,265	194	197,485	160,532
Office equipment leases and maintenance	234,465	89,605	504	324,574	270,703
Other expenses	463,243	18,523	427	482,193	305,574
Postage and delivery	362,086	79,164	196	441,446	429,195
Printing	11,949	620	47	12,616	71,009
Professional services	690,093	807,078	11,869	1,509,040	1,323,930
Rent	3,612,628	296,851	9,415	3,918,894	3,598,383
Repairs and maintenance	530,097	137,708	4,055	671,860	495,038
Software costs	160,146	490,560	4,473	655,179	499,748
Supplies	1,807,424	176,342	2,805	1,986,571	1,517,909
Telephone	574,515	81,916	449	656,880	344,633
Travel	324,888	43,570	837	369,295	246,743
Utilities	331,955	85,901	52	417,908	414,876
Total other expenses	<u>10,961,349</u>	<u>2,909,384</u>	<u>38,976</u>	<u>13,909,709</u>	<u>11,606,950</u>
Total functional expenses	<u>\$ 178,754,532</u>	<u>\$ 9,465,112</u>	<u>\$ 91,390</u>	<u>\$ 188,311,034</u>	<u>\$ 165,164,585</u>

CHILD CARE RESOURCE CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	Years Ended June 30,	
	2016	2015
Cash Flows from Operating Activities		
Changes in net assets	\$ 260,819	\$ 234,850
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Net unrealized gains on investments	(94,534)	-
Depreciation and amortization	1,099,376	916,720
Net realized gain on investments	(6,376)	-
(Increase) decrease in		
Government contracts receivable	(1,262,067)	(2,436,348)
Other receivables	(330,004)	894
Prepaid expenses and other current assets	(108,662)	(185,781)
Other assets	(30,204)	(29,020)
Increase (decrease) in		
Accounts payable & accrued liabilities	4,547,561	1,778,270
Due to funding agencies	(816,330)	788,118
Deferred revenue	20,474	-
Deferred rent	29,041	125,447
Net Cash Provided by Operating Activities	<u>3,309,094</u>	<u>1,193,150</u>
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,487,379)	(1,131,798)
Purchase of investment securities	(2,350,000)	-
Proceeds from sale of investment securities	62,301	-
Increase in cash held in reserve	90,588	120,546
Net Cash Used in Investing Activities	<u>(3,684,490)</u>	<u>(1,011,252)</u>
Net (decrease) increase in cash and cash equivalents	(375,396)	181,898
Cash and Cash Equivalents at Beginning of Year	<u>6,617,992</u>	<u>6,436,094</u>
Cash and Cash Equivalents at End of Year	<u>\$ 6,242,596</u>	<u>\$ 6,617,992</u>
Supplemental Disclosures of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 417</u>	<u>\$ 5,223</u>

CHILD CARE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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.
NOTES TO FINANCIAL STATEMENTS

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 needs 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 of CCRC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States and accordingly reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

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. Included in cash held in reserve is \$512,658 and \$422,070 related to contracts with the California Department of Education ("CDE") at June 30, 2016 and 2015, respectively. 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 at June 30, 2016 and 2015, 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.

CHILD CARE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Cash held in reserve – The related liabilities for cash held in reserve for contracts with CDE and the Los Angeles County Office of Education (“LACOE”) have been reflected in Reserve Funds in the accompanying statements of financial position at June 30, 2016 and 2015.

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.

Other receivables – Other receivables consist primarily of amounts due from various transactions. CCRC carries its receivables at invoiced amounts less allowance for doubtful accounts. CCRC does not accrue interest on its receivables. On a periodic basis, CCRC evaluates its accounts receivable and establishes allowances based on overdue accounts and a history of past write-offs.

Investments – Cash and cash equivalents, fixed income funds, equity securities, real estate funds, private equity funds, and commodity funds are reported at their fair value. Interest and dividends, realized gains and losses, and unrealized gains and losses from investments are included in investment income on the statement of activities.

Property and equipment – Property and equipment are carried at cost for items purchased or fair value at the date of the gift for donated items. Repairs and maintenance are charged to expense when incurred. 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

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 revenue – Deferred revenue represents amounts received in advance for programs to be initiated in the future, for which services must be provided.

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 \$235,087 and \$206,046 at June 30, 2016 and 2015, respectively.

CHILD CARE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Net Assets – The net assets of CCRC are classified into three categories based on the nature of the donor imposed restriction as follows:

- *Unrestricted net assets* include those assets over which CCRC has discretionary control in carrying out the operations of CCRC. CCRC has elected to report, as an increase in unrestricted net assets, any restricted revenue received in the current period for which the restrictions have been met in the current period.
- *Temporarily restricted net assets* include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period.
- *Permanently restricted net assets* include those assets which are subject to a non-expiring donor restriction, such as endowments. As of June 30, 2016 and 2015, CCRC had no permanently restricted net assets.

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 statements of activities as net assets released from restrictions.

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 as services are performed.

CHILD CARE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

In-kind contributions – Donated office space, donated equipment, and other donated goods and services are recorded at their estimated fair value as of the date of the donation if the fair value exceeds \$1,000. CCRC received professional services relating to the Head Start Program valued at \$76,299 and \$129,806 for the years ended June 30, 2016 and 2015, respectively.

Functional expenses – The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising costs of \$91,390 and \$59,440 for the years ended June 30, 2016 and 2015, respectively, were not charged to any child development contracts.

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 has determined no uncertain tax benefits or liabilities exist at June 30, 2016 and 2015.

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.

Environmental regulation – Substantially all of CCRC's facilities are subject to federal, state, and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does CCRC expect such compliance to have any material effect upon the capital expenditures, change in net assets, or financial condition of CCRC. Management believes that its current practices and procedures for the control and disposition of such waste comply with applicable federal and state requirements.

Comparative financial statements – 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, 2015, from which the summarized information was derived.

CHILD CARE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassification – Certain amounts from the prior year footnotes have been reclassified, in order to conform to the current year presentation.

Note 3 – Concentration of Credit Risk

Financial instruments which potentially subject CCRC to concentrations of credit risk consist of cash and cash equivalents, investments, and government contracts receivable. Although cash and cash equivalent balances may from time to time exceed federally insured limits, management believes CCRC is not exposed to any significant credit risk with respect to those deposits.

CCRC invests in various investment securities. Investment securities are exposed to various risk factors such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statements of financial position.

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, \$184,559,555 or 97.9% and \$161,528,618 or 97.7% in 2016 and 2015, 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.
NOTES TO FINANCIAL STATEMENTS

Note 4 – Government Contracts Receivable

Government contracts receivable at June 30, 2016 and 2015 are as follows:

	June 30,	
	2016	2015
California Department of Education	\$ 4,427,830	\$ 6,255,920
County of Los Angeles DPSS - CalWORKs Stage I	1,306,610	35,436
Department of Health and Human Services - Administration for Children & Families	2,564,178	1,142,836
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	355,946	343,958
Los Angeles County - Department of Public Health	428,602	486,656
San Bernardino County Preschool Service Department - Early Head Start - Child Care Partnership	617,587	152,800
Los Angeles County Early Care & Education Workforce Consortium - Gateways for Early Educators Project	7,306	272,705
Children's Bureau - PFF Partnerships for Families AV	13,546	42,988
Child Care Alliance of Los Angeles - Race to the Top	280,469	42,001
Other funding sources	164,622	129,329
	<u>\$ 10,166,696</u>	<u>\$ 8,904,629</u>

Government contracts receivable are all due within one year.

Note 5 – Investments

The fair value of investments by major class is as follows at June 30, 2016:

	June 30,	
	2016	2015
Cash and cash equivalents	\$ 9,075	\$ -
Fixed income funds		
Corporate bonds	565,454	-
Equity securities		
International common stock	517,596	-
Domestic common stock	857,000	-
Real estate funds	187,487	-
Private equity funds	236,797	-
Commodity funds	15,200	-
	<u>\$ 2,388,609</u>	<u>\$ -</u>

Cash and cash equivalents included in investments consist primarily of money market accounts.

CHILD CARE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6 – Property and Equipment

Property and equipment at June 30, 2016 and 2015 is as follows:

	June 30,	
	2016	2015
Leasehold improvements	\$ 1,340,874	\$ 1,089,230
Computer equipment and software	3,798,943	3,139,787
Office equipment	4,910,565	4,642,716
Furniture and fixtures	2,078,227	2,056,216
Vehicles	1,144,562	857,843
	13,273,171	11,785,792
Less accumulated depreciation and amortization	(8,795,229)	(7,695,853)
Property and equipment, net	\$ 4,477,942	\$ 4,089,939

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 amounted to \$1,099,376 and \$916,720, respectively.

Note 7 – Line of Credit

At June 30, 2016, CCRC had a revolving line of credit with East West Bank of \$8,000,000 which will expire on March 15, 2017. The effective interest rate at June 30, 2016 for the line of credit 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.

CCRC also has a demand line of credit with U.S. Bank of \$1,300,000 which will expire upon CCRC's demand. The effective interest rate at June 30, 2016 for the line of credit was the prime rate announced by U.S. Bank minus 1.85% per annum. At June 30, 2016 and 2015, there were no outstanding balances on the line of credits.

Note 8 – Fair Value of Financial Instruments

The carrying amounts of cash, receivables, accounts payable, and accrued expenses approximate fair value due to the short maturity of these instruments.

CHILD CARE RESOURCE CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 – Fair Value of Measurement of Investments

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. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical assets or liabilities
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3: Unobservable inputs which are supported by little or no market activity

CCRC invests in various investment securities. Investment securities are exposed to various risk factors such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported in the statements of financial position.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position as of June 30, 2016 and 2015, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, fixed income funds, equity securities, real estate funds, and commodity funds. There were no Level 2 or Level 3 securities held by CCRC. Private equity funds are recorded at net asset value (“NAV”) of the funds, or its equivalent, fair value based on ownership percentages in the limited partnerships as of and for the year ended June 30 2016.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

CHILD CARE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9 – Fair Value of Measurement of Investments (continued)

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the fair value hierarchy in which the fair value measurements fall at June 30, 2016:

	Level 1	Level 2	Level 3	Assets Valued at NAV	Total
Cash and cash equivalents	\$ 9,075	\$ -	\$ -	\$ -	\$ 9,075
Fixed income funds					
Corporate bonds	565,454	-	-	-	565,454
Equity securities					
International common stock	517,596	-	-	-	517,596
Domestic common stock	857,000	-	-	-	857,000
Real estate funds	187,487	-	-	-	187,487
Private equity funds	-	-	-	236,797	236,797
Commodity funds	15,200	-	-	-	15,200
	<u>\$ 2,151,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,797</u>	<u>\$ 2,388,609</u>
Total	<u>\$ 2,151,812</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 236,797</u>	<u>\$ 2,388,609</u>

Private equity funds accounted for at NAV, or its equivalent, seek to achieve long-term capital appreciation by investing in a globally diversified portfolio of private equity investments. These private equity funds are redeemable on a quarterly basis with a 20 day redemption notice period. There are no unfunded commitments associated with these funds. The funds are subject to a one year soft lock with a withdrawal fee of 2%.

CHILD CARE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 10 – Grant Revenue

Grant revenue for CCRC for the years ended June 30, 2016 and 2015 was received from the following sources:

	June 30,	
	2016	2015
California Department of Education		
CalWORKs Stage II	\$ 67,060,877	\$ 58,178,988
CalWORKs Stage III	38,901,886	33,892,072
Alternative Payments	21,590,472	18,334,390
Family Child Care Home Education Networks	2,553,068	2,483,741
Resource & Referral	1,633,013	1,618,910
Child and Adult Care Food Program	661,671	629,557
Other grants	147,063	154,650
Department of Health and Human Services -		
Administration for Children & Families	27,230,837	24,696,977
San Bernardino County - Preschool Service Department	176,000	152,800
Los Angeles County Children and Family First		
Proposition 10 Commission (Frist 5 LA)	1,516,880	1,245,016
Los Angeles County - Department of Public Health		
Emergency Preparedness and Response Services	155,495	247,173
Los Angeles County - Department of Public Health,		
Los Angeles - Reduce Obesity in Child Care Setting	1,363,177	1,250,479
Child Care Alliance of Los Angeles, Gateways	740,000	733,000
Other grants	1,618,367	588,156
	<u>\$ 165,348,806</u>	<u>\$ 144,205,909</u>

Note 11 – 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, 2016 and 2015, CCRC made discretionary employer contributions to these plans totaling \$778,132 and \$596,270, respectively, and is recorded within "employee benefits" in the accompanying statements of functional expenses.

CHILD CARE RESOURCE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS

Note 12 – Commitments and Contingencies

Leases – CCRC leases various equipment and facilities under non-cancelable operating lease agreements expiring at various dates through 2025. The future minimum lease payments required under these lease agreements at June 30, 2016 are as follows:

<u>Years Ending June 30</u>	
2017	\$ 3,983,319
2018	4,005,096
2019	3,949,746
2020	2,297,279
2021	855,534
Thereafter	<u>1,156,493</u>
	<u><u>\$ 16,247,467</u></u>

Rental expense for facilities includes common area maintenance charges. Total rental expense for the years ended June 30, 2016 and 2015 was \$3,918,894 and \$3,598,383, respectively.

Note 13 – Temporarily Restricted Net Assets

Temporarily restricted net assets as of June 30, 2016 were available to purchase equipment for the Business Center.

Note 14 – Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. CCRC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. CCRC does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued. CCRC has evaluated subsequent events through December 14, 2016, which is the date the financial statements were available to be issued.