

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2011

(WITH COMPARATIVE TOTALS

FOR THE YEAR ENDED JUNE 30, 2010)

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



We have audited the accompanying statement of financial position of Child Care Resource Center, Inc. ("CCRC") as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of CCRC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2010 financial statements, which were audited by other auditors whose report, dated November 29, 2010, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011 on our consideration of Child Care Resource Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



SingerLewak LLP

Los Angeles, California
December 15, 2011

10960 Wilshire Blvd., 7th Floor Los Angeles, CA 90024 T: 310.477.3924 F: 310.478.6070

877.754.4557

CHILD CARE RESOURCE CENTER, INC.**(A NONPROFIT CORPORATION)****STATEMENT OF FINANCIAL POSITION****June 30, 2011****(With Comparative Totals at June 30, 2010)**

	ASSETS	
	2011	2010
Current assets		
Cash and cash equivalents	\$ 4,264,476	\$ 2,955,487
Cash held in reserve	402,965	314,020
Government contracts receivable	7,210,147	5,876,592
Grant receivable	50,000	-
Prepaid expenses and other current assets	155,990	210,162
Total current assets	12,083,578	9,356,261
Property and equipment, net	4,013,254	4,531,129
Other assets	202,243	219,381
Total assets	\$ 16,299,075	\$ 14,106,771
	LIABILITIES AND NET ASSETS	
Current liabilities		
Line of credit	\$ 2,000,000	\$ -
Accounts payable	6,348,147	7,221,479
Accrued expenses	1,933,249	2,121,214
Due to funding agencies	1,363,702	10,795
Reserve funds	402,965	314,020
Deferred rent, current portion	14,026	-
Total current liabilities	12,062,089	9,667,508
Deferred rent, net of current portion	367,865	-
Total liabilities	12,429,954	9,667,508
Commitments and contingencies (Note 10)		
Net assets		
Unrestricted	3,840,632	4,439,263
Temporarily restricted	28,489	-
Total net assets	3,869,121	4,439,263
Total liabilities and net assets	\$ 16,299,075	\$ 14,106,771

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, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	Unrestricted	Temporarily Restricted	2011	2010
Revenue and support				
Grant revenue	\$ 88,746,016	\$ 100,000	\$ 88,846,016	\$ 94,921,267
Fees for services	26,673,435	-	26,673,435	27,956,578
Family fees	1,211,674	-	1,211,674	1,618,778
Contributions	219,947	-	219,947	47,429
Tuition and fees	-	-	-	99,197
Loss on disposal of property and equipment	(182,318)	-	(182,318)	(366)
Interest and other income	161,354	-	161,354	141,398
Net assets released from restrictions	71,511	(71,511)	-	-
Total revenue and support	<u>116,901,619</u>	<u>28,489</u>	<u>116,930,108</u>	<u>124,784,281</u>
Functional expenses				
Program services	110,139,410	-	110,139,410	117,451,327
General and administrative expenses	7,315,288	-	7,315,288	7,114,510
Fundraising costs	45,552	-	45,552	15,888
Total functional expenses	<u>117,500,250</u>	<u>-</u>	<u>117,500,250</u>	<u>124,581,725</u>
Changes in net assets	(598,631)	28,489	(570,142)	202,556
Net assets, beginning of year	<u>4,439,263</u>	<u>-</u>	<u>4,439,263</u>	<u>4,236,707</u>
Net assets, end of year	<u>\$ 3,840,632</u>	<u>\$ 28,489</u>	<u>\$ 3,869,121</u>	<u>\$ 4,439,263</u>

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, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (570,142)	\$ 202,556
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	1,534,484	460,021
Loss on disposal of property and equipment	182,318	366
(Increase) decrease in		
Cash held in reserve	(88,945)	(1,704)
Government contracts receivable	(1,333,555)	(445,507)
Grant receivable	(50,000)	112,500
Prepaid expenses and other assets	71,310	(29,471)
Increase (decrease) in		
Accounts payable	(873,332)	52,558
Accrued expenses	(187,965)	63,248
Due to funding sources	1,352,907	(2,504)
Reserve funds	88,945	1,704
Deferred rent	381,891	-
Net cash provided by operating activities	507,916	413,767
Cash flows from investing activities		
Purchase of property and equipment	(1,202,549)	(626,989)
Proceeds from sale of property and equipment	3,622	50
Net cash used in investing activities	(1,198,927)	(626,939)
Cash flows from financing activities		
Net borrowings on line of credit	2,000,000	(2,000,000)
Net cash provided by (used in) financing activities	2,000,000	(2,000,000)
Net increase (decrease) in cash and cash equivalents	1,308,989	(2,213,172)
Cash and cash equivalents, beginning of year	2,955,487	5,168,659
Cash and cash equivalents, end of year	\$ 4,264,476	\$ 2,955,487
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	\$ 104,047	\$ 79,516

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – NATURE OF OPERATIONS

The Child Care Resource Center, Inc. ("CCRC") is a California Nonprofit Public Benefit Corporation and has been assisting parents, child care providers, employers, and local communities in all matters related to child care since 1976. CCRC's mission is to promote optimal child development and family well-being through access to quality child care, family support, economic development and community education. CCRC serves over 25,000 children and families each month in the San Fernando, Santa Clarita, and Antelope Valleys, by working effectively with the community, parents, providers and government agencies in planning and developing new child care resources.

CCRC provides the following services:

Resource and Referral – CCRC's Resource and Referral Department (R&R) assists parents, at no charge, to locate and select the best child care for their children. Parents call CCRC to discuss child care needs with a Referral Specialist who will provide information on licensed family child care providers, child care centers, school age programs and other early education program options available in the area. Specialists also assist parents by providing technical assistance for an array of child care issues including: choosing quality child care, child development issues, special needs child care, child abuse reports and complaints about child care programs or providers.

Child Care Financial Assistance – CCRC administers several programs to help families pay for child care. CCRC's financial assistance program, funded through state and federal governments, pays for part, or all, of the cost of child care, depending on family size and income. CCRC Family Specialists certify eligible families and work with parents and R&R staff to locate appropriate child care and arrange for payment. Parents are free to choose licensed or legally exempt child care. Eligibility for these programs is based on a number of variables and conditions.

The CalWORKs Child Care Program has been designed for parents who are currently in the Welfare to Work Program and need child care in order to smoothly transition off cash aid and into the workforce. CalWORKs families are provided child care through an agreement between CCRC and the Department of Public Social Services.

Head Start & Early Head Start – CCRC provides Head Start preschool and services to over 1,200 qualifying families in the San Fernando Valley. The program, for three- and four-year old children from low-income families, provides and emphasizes learning activities that promote cognitive, social, emotional and physical growth and development. Additionally, the program focuses on the family, providing the necessary services and resources needed to enable parents to care for their children in healthy and productive ways.

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 – NATURE OF OPERATIONS (Continued)

In 2009, CCRC began a home based Early Head Start program serving low-income families with infants and toddlers up to three years old and pregnant women. The program aims to promote healthy prenatal outcomes for pregnant women, promote healthy family functioning and enhance the development of very young children.

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. SRI addresses the whole child and the whole family through such services as in-home education, individual case and crisis management, and parent education and workshops. The physical, social and emotional needs of the entire family are met.

Family Child Care Home Education Network (FCCHEN) – The Family Child Care Home Education Network 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. CCRC coordinates two Family Child Care Home Education Networks: one in the Antelope Valley and one in the Northeast San Fernando Valley for children 0-5 years of age. These networks are funded by the California Department of Education.

Careers in Early Childhood Training Project – CCRC has developed a Careers Program to train individuals to qualify for full-time paid teaching positions in licensed child care programs. These programs involve collaboration with CCRC and local area community colleges. Unlike other training programs, CCRC's Careers training combines academic college level education, college credits, professional work site experience and job placements in high quality child care environments. This, along with other supports, assists both CalWORKs participants and other individuals to obtain a higher level of education as well as stronger opportunities in the job market.

Book, Toy and Resource Library – The CCRC Book, Toy and Resource Library, located in the San Fernando and Antelope Valleys, offers thousands of toys, videos, books, games and 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.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 1 – NATURE OF OPERATIONS (Continued)

Training and Technical Assistance/Workshops/Conferences – CCRC's child development specialists, along with other CCRC staff work directly with family child care and center based child care providers by offering technical assistance and information, training and support for individuals wishing to become licensed family child care providers or develop child care facilities. CCRC provides or hosts over 250 workshops each year focusing on various areas of interest for the child care community. Workshops are offered both in English and Spanish.

CCRC hosts several Early Care & Education Conferences every year. The focus is always quality child care and development, but each year a particular emphasis or topic is chosen such as infant/toddler care. Presenters included specialists from around the region, staff from CCRC and local family child care providers and center teachers who bring their particular expertise to their colleagues in care.

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, 2010, 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, 2011 and 2010, CCRC had no permanently restricted net assets.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 \$402,965, \$344,067 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 any annual basis. The amount in excess of the required reserve balance must be repaid to CDE.

The remaining \$68,898 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, 2011 and 2010.

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 in excess of \$500, capitalizes 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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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, 2011 and 2010.

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.

Support and Grant Revenue

Support and 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 grant receivable or unearned grant revenue.

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 CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Grant Revenue (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 contributed services valued at \$172,460 and \$0 for the years ended June 30, 2011 and 2010, 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.

Estimated Fair Value of Financial Statements

As defined in FASB Accounting Standards Codification Topic No. 820, *Fair Value Measurements* (“ASC 820”), fair value is the amount 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 (i.e., the exit price).

ASC 820 requires enhanced disclosures about financial instruments that are measured and reported at fair value. ASC 820 establishes a fair value hierarchy that prioritizes and ranks the level of market price observability used in measuring fair value. Market price observability is impacted by a number of factors, including the type of instrument, the characteristics specific to the instrument and the state of the marketplace (including the existence and transparency of transactions between market participants). Instruments with readily available actively quoted prices or for which fair value can be measured from actively quoted prices in an orderly market will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Statements (Continued)

Instruments measured and reported at fair value are classified and disclosed in one of the following categories based on inputs:

- Level 1: Quoted prices are available in active markets for identical instruments as of the reporting date. The type of instruments that would generally be included in Level 1 includes listed equity securities.
- Level 2: Pricing inputs are observable for the instruments, either directly or indirectly, as of the reporting date, but are other than quoted prices in active markets as in Level 1. Fair value is determined through observable trading activity reported at net asset value or through the use of models or other valuation methodologies. The types of instruments that would generally be included in this category include publicly traded securities with restrictions on disposition.
- Level 3: Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant judgment or estimation by CCRC. The types of instruments that would generally be included in this category include debt and equity securities issued by private entities and real estate.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given instrument is based on the lowest level of input that is significant to the fair value measurement.

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. Cash and cash held in reserve are financial instruments that are classified within Level 1, because these accounts were valued primarily using quoted market prices utilizing market-observable inputs. The carrying values of accounts receivable, grants receivable, prepaid expenses and other current assets, accounts payable, line of credit and accrued expenses approximate fair values due to the short maturity of these instruments.

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, in the opinion of management, is not material to the basic financial statements taken as a whole.

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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.

CCRC’s income tax returns remain subject to examination for all tax years ended on or after June 30, 2007 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.

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.

Recently Adopted Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Fair Value Measurements and Disclosures* (Topic 820) (“ASU 2010-06”). This guidance amends the disclosure requirements related to recurring and nonrecurring fair value measurements and requires new disclosures on the transfers of assets and liabilities between Level 1 and Level 2 of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance requires a rollforward of activities on purchases, sales, issuance and settlements of the assets and liabilities measured using Level 3 measurements.

The guidance became effective for the reporting period beginning April 1, 2010, except for the disclosure on the rollforward activities for Level 3 fair value measurements, which will become effective for the reporting period beginning April 1, 2011. The adoption of ASU 2010-06 did not have a material impact on CCRC’s financial position, statement of activities or cash flows.

CHILD CARE RESOURCE CENTER, INC.

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NOTES TO FINANCIAL STATEMENTS

June 30, 2011

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update 2011-04, *Fair Value Measurement* (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and IFRSs*, to converge the guidance in US GAAP and International Financial Reporting Standards (“IFRS”). The amended guidance changes several aspects of the fair value measurement guidance in ASC Topic 820. In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements’ sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011. CCRC is in the process of assessing the effect that the guidance will have on its financial statements.

NOTE 3 – GOVERNMENT CONTRACTS RECEIVABLE

Government contracts receivable at June 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
California Department of Education	\$ 4,493,681	\$ 2,794,764
County of Los Angeles DPSS – CalWORKs Stage I	1,146,409	1,347,161
Department of Health and Human Services – Administration for Children & Families	549,624	723,459
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	438,856	407,399
Los Angeles County – Department of Public Health Emergency Preparedness and Response Services	260,255	-
Los Angeles County – Office of Education	271,073	403,125
Other funding sources	<u>50,249</u>	<u>200,684</u>
Government contracts receivable	<u>\$ 7,210,147</u>	<u>\$ 5,876,592</u>

Government contracts receivable are all due within one year.

CHILD CARE RESOURCE CENTER, INC.**(A NONPROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS****June 30, 2011****NOTE 4 – PROPERTY AND EQUIPMENT**

A summary of property and equipment at June 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$ 379,513	\$ 14,586
Computer equipment and software	2,175,243	1,911,465
Office equipment	3,341,449	3,296,785
Furniture and fixtures	1,785,189	1,785,189
Vehicles	<u>573,081</u>	<u>490,747</u>
	8,254,475	7,498,772
Less accumulated depreciation and amortization	<u>4,241,221</u>	<u>2,967,643</u>
Property and equipment, net	<u>\$ 4,013,254</u>	<u>\$ 4,531,129</u>

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 amounted to \$1,534,484 and \$460,021, respectively. For the years ended June 30, 2011 and 2010, CCRC disposed of property and equipment of \$182,318 and \$366, respectively.

NOTE 5 – LINE OF CREDIT

At June 30, 2011, CCRC had a revolving line of credit of \$8,000,000, which expires on March 15, 2013. At June 30, 2011, \$2,000,000 was drawn against this line of credit. The effective interest rate at June 30, 2011 was 4.00% per annum.

NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Movements in temporarily restricted net assets were as follows:

	<u>Available June 30, 2010</u>	<u>New Revenues</u>	<u>Expenditures/ Released from Restriction</u>	<u>Available June 30, 2011</u>
Child care and educational preschool programs	\$ -	\$ 100,000	\$ 71,511	\$ 28,489
Total	<u>\$ -</u>	<u>\$ 100,000</u>	<u>\$ 71,511</u>	<u>\$ 28,489</u>

CHILD CARE RESOURCE CENTER, INC.**(A NONPROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS****June 30, 2011****NOTE 7 – GRANT SUPPORT**

Grant support for CCRC, for the years ended June 30, 2011 and 2010, was received from the following sources:

	<u>2011</u>	<u>2010</u>
California Department of Education		
CalWORKs Stage II	\$ 41,680,766	\$ 38,075,109
CalWORKs Stage III	18,386,221	29,145,193
Alternative Payments	9,713,956	10,048,468
FCCHEN Homes	3,037,551	3,057,913
Resource & Referral	775,881	793,955
Other grants	90,904	107,478
Department of Health and Human Services –		
Administration for Children & Families	7,304,420	6,771,917
Los Angeles County – Office of Education	5,359,861	4,966,434
Head Start Food Program	622,930	571,663
Los Angeles County Children and Families First		
Proposition 10 Commission (First 5 LA)	1,199,410	1,242,273
Los Angeles County – Department of Public Health		
Emergency Preparedness and Response Services	375,398	-
Other grants	<u>298,718</u>	<u>140,864</u>
Total grant support	<u>\$ 88,846,016</u>	<u>\$ 94,921,267</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, 2011 and 2010, CCRC made discretionary employer contributions to these plans totaling \$230,154 and \$269,053, respectively.

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 9 – 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”). From December 31, 2010 through December 2012, all non-interest-bearing transaction accounts are fully insured, regardless of the balance of the account and the ownership capacity of the funds.

For funds held in other types of deposit accounts, the FDIC will insure up to \$250,000 under the FDIC’s general deposit insurance rules. CCRC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect cash and cash equivalents.

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, \$115,220,733 or 98.5% and \$124,355,759 or 99.6% in 2011 and 2010, 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.

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Leases

CCRC leases various equipment and facilities under non-cancelable operating lease agreements expiring at various dates through 2021. The future minimum lease payments required under these lease agreements at June 30, 2011 are as follows:

<u>Years Ending</u> <u>June 30,</u>	
2012	\$ 3,025,311
2013	2,944,682
2014	2,931,777
2015	816,925
2016	654,224
Thereafter	<u>1,682,536</u>
Total	<u>\$ 12,055,455</u>

Rental expense for facilities includes common area maintenance charges. Total rental expense for the years ended June 30, 2011 and 2010 was \$3,557,630 and \$3,015,957, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date and through December 15, 2011, 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 FUNCTIONAL EXPENSES
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	Program Services	General and Administrative	Fundraising	2011	2010
Payments to child care providers	\$ 81,350,171	\$ -	\$ -	\$ 81,350,171	\$ 88,798,841
Personnel expenses					
Salaries and wages	16,114,982	3,479,122	20,745	19,614,849	19,901,672
Payroll taxes	1,468,060	271,532	1,611	1,741,203	1,813,736
Employee benefits	2,919,416	615,246	3,095	3,537,757	3,582,653
Workers' compensation insurance	638,447	49,574	315	688,336	635,140
Total payroll related costs	<u>21,140,905</u>	<u>4,415,474</u>	<u>25,766</u>	<u>25,582,145</u>	<u>25,933,201</u>
Other expenses					
Advertising	42,974	28,493	2,040	73,507	89,070
Business insurance	133,427	42,772	110	176,309	207,793
Conferences and staff development	150,386	85,564	277	236,227	432,956
Depreciation expense	1,534,484	-	-	1,534,484	460,021
In-kind contributions	172,460	-	-	172,460	-
Interest expense	17,179	85,028	1,840	104,047	79,516
Membership dues	3,648	134,643	-	138,291	133,161
Office equipment leases and maintenance	105,597	136,697	431	242,725	82,349
Other expenses	131,525	19,183	170	150,878	189,629
Postage and delivery	199,568	72,243	2,646	274,457	320,058
Printing	13,604	5,780	398	19,782	60,647
Professional services	393,392	229,849	1,048	624,289	505,386
Rent	2,278,686	1,272,765	6,179	3,557,630	3,015,957
Repairs and maintenance	421,783	179,881	620	602,284	1,462,726
Software costs	57,085	158,023	182	215,290	237,695
Supplies	1,003,009	193,142	2,155	1,198,306	1,233,942
Telephone	319,115	89,418	786	409,319	381,330
Temporary help	279,609	73,949	15	353,573	521,507
Travel	96,091	10,488	298	106,877	95,450
Utilities	294,712	81,896	591	377,199	340,490
Total other expenses	<u>7,648,334</u>	<u>2,899,814</u>	<u>19,786</u>	<u>10,567,934</u>	<u>9,849,683</u>
Total functional expenses	<u>\$110,139,410</u>	<u>\$ 7,315,288</u>	<u>\$ 45,552</u>	<u>\$117,500,250</u>	<u>\$124,581,725</u>

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

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES BY AREA
For the Year Ended June 30, 2011
(With Comparative Totals for the Year Ended June 30, 2010)

	CDE Programs	County Child Care	Head Start	Property and Equipment	Deferred Rent	All Other Programs	Total
Revenue and support							
Grant revenue	\$ 73,685,279	\$ -	\$ 13,287,211	\$ -	\$ -	\$ 1,873,526	\$ 88,846,016
Fees for services	-	26,673,435	-	-	-	-	26,673,435
Family fees	1,206,466	5,208	-	-	-	-	1,211,674
Contributions	-	-	-	-	-	219,947	219,947
Tuition and fees	-	-	-	-	-	-	-
Loss on disposal of property and equipment	-	-	-	(182,318)	-	-	(182,318)
Interest and other income	270	-	-	-	-	161,084	161,354
Total revenue and support	<u>74,892,015</u>	<u>26,678,643</u>	<u>13,287,211</u>	<u>(182,318)</u>	<u>-</u>	<u>2,254,557</u>	<u>116,930,108</u>
Expenditures							
Provider payments	60,653,121	20,694,200	-	-	-	2,850	81,350,171
Salaries and wages	8,132,302	3,297,337	7,242,862	-	-	942,348	19,614,849
Employee benefits and payroll taxes	2,228,732	921,764	2,525,898	-	-	290,902	5,967,296
Supplies	421,200	157,531	435,149	(109,331)	-	159,293	1,063,842
Services and other operating expenses	3,253,768	1,120,993	2,911,850	(383,326)	381,891	511,972	7,797,148
In-kind contributions	-	-	-	-	-	172,460	172,460
Equipment	-	309,038	171,452	(504,915)	-	24,425	-
Depreciation	-	-	-	1,534,484	-	-	1,534,484
Total expenditures per audited financials	<u>74,689,123</u>	<u>26,500,863</u>	<u>13,287,211</u>	<u>536,912</u>	<u>381,891</u>	<u>2,104,250</u>	<u>117,500,250</u>
Change in net assets	<u>\$ 202,892</u>	<u>\$ 177,780</u>	<u>\$ -</u>	<u>\$ (719,230)</u>	<u>\$ (381,891)</u>	<u>\$ 150,307</u>	<u>\$ (570,142)</u>
Adjustments to reconcile to regulatory reporting							
Capitalized renovation and repairs expensed on AUD forms	9,758	-	-	-	-	-	9,758
Capitalized equipment expensed on AUD forms	243,279	-	-	-	-	-	243,279
Total expenditures by state categories	<u>74,942,160</u>	<u>26,500,863</u>	<u>13,287,211</u>	<u>536,912</u>	<u>381,891</u>	<u>2,104,250</u>	<u>117,753,287</u>
Revenues over (under) expenditures for regulatory reporting	<u>\$ (50,145)</u>	<u>\$ 177,780</u>	<u>\$ -</u>	<u>\$ (719,230)</u>	<u>\$ (381,891)</u>	<u>\$ 150,307</u>	<u>\$ (823,179)</u>

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