

SMITH BUNDAY BERMAN BRITTON, P.S.

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
(dba Child Care Aware of Washington)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015 AND 2014**

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
(dba Child Care Aware of Washington)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015 and 2014**

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**Independent Auditor's Report**

March 21, 2016

To the Board of Trustees

The Washington State Child Care Resource & Referral Network (dba Child Care Aware of Washington)

**Report on the Financial Statements**

We have audited the accompanying financial statements of The Washington State Child Care Resource & Referral Network (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free 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.

**Independent Auditor's Report  
(continued)**

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Washington State Child Care Resource & Referral Network as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2016, on our consideration of The Washington State Child Care Resource & Referral Network'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 The Washington State Child Care Resource & Referral Network's internal control over financial reporting and compliance.

*Smith Bunday Berman Britton, P.S.*

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
(dba Child Care Aware of Washington)**

**STATEMENT OF FINANCIAL POSITION**

	June 30,	
	2015	2014
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$2,396,705	\$558,384
Contract revenues receivable, net - Note 3	1,331,049	1,892,906
Unconditional promises to give - Note 4	100,000	-
Prepaid expenses	22,175	22,933
Total current assets	3,849,929	2,474,223
Equipment, net of accumulated depreciation of \$330,541 and \$322,198, respectively	31,606	18,077
Deposits	11,160	11,160
Total assets	\$3,892,695	\$2,503,460
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	\$1,871,304	\$1,323,107
Accrued payroll, vacation and other expenses	138,935	152,202
Contract payable - Note 5	31,476	-
Deferred contract revenue - Note 5	500,438	196,761
Total current liabilities	2,542,153	1,672,070
Deferred rent - Note 8	30,589	20,391
Total liabilities	2,572,742	1,692,461
Lease commitment - Note 8		
Net assets:		
Unrestricted	1,117,516	750,695
Temporarily restricted - Note 6	202,437	60,304
Total net assets	1,319,953	810,999
Total liabilities and net assets	\$3,892,695	\$2,503,460

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

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
(dba Child Care Aware of Washington)**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contract revenue - Note 3	\$13,507,559	\$ -	\$13,507,559
Membership, interest and other revenue	25,233	-	25,233
Contributions - Note 4	8,635	205,000	213,635
	13,541,427	205,000	13,746,427
 Net assets released from restrictions - Note 6			
Satisfaction of program restrictions	62,867	(62,867)	-
 Total revenues and other support	13,604,294	142,133	13,746,427
 Expenses:			
Program services	12,547,857	-	12,547,857
Membership and general management	664,392	-	664,392
Fundraising	25,224	-	25,224
Total expenses	13,237,473	-	13,237,473
 Change in net assets	366,821	142,133	508,954
 Net assets at beginning of year	750,695	60,304	810,999
Net assets at end of year	\$1,117,516	\$202,437	\$1,319,953

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

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
(dba Child Care Aware of Washington)**

**STATEMENT OF ACTIVITIES  
Year Ended June 30, 2014**

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contract revenue - Note 3	\$11,408,907	\$ -	\$11,408,907
Membership, interest and other revenue	25,417	-	25,417
Contributions	15,531	-	15,531
	11,449,855	-	11,449,855
 Net assets released from restrictions - Note 6			
Satisfaction of program restrictions	84,721	(84,721)	-
 Total revenues and other support	11,534,576	(84,721)	11,449,855
 Expenses:			
Program services	10,903,376	-	10,903,376
Membership and general management	419,735	-	419,735
Fundraising	6,277	-	6,277
Total expenses	11,329,388	-	11,329,388
 Change in net assets	205,188	(84,721)	120,467
 Net assets at beginning of year	545,507	145,025	690,532
Net assets at end of year	\$750,695	\$60,304	\$810,999

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

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
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**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2015**

	<u>Program Services</u>	<u>Membership and General Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$9,701,563	\$60,252	\$ -	\$9,761,815
Scholarships	1,504,468	-	-	1,504,468
Salaries	672,116	294,894	8,604	975,614
Payroll taxes and benefits	167,598	73,679	2,119	243,396
Professional fees	56,347	136,801	1,767	194,915
Occupancy	112,755	28,532	-	141,287
Travel and meetings	64,449	10,998	11,412	86,859
Evaluation services	83,927	-	-	83,927
Training and technology expenses	54,702	21,582	-	76,284
Curriculum and training	71,788	979	1,165	73,932
Office supplies and expense	14,401	8,008	-	22,409
Communications	15,154	2,066	-	17,220
Printing and publications	13,635	2,251	155	16,041
Incentives and recognition	8,053	2,243	-	10,296
Depreciation	-	9,985	-	9,985
Insurance	-	8,704	-	8,704
Bad debt expense and other	2,281	3,092	-	5,373
Postage and shipping	4,620	326	2	4,948
	<u>\$12,547,857</u>	<u>\$664,392</u>	<u>\$25,224</u>	<u>\$13,237,473</u>

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

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
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**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2014**

	<u>Program Services</u>	<u>Membership and General Management</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Contract services	\$8,276,115	\$33,275	\$ -	\$8,309,390
Scholarships	1,063,541	-	-	1,063,541
Salaries	862,315	182,258	5,100	1,049,673
Payroll taxes and benefits	215,607	53,608	1,164	270,379
Occupancy	114,430	21,930	-	136,360
Travel and meetings	83,149	6,339	-	89,488
Training and technology expenses	66,084	19,021	-	85,105
Evaluation services	77,697	-	-	77,697
Curriculum and training	63,328	3,209	-	66,537
Professional fees	3,000	32,214	-	35,214
Printing and publications	20,681	5,756	-	26,437
Depreciation	-	25,413	-	25,413
Communications	22,045	1,313	-	23,358
Office supplies and expense	5,285	19,807	-	25,092
Incentives and recognition	13,413	3,836	-	17,249
Bad debt expense and other	12,063	2,584	-	14,647
Insurance	-	8,084	-	8,084
Postage and shipping	4,623	1,088	13	5,724
	<u>\$10,903,376</u>	<u>\$419,735</u>	<u>\$6,277</u>	<u>\$11,329,388</u>

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

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK  
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**STATEMENT OF CASH FLOWS  
Years Ended June 30, 2015 and 2014**

	2015	2014
<i>Cash flows from operating activities:</i>		
Cash received from contracts	\$14,373,093	\$11,000,300
Cash received from donors	113,635	115,531
Cash received from members, employer contracts, and other	25,000	25,000
Cash paid to suppliers and employees	(12,650,126)	(11,524,161)
Interest received	233	417
Cash provided by (used in) operating activities	1,861,835	(382,913)
<i>Cash used in investing activities for the acquisition of capital assets:</i>		
Net increase (decrease) in cash and cash equivalents	(23,514)	(12,569)
Cash and cash equivalents at beginning of period	558,384	953,866
Cash and cash equivalents at end of period	\$2,396,705	\$558,384
 <b>Reconciliation of Change in Net Assets to Net Cash From Operating Activities</b>		
Change in net assets	\$508,954	\$120,467
<i>Items which reconcile change in net assets to net cash provided by (used in) operating activities:</i>		
Depreciation	9,985	25,413
Bad debt expense	1,391	7,872
Changes in related asset and liability accounts:		
Contract revenues receivable	560,438	21,671
Provision for uncollectible accounts	28	(4,900)
Unconditional promises to give	(100,000)	100,000
Prepaid expenses	758	(21,253)
Accounts payable and accrued expenses	534,930	(219,324)
Contract payable	31,476	-
Deferred contract revenue	303,677	(433,250)
Deferred rent	10,198	20,391
	1,352,881	(503,380)
Net cash provided by (used in) operating activities	\$1,861,835	(\$382,913)

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

**THE WASHINGTON STATE CHILD CARE  
RESOURCE & REFERRAL NETWORK**  
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**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1- NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES:**

This summary of activities and significant accounting policies of The Washington State Child Care Resource & Referral Network, hereinafter called Child Care Aware of Washington (the “CCA of WA Network”), is presented to assist in understanding the accompanying financial statements. The financial statements and notes are representations of the CCA of WA Network’s management, who are responsible for their integrity and objectivity. The CCA of WA Network’s accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of these financial statements.

*Nature of activities -*

Child Care Aware of Washington is a non-profit organization dedicated to ensuring that every child in Washington has access to high-quality child care and early learning programs. As a statewide systems organization, we influence child care and early learning policies while also delivering the means to make a positive difference for all children, including those furthest from opportunity. We administer Early Achievers, Washington’s Quality Rating and Improvement System that delivers high-quality training and professional development opportunities to child care providers across our state. Early Achievers delivers research-based, culturally-responsive best practices to providers so they may offer care that improves the lives of children and families and helps close the opportunity gap. With our Washington Scholarships for Child Care Professionals program we have a direct impact on early learning professionals who can enrich their expertise to provide a level of excellent care. Child Care Aware of Washington also connects families to high-quality child care programs through our Family Center, which assisted more than 16,000 families in 2015. Our strengths enable us to advocate on both the state and national levels for high-quality care for all children, no matter their circumstance.

CCA of WA is an association of six local member child care resource and referral programs housed in a variety of host organizations. The CCA of WA Network subcontracts with these organizations to provide local child care resource and referral services, which include, but are not limited to, child care provider training, technical assistance and coaching for participants in Early Achievers , outreach to parents and family, friend and neighbor (FFN) caregivers, and community capacity-building. The CCA of WA Network serves as an information hub for the child care and early learning fields, leads and contributes to statewide policy and advocacy efforts, hosts a free consumer education hotline and website for families looking for child care, and collects, compiles, analyzes and disseminates child care supply and demand data. Created by statute in 1986 and incorporated in 1989, the CCA of WA Network is the only association of child care resource and referral agencies in the State of Washington.

**NOTE 1** - continued:

The CCA of WA Network provides one direct services program for the professional development of child care providers: the Washington Scholarships for Child Care Professionals program. WA Scholarships provides higher education opportunities to child care and early learning professionals who would not otherwise have the opportunity for such higher education. The program provides scholarships, including tuition, books, travel, and release time payments, to child care providers throughout WA. Funding for this program is provided by contributions from government contracts and private foundations (see Notes 3 and 4).

Substantially all of the CCA of WA Network's activities described above are specified as requirements of its government contracts (see Note 3). Substantially all of those contracts are funded by the U.S. Department of Health and Human Services and are passed through the Washington State Department of Early Learning.

In December 2011, the Department of Early Learning was awarded one of nine Race to the Top - Early Learning Challenge Grants (administered jointly by the Department of Education and the Department of Health and Human Services) which authorized \$60 million dollars over four years (ended December 2015) to implement capacity-building and systems-integration to improve the quality of services offered by licensed family child care programs and licensed child care centers across Washington. The most prominent portion of Washington's proposal is Early Achievers (a Quality Rating and Improvement System – QRIS – for child care facilities and Head Start and Early Childhood Education and Assistance Programs). The CCA of WA Network is responsible for recruiting eligible child care facilities to join Early Achievers, providing the appropriate individualized technical assistance and coaching to enrolled providers, as well as helping to prepare each facility for a successful Early Achievers quality rating of Levels 3, 4, or 5. Other sources of funding have included small private foundations, such as the Bamford Family Foundation, which has provided support to the WA Scholarships program, and large corporate donors, such as the Boeing Company, which has supported, among other things, intensive trainings for CCA of WA field staff. Also, in 2012, the CCA of WA Network entered into a contract with the Bill and Melinda Gates Foundation to provide support for the statewide expansion of Early Achievers. That contract ended in 2014.

2015 was a historic year for early learning in Washington State, and also for Child Care Aware of Washington. The state legislature passed and funded the Early Start Act, which invests substantially in early learning and child care. The new legislation calls for greater alignment between the various child care and early learning programs in WA, as well as expansion of Early Achievers.

***Revenue and support –***

Exchange transactions, such as cost reimbursement and fee-for-service contracts, are recorded as revenue when the related expenses are incurred or the services are rendered.

Contributions of cash or other assets, including unconditional promises to give those items in the future, are recognized as revenue in the period received. Contributions of services are recognized if they meet certain specified criteria.

**NOTE 1 - continued:**

The CCA of WA Network reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. Such restricted contributions give rise to temporarily restricted net assets. When a donor restriction expires, either through the lapsing of a time restriction or through the accomplishment of a program or acquisition restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of changes in net assets as net assets released from restrictions.

Gifts of cash that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, the CCA of WA Network reports expirations of donor restrictions when the acquired assets are placed in service.

***Promises to give -***

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

***Cash and cash equivalents -***

The CCA of WA Network considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

***Equipment and depreciation -***

Equipment includes office furniture and fixtures and is stated at cost. Expenditures in excess of \$1,000 for additions and major improvements are capitalized; maintenance and repair costs are expensed as incurred. Donated assets are recorded at their fair value at the date of gift. Depreciation is computed using the straight-line method based upon the estimated useful lives of the related assets, which are three to five years.

***Deferred contract revenue -***

Deferred revenue consists of unearned receipts on cost reimbursable grants or contracts.

***Income taxes -***

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

**NOTE 1 - continued:**

The Network's Forms 990, Return of Organization Exempt from Income Tax, for the years June 30 2012, 2013 and 2014 are subject to examination by the IRS, generally for three years after they were filed.

***Functional expense classification –***

The CCA of WA Network's federal award contracts, as passed through the State of Washington, include specific performance requirements for some activities that are often considered management and supporting services. For example, the Statements of Work in the contracts require the CCA of WA Network to conduct quarterly board meetings and board training sessions; to provide technical assistance to member agencies; to administer the Washington Scholarships program; to operate a public information telephone line; and to provide information to child care professionals and the general public regarding resource and referral services in Washington. The performance of these services and their associated costs are considered Program functions.

The CCA of WA Network identifies and allocates certain overhead expenses, when material, to functional categories on the basis of overall CCA of WA Network efforts expended in these areas. Allocated expenses during the years ended June 30, 2015 and 2014 primarily include salaries, subcontractor fees, rent and insurance.

***Use of estimates -***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets, liabilities and net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

**NOTE 2 - CONCENTRATIONS:**

Contracts, including those recorded as fees for service, accounted for approximately ninety-nine percent of total revenues and other support for 2015 and 2014, respectively. The contract receivables are not collateralized, however credit risk with respect to such receivables is limited due to the governmental nature of the creditors and the underlying contractual arrangements.

**NOTE 3 - CONTRACT REVENUES AND RECEIVABLES:**

Contract revenue consisted of the following:

	Year ended June 30,	
	2015	2014
<b>Federal awards:</b>		
Washington State Department of Early Learning	\$12,450,062	\$10,349,817
<b>State, local and contractor funds:</b>		
Washington State Department of Early Learning	1,057,497	1,059,090
Total contract revenue	<u>\$13,507,559</u>	<u>\$11,408,907</u>

Contract funds and other receivables consist of the following:

	June 30	
	2015	2014
Washington State Department of Early Learning	\$1,327,706	\$1,891,094
Other	4,436	2,877
	1,332,142	1,893,971
Less: allowance for doubtful accounts	(1,093)	(1,065)
	<u>\$1,331,049</u>	<u>\$1,892,906</u>

**NOTE 4 - PROMISES TO GIVE:**

During the year ended June 30, 2015, the CCA of WA Network received an unconditional promise to give totaling \$200,000 over two years from The Boeing Company (Boeing) to support the CCA of WA Network's administration of the Race to the Top – Early Achievers: Washington State's Pathway to Success. The CCA of WA Network received \$100,000 from Boeing under this unconditional promise to give during 2015.

During the year ended June 30, 2013, the CCA of WA Network received an unconditional promise to give totaling \$200,000 over two years from The Boeing Company (Boeing) to support the CCA of WA Network's administration of the Race to the Top – Early Achievers: Washington State's Pathway to Success. The CCA of WA Network received \$100,000 from Boeing under this unconditional promise to give during 2014 and 2013. Accordingly, the balance of this unconditional promise to give was -0- at June 30, 2014.

**NOTE 5 – CONTRACT PAYABLE AND DEFERRED CONTRACT REVENUE:**

At June 30, 2015, the CCA of WA Network owed the Washington State Department of Early Learning \$31,476 for state funds for services and support for parents, Family, Friend and Neighbor caregivers and other community partners that were not expended by the end of a contract period.

As of June 30, 2015, deferred contract revenue consisted of the following:

	June 30	
	2015	2014
Washington State Department of Early Learning	\$25,548	\$196,761
Race to the Top - Early Learning Challenge - QRIS	474,890	-
Total	<u>\$500,438</u>	<u>\$196,761</u>

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS:**

Net assets were released from donor restrictions by incurring expenses satisfying restricted purposes. Amounts released were as follows:

	Year ended June 30,	
	2015	2014
Purpose restrictions:		
The Boeing Corporation	\$57,867	\$74,721
Bamford Foundation	5,000	10,000
Total	<u>\$62,867</u>	<u>\$84,721</u>

Temporarily restricted net assets at June 30, 2015 and 2014 consisted of the following:

	2015	2014
Purpose restrictions:		
The Boeing Corporation – Race to the Top – Early Achievers	<u>\$202,437</u>	<u>\$60,304</u>

**NOTE 7 - RETIREMENT PLAN:**

Effective July 1, 2000, the CCA of WA Network began sponsoring a retirement plan that is available to substantially all employees. Under the plan, employees may elect to defer a portion of their salary subject to annual limits under Section 403(b) of the Internal Revenue Code. The CCA of WA Network contributes a total of \$750 per employee per month for 2015 and 2014, respectively, with the employee deciding how much, if any, to contribute to their individual 403(b) retirement account. The total employer 403(b) contributions for 2015 and 2014 were \$46,729 and \$73,048, respectively.

**NOTE 8 - LEASE COMMITMENT:**

Effective February 1, 2014, the CCA of WA Network entered into a non-cancelable operating lease addendum for office space that expires in January 31, 2021. The lease addendum contains escalating rents and a free rent benefit which is amortized on a straight-line basis over the lease term. In addition, CCA of WA Network is responsible for additional rent that includes their proportionate share of the lessor's operating expenses.

The future minimum annual lease commitments are as follows.

For the year ended June 30:	
2016	\$123,815
2017	125,546
2018	126,866
2019	129,204
2020	130,819
Thereafter	<u>77,630</u>
Total	<u><u>\$713,880</u></u>

Rental expense for the years ended June 30, 2015 and 2014 was \$141,287 and \$136,360, respectively.

**NOTE 9 - SUBSEQUENT EVENTS:**

The CCA of WA Network has evaluated subsequent events through March 21, 2016, the date these financial statements were available to be issued.

In August 2015, the CCA of WA Network hired a new CEO.

On February 8, 2016, the CCA of WA Network and Washington State Department of Early Learning finalized an amendment to their service contract for fiscal year 2016. The amendment resulted in the contract changing to a cost reimbursement basis, not to exceed a total budget by specific activities which aggregates \$24,053,469 over the contract period.

## **SUPPLEMENTARY INFORMATION**

**THE WASHINGTON STATE CHILD CARE RESOURCE & REFERRAL NETWORK**  
**(dba Child Care Aware of Washington)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Federal Grantor/ Pass-Through Grantor/ <i>Program Title</i>	Federal CFDA Number	Pass-through Grantor's Number	Federal Program Expenditures
<b>U.S. Department of Health and Human Services</b>			
<u>Passed through Washington State Department of Early Learning</u>			
<i>Child Care and Development Block Grant</i>	93.575	14-1331	\$ 6,912,552
<i>Child Care and Development Block Grant</i>	93.575	14-1141	113,561
			<u>7,026,113</u>
<i>Race to the Top - Early Learning Challenge</i>	84.412	14-1331	5,423,949
<b><u>TOTAL</u></b>			<u><u>\$ 12,450,062</u></u>

**THE WASHINGTON STATE CHILD CARE  
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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1- BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of CCA of WA Network under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of CCA of WA Network, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CCA of WA Network.

**NOTE 2- SUBRECIPIENTS:**

Of the federal expenses presented in the schedule, the CCA of WA Network provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Child Care and Development Block Grant	93.575	\$4,794,787
Race to the Top – Early Learning Challenge	84.412	4,147,355
		<u>\$8,942,142</u>

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

March 21, 2016

To the Board of Trustees  
The Washington State Child Care Resource & Referral Network (dba Child Care Aware of Washington)

We have audited, in accordance with the 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, the financial statements of The Washington State Child Care Resource & Referral Network (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 21, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Washington State Child Care Resource & Referral Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Washington State Child Care Resource & Referral Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Washington State Child Care Resource & Referral Network's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Smith Bunday Berman Britton, P.S.*

**Independent Auditor's Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by OMB Circular A-133**

March 21, 2016

To the Board of Trustees

The Washington State Child Care Resource & Referral Network (dba Child Care Aware of Washington)

**Report on Compliance for Each Major Federal Program**

We have audited The Washington State Child Care Resource & Referral Network's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on The Washington State Child Care Resource & Referral Network's major federal program for the year ended June 30, 2015. The Washington State Child Care Resource & Referral Network's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for The Washington State Child Care Resource & Referral Network's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Washington State Child Care Resource & Referral Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of The Washington State Child Care Resource & Referral Network's compliance.

### **Opinion on the Major Federal Program**

In our opinion, The Washington State Child Care Resource & Referral Network complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

### **Report on Internal Control Over Compliance**

Management of The Washington State Child Care Resource & Referral Network is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Washington State Child Care Resource & Referral Network's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Washington State Child Care Resource & Referral Network's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Smith Bunday Berman Britton, P.S.*

**The Washington State Child Care Resource & Referral Network  
(dba Child Care Aware of Washington)  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2015**

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of The Washington State Child Care Resource & Referral Network.
2. No deficiencies, significant deficiencies or material weaknesses in internal control were disclosed during the audit.
3. No instances of noncompliance material to the financial statements of The Washington State Child Care Resource & Referral Network were disclosed during the year.
4. No deficiencies, significant deficiencies or material weaknesses in internal control over the major program were disclosed during the audit of The Washington State Child Care Resource & Referral Network.
5. The auditor's report on compliance for the major award program for The Washington State Child Care Resource & Referral Network expresses an unqualified opinion.
6. The audit did not disclose any audit findings relating to the major program.
7. The major program was the Race to the Top – Early Learning Challenge, CFDA #84.412.
8. The threshold for distinguishing Types A and B programs was \$373,502.
9. The Washington State Child Care Resource & Referral Network was determined to be a low-risk auditee.

**FINDINGS-FINANCIAL STATEMENT AUDIT**

There are no findings to report.

**FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAM  
AUDIT**

There are no findings to report.