

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

FINANCIAL STATEMENTS
With Independent Auditor's Report

YEARS ENDED JUNE 30, 2020 AND 2019

UNIFORM GUIDANCE SUPPLEMENTARY FINANCIAL REPORTS
YEAR ENDED JUNE 30, 2020



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

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

November 24, 2020

Board of Trustees
Child Care Aware of Washington
Tacoma, Washington

We have audited the accompanying financial statements of Child Care Aware of Washington (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, 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.

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of Child Care Aware of Washington as of June 30, 2020 and 2019, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) 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 November 24, 2020 on our consideration of Child Care Aware of Washington'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 Child Care Aware of Washington's internal control over financial reporting and compliance.



Jacobson Jarvis & Co, PLLC

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

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,324,511	\$ 1,105,963
Contract revenue receivable	5,869,685	3,688,874
Prepaid expenses	<u>38,989</u>	<u>66,215</u>
Total Current Assets	7,233,185	4,861,052
Deposit	22,537	22,537
Furniture and Equipment, net of accumulated depreciation of \$420,387 and \$395,966	<u>269,621</u>	<u>283,893</u>
	<u>\$ 7,525,343</u>	<u>\$ 5,167,482</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable	\$ 5,053,162	\$ 3,221,833
Accrued payroll, vacation and other	370,501	208,280
Refundable advance	<u>311,981</u>	<u>-</u>
Total Current Liabilities	5,735,644	3,430,113
Deferred Lease Liability	<u>10,069</u>	<u>10,069</u>
Total Liabilities	<u>5,745,713</u>	<u>3,440,182</u>
Net Assets		
Without donor restrictions	1,640,548	1,727,300
With donor restrictions	<u>139,082</u>	<u>-</u>
Total Net Assets	<u>1,779,630</u>	<u>1,727,300</u>
	<u>\$ 7,525,343</u>	<u>\$ 5,167,482</u>

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

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020			2019		
	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Public Support and Revenue						
Public Support						
Government contracts and grants	\$26,442,651	\$ -	\$26,442,651	\$23,872,212	\$ -	\$23,872,212
Foundations	76,743	139,082	215,825	950	-	950
Contributions	<u>36,296</u>	<u>-</u>	<u>36,296</u>	<u>28,547</u>	<u>-</u>	<u>28,547</u>
Total Public Support	26,555,690	139,082	26,694,772	23,901,709	-	23,901,709
Revenue						
Membership, interest and other revenue	<u>25,363</u>		<u>25,363</u>	<u>45,717</u>		<u>45,717</u>
Total Public Support and Revenue	<u>26,581,053</u>	<u>139,082</u>	<u>26,720,135</u>	<u>23,947,426</u>	<u>-</u>	<u>23,947,426</u>
Expenses						
Program services	25,579,284		25,579,284	23,030,416		23,030,416
Advocacy	97,356		97,356	100,638		100,638
Management and general	981,480		981,480	934,793		934,793
Fundraising	<u>9,685</u>		<u>9,685</u>	<u>4,933</u>		<u>4,933</u>
Total Expenses	<u>26,667,805</u>		<u>26,667,805</u>	<u>24,070,780</u>		<u>24,070,780</u>
Change in Net Assets	(86,752)	139,082	52,330	(123,354)	-	(123,354)
Net Assets - beginning of year	<u>1,727,300</u>	<u>-</u>	<u>1,727,300</u>	<u>1,850,654</u>	<u>-</u>	<u>1,850,654</u>
Net Assets - end of year	<u>\$ 1,640,548</u>	<u>\$ 139,082</u>	<u>\$ 1,779,630</u>	<u>\$ 1,727,300</u>	<u>\$ -</u>	<u>\$ 1,727,300</u>

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

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2020 AND 2019

	2020					2019				
	Program Services	Advocacy	Management and General	Fundraising	Total	Program Services	Advocacy	Management and General	Fundraising	Total
Salaries	\$ 1,065,839	\$ 44,134	\$ 470,105	\$ 7,596	\$ 1,587,674	\$ 855,242	\$ 48,000	\$ 477,954	\$ 3,923	\$ 1,385,119
Payroll taxes and benefits	255,043	7,711	144,910	1,570	409,234	192,801	8,822	185,962	954	388,539
	1,320,882	51,845	615,015	9,166	1,996,908	1,048,043	56,822	663,916	4,877	1,773,658
Contract services	21,594,673	-	-	-	21,594,673	19,823,532	-	237	-	19,823,769
Scholarships	1,578,259	-	-	-	1,578,259	1,405,713	-	-	-	1,405,713
Training and technology services	213,978	-	31,316	-	245,294	101,942	-	57,181	-	159,123
Travel and meetings	231,203	2,805	5,635	10	239,653	245,908	20,824	7,570	47	274,349
Professional fees	137,962	10,699	192,515	-	341,176	134,905	13,721	88,476	-	237,102
Occupancy	102,372	6,072	61,116	497	170,057	100,315	4,150	48,021	-	152,486
Evaluation services	115,291	-	-	-	115,291	71,960	-	-	-	71,960
Printing and publications	10,054	609	5,461	-	16,124	26,738	2,766	4,945	8	34,457
Curriculum and training	203,828	1,500	5,026	-	210,354	19,126	1,647	13,862	-	34,635
Office supplies	5,036	2,750	18,896	-	26,682	1,957	106	19,678	-	21,741
Depreciation	-	-	24,421	-	24,421	12,381	-	12,789	-	25,170
Communications	38,314	670	5,337	-	44,321	21,816	598	6,014	-	28,428
Incentives and recognition	26,503	106	586	-	27,195	3,089	-	425	-	3,514
Insurance	-	-	9,776	-	9,776	-	-	9,467	-	9,467
Other expenses	929	20,300	6,380	12	27,621	12,991	4	2,212	1	15,208
Total Expenses	\$ 25,579,284	\$ 97,356	\$ 981,480	\$ 9,685	\$ 26,667,805	\$ 23,030,416	\$ 100,638	\$ 934,793	\$ 4,933	\$ 24,070,780

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

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash received from:		
Government agencies	\$ 24,261,840	\$ 25,185,355
Donors and foundations	564,102	29,497
Interest	1,415	1,514
Other revenue	23,948	44,203
Cash paid for:		
Subrecipients	(21,594,673)	(19,823,769)
Personnel	(1,855,553)	(1,759,946)
Services and supplies	<u>(1,172,382)</u>	<u>(3,419,934)</u>
Net Cash Provided by Operating Activities	228,697	256,920
Cash Flows Used by Investing Activities		
Purchases of property and equipment	<u>(10,149)</u>	<u>(77,049)</u>
Changes in Cash and Cash Equivalents	218,548	179,871
Cash and Cash Equivalents - beginning of year	<u>1,105,963</u>	<u>926,092</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,324,511</u>	<u>\$ 1,105,963</u>

THE WASHINGTON STATE CHILD CARE RESOUC E REFERRAL NETWORK
(dba Child Care Aware of Washington)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Washington State Child Care Resource & Referral Network dba Child Care Aware of Washington (CCA of WA) is a nonprofit dedicated to ensuring that every child in Washington has access to high-quality child care and early learning programs. As a statewide 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.

CCA of WA implements 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 CCA of WA Scholarships program we have a direct impact on early learning professionals who can enrich their expertise via higher education. CCA of WA currently funds scholars across the state who are pursuing Bachelor's degrees in early childhood education.

CCA of WA also connects families to high-quality child care programs through our Family Center, which assisted more than 12,076 families in 2020. For more than 30 years Washington families have come to rely on us to help them find quality child care that meets their needs.

CCA of WA manages a network of six local-member child care resource and referral programs housed in a variety of host organizations across the state. 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, and outreach to parents and family, friend and neighbor caregivers. The CCA of WA Network serves as an information hub for the child care and early learning fields, leads and contributes to state and national policy and advocacy efforts and collects, compiles, analyzes and disseminates child care supply and demand data.

Created by state statute in 1986 and incorporated in 1989, the CCA of WA Network, formerly known as the Washington State Child Care Resource and Referral Network, is the only association of child care resource and referral agencies in the State of Washington.

Adoption of new accounting pronouncements

In June 2018, FASB issued ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. CCA of WA has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

THE WASHINGTON STATE CHILD CARE RESOUC E REFERRAL NETWORK
 (dba Child Care Aware of Washington)
 NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. CCA of WA has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly. The amendments have been applied retrospectively to all periods presented. Analysis of various provisions of this standard resulted in no significant changes in the way the CCA of WA recognizes revenue from contracts with customers, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

Basis of presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are as follows as of June 30:

	<u>2020</u>	<u>2019</u>
COVID-19 Emergency Supplies to Providers	\$ 79,200	\$ -
Strengthening Early Learning Math Competencies	<u>59,882</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 139,082</u>	<u>\$ -</u>

Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

THE WASHINGTON STATE CHILD CARE RESOURCE REFERRAL NETWORK
(dba Child Care Aware of Washington)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

The Internal Revenue Service has recognized Washington State Child Care Resource & Referral Network as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Use of estimates

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

Cash and cash equivalents

CCA of WA considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. CCA of WA maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times. CCA of WA has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Fair value measurements

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as 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. Valuation techniques utilized to determine fair value are consistently applied. Transfers between levels in the fair value hierarchy are recognized at the end of the reporting period. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

THE WASHINGTON STATE CHILD CARE RESOUC E REFERRAL NETWORK
(dba Child Care Aware of Washington)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2020 and 2019, CCA of WA had no assets or liabilities carried at fair value on a recurring basis. Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input. CCA of WA also uses fair value concepts to test various long-lived assets for impairment.

Promises to give

Unconditional promises to give are shown net of unrealizable amounts. CCA of WA had no unconditional promises to give at June 30, 2020 or 2019.

Furniture and equipment

Furniture and equipment are stated at cost or, if donated, at fair value at date of donation. Furniture and equipment with an original cost of \$1,000 or greater are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of three to five years. Furniture and equipment are comprised of computers, software, website development, and database development.

Support and revenue recognition

CCA of WA recognizes revenue from services when the services are provided. CCA of WA recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been met.

CCA of WA's federal and state government contracts, as well as certain private foundation grants, are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses or allowable services. As of June 30, 2020, conditional promises to give totaling \$311,981, for which funds have been received in advance of meeting the conditions, have been recognized as refundable advances.

A substantial portion of support is derived from grants and contracts administered by various federal and state government agencies. Support from grants and contracts is subject to audits, which could result in adjustments. The adjustments are recorded at the time that such amounts can first be reasonably determined, normally upon notification by the government agency. During the years ended June 30, 2020 and 2019, no significant amounts were disallowed as a result of such examinations.

THE WASHINGTON STATE CHILD CARE RESOUC E REFERRAL NETWORK
(dba Child Care Aware of Washington)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses

CCA of WA's federal award contracts, as passed through the State of Washington, include specific performance requirements for some of the activities that are often considered management and supporting services. For example, the statements of work in the contracts require the CCA of WA 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.

CCA of WA identifies and allocates certain overhead expenses, when material, to functional categories on the basis of overall CCA of WA efforts expended in these areas. Allocated expenses during the years ended June 30, 2020 and 2019 primarily include salaries, subcontractor fess, rent and insurance, among other costs.

NOTE B - LIQUIDITY

CCA of WA receives significant government funding and considers this funding central to its annual operations to be available to meet cash needs for general expenditures. CCA of WA's Board of Trustees manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Board of Trustees aims to keep four to six months of reserves available. CCA of WA's financial assets available to meet cash needs for general expenditures within one year as of June 30, 2020 and 2019 totaled \$7,194,196 and \$4,794,837, respectively. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

NOTE C - CONCENTRATIONS

Credit Risk - Financial instruments that potentially subject CCA of WA to concentrations of credit risk consist of cash, cash equivalents and contract revenue receivable. CCA of WA places its temporary cash deposits with major financial institutions. At times, balances may exceed federally insured limits.

Contract revenue receivable balances are primarily from a variety of federal and state government agencies. Collateral is generally not required on any of these assets. CCA of WA has not experienced a history of significant credit-related losses.

CCA of WA receives the majority of its support for its operating activities from federal and state governments. A severe reduction in the level of this support, if this were to occur, would have a significant effect on CCA of WA's activities.

THE WASHINGTON STATE CHILD CARE RESOUC E REFERRAL NETWORK
(dba Child Care Aware of Washington)
NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE C - CONCENTRATIONS (Continued)

Support and Revenue - For the years ended June 30, 2020 and 2019, CCA of WA received 99% of its support and revenue from one funding source. As of June 30, 2020 and 2019, 98% and 100% of CCA of WA's total outstanding contract revenue receivable balance was from the same funding source, respectively.

NOTE D - RETIREMENT PLAN 403(b)

Effective July 1, 2000, CCA of WA began sponsoring a benefits and retirement plan that is available to substantially all employees where employees receive a total benefit allowance per month and can allocate the allowance to pay for medical and other benefits, with the remainder allocated to their retirement plan, or the whole amount allocated to their retirement account if other benefits are not selected. 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.

In 2020, CCA of WA contributed a total of \$295 per employee per month, depending on elections made, with the employee deciding how much, if any, to contribute to their individual 403(b) retirement account. The total employer 403(b) contributions for the years ended June 30, 2020 and 2019 was \$85,003 and \$77,460, respectively.

NOTE F - LEASE COMMITMENTS

Effective August 1, 2017, CCA of WA entered into a non-cancelable operating lease for office space that expires in July 2023. The lease addendum contains escalating rents which will be amortized on a straight-line basis over the lease term. In addition, CCA of WA is responsible for additional rent that includes their proportionate share of the lessor's operating expenses.

Obligations under non-cancelable operating leases for future years ending June 30 are as follows:

2021	\$	153,046
2022		157,611
2023		162,326
2024		13,560
	\$	<u>486,543</u>

NOTE G - RISKS AND UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. On March 23, 2020 the Governor of Washington declared a health emergency and issued an order to close all nonessential businesses until further notice. Management continues to evaluate the financial impact of the COVID-19 pandemic and monitor carefully the effect on CCA of WA's financial position, change in net assets, and cash flows in the future.

THE WASHINGTON STATE CHILD CARE RESOUC E REFERRAL NETWORK
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NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2020 AND 2019

NOTE H - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to June 30, 2020 through November 24, 2020, which is the date the financial statements were available to be issued, and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at June 30, 2020, including the estimates inherent in the processing of financial statements.

In July 2020, CCA obtained a Paycheck Protection Program ("PPP") loan for \$351,600 from Banner Bank. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides loans to qualifying organization for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying organization.

SUPPLEMENTARY INFORMATION

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor					
<i>Pass-through Grantor</i>					
<u>"Program Title"</u>	<u>Contract Number</u>	<u>CFDA Number</u>	<u>Passed Through to Suprecipients</u>	<u>Federal Expenditures</u>	
US Department of Health and Human Services					
<i>Washington State Department of Early Learning</i>					
"Child Care and Development Block Grant"	20-1084	93.575 *	\$ 13,378,930	\$ 16,222,842	
"Every Student Succeeds Act/Preschool Development Grants"	20-1084	93.434	<u>407,072</u>	<u>541,277</u>	
			<u>\$ 13,786,002</u>	<u>\$ 16,764,119</u>	

* Denotes major program

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of CCA of WA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - INDIRECT COST RATE

CCA of WA does not have a negotiated indirect cost rate for use on federal grants and contracts. As such, CCA of WA is eligible to use the 10% de minimis indirect cost rate.

INDEPENDENT AUDITOR'S REPORT
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

November 24, 2020

Board of Trustees
Child Care Aware of Washington
Tacoma, 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 Child Care Aware or Washington, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Child Care Aware of Washington'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 Child Care Aware of Washington's internal control. Accordingly, we do not express an opinion on the effectiveness of Child Care Aware of Washington'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Child Care Aware of Washington'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 that are required to be reported under *Government Auditing Standards*.

Child Care Aware of Washington's Responses to Findings

Child Care Aware of Washington's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Child Care Aware of Washington's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Child Care Aware of Washington'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 Child Care Aware of Washington's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

November 24, 2020

Board of Trustees
Child Care Aware of Washington
Tacoma, Washington

Report on Compliance with Each Major Federal Program

We have audited Child Care Aware of Washington's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Child Care Aware of Washington's major federal programs for the year ended June 30, 2020. Child Care Aware of Washington's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Child Care Aware of Washington's major federal programs 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 Child Care Aware of Washington'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 each major federal program. However, our audit does not provide a legal determination of Child Care Aware of Washington's compliance.

Opinion on Major Federal Program

In our opinion, Child Care Aware of Washington 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, 2020.

Report on Internal Control Over Compliance

Management of Child Care Aware of Washington 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 Child Care Aware of Washington'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 the Uniform Guidance, 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 Child Care Aware of Washington'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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jacobson Jarvis & Co, PLLC

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of Child Care Aware of Washington.
2. Deficiencies in internal control relating to the financial statements are reported in the "Independent Auditor's Report Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." Item 2020-001 was deemed to be a material weakness.
3. No instances of noncompliance material to the financial statements of Child Care Aware of Washington were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance as Required by the Uniform Guidance."
5. The auditor's report on compliance for the major federal award program for Child Care Aware of Washington expresses an unmodified opinion.
6. Audit findings relative to the major federal award program for Child Care Aware of Washington are reported in Part C of this Schedule.
7. The program tested as major was Child Care and Development Block Grant, CFDA No. 93.575.
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Child Care Aware of Washington was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2020-001 Segregation of Duties over Electronic Fund Transfers (formerly 2019-002)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements. This includes maintaining adequate segregation of duties over electronic fund transfers.

Condition: There is a lack of segregation of duties over electronic fund transfers in that the Director of Finance and Operations has the ability to initiate and transmit electronic fund transfers without oversight.

Context: This finding was noted through internal controls testing over cash disbursements whereby we noted a lack of adequate controls over electronic funds transfers.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

Recommendation: We recommend that someone outside of the accounting department be responsible for transmitting approval to the bank for electronic fund transfers.

Views of a Responsible Official: Management concurs with the finding and recommendation as reflected in the corrective action plan.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT AUDIT

2019-001 Internal Controls over Supplemental Information

Criteria: Award recipients must identify, in their accounts, all Federal Awards received and expended and the Federal programs under which they were received. Award recipients must also prepare an accurate Schedule of Expenditures of Federal Awards, including all federal awards for the year under audit, in accordance with the Office of Budget Management (OMB).

Condition: The initial Schedule of Expenditures of Federal Awards prepared by Child Care Aware understated total federal awards by \$8,088,833 and amounts paid to subrecipients by \$5,829,695.

Status: CCA of WA has added to our budget forms and internal process documents references back to the most recent contract and CFDA splits so we maintain the most recent version supplied by DCYF. We have implemented a change in practice that involves further checks that the total funding allocations contained in all subsequent communications from the funder match the original core contract allocations between federal and state funding, then reconciling those amounts by funding source when developing and finalizing its regional subcontracts. Starting in November 2020 our key staff trained to utilize a Contracts Management System. We believe that this system will further increase the checks and balances needed to reduce potential errors given the number of changes CCA's major funder DCYF conveys over the course of a contract period.

2019-002 Segregation of Duties over Electronic Fund Transfers

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements. This includes maintaining adequate segregation of duties over electronic fund transfers.

Condition: There is a lack of segregation of duties over electronic fund transfers in that the Director of Finance and Operations has the ability to initiate and transmit electronic fund transfers without oversight.

Status: Upon receipt of this finding, CCA of WA (January 2020) immediately changed their practices so that the EFT initiation protocol and reporting consistently included an additional Director-level, non-accounting staff person to verify payees, amounts, and provide documented verification. Since February 2020, we have trained two Director-level staff who can serve in this role so that we have a backup in place. Electronic Funds Transfers now consistently include a second Director-level person ensuring that no one person has the ability to initiate and process Electronic Fund Transfers.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT AUDIT (Continued)

CCA of WA also implemented a secondary checkpoint in their processes regarding EFT transactions by making this part of the bank reconciliation process. The CEO receives all bank statements from the agency (monthly) and back up reports from MIP reflecting all EFT transactions that have been processed during the bank statement period. The CEO checks that all EFT transactions included in the bank statement match with the corresponding MIP report reflecting the individuals and amounts paid. The CEO approves and initials each bank statement containing EFT transactions.

Given the pandemic, we made further changes to ensure we met this requirement. Prior to the scheduled Team meeting, the Director of Finance sends copies of all bills that are to be paid in the bank transmission. The secondary approver, as processing occurs, matches the billings she has received with the bank processing seen through screen sharing. Once matched and the EFT is transmitted the secondary approver initials, dates her oversight of the process, and maintains a file of these documents, which are returned to the finance office.

2019-003 Financial Reporting

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition: During 2019, the Interim CEO was not routinely reviewing internal financial statements or bank reconciliation reports. Additionally, there is no independent review of the accounting treatment of complex transactions to ensure that they have been properly recorded.

Status: The permanent CEO started at the organization just prior to the finalization of the 2019 audit that included findings. Since that time, the CEO has become an active participant on the Finance Committee reviewing financial statements with the Director of Finance and Operations prior to each meeting. She was active in participating and providing oversight to the writing of the financial processes and procedures documentation.

The CEO has been consistently involved in the bank reconciliation process since January 2020; providing oversight and approval of the documents after verifying the bank activity with internal agency MIP reports as appropriate.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT AUDIT (Continued)

2019-004 Monitoring

Criteria: A comprehensive, fully integrated control system should include a formal monitoring process by management and the Board. A formal monitoring process over the internal control system as a whole helps ensure that the policies and procedures as described are, in fact, working as designed over time and are the appropriate controls for the needs and risks of the organization.

Condition: Child Care Aware of Washington does not currently have a formal monitoring process that would ensure internal controls are properly designed and operating effectively. Lack of monitoring of financial statement controls could lead to degradation of internal controls over time.

Status: CCA of WA hired Clark Nuber, PS to complete a Not-for-Profit Business Health Checkup/Internal Control Assessment and Best Practices Review. This checkup, completed in May 2020, included a document that identified issues, recommendations and priority for addressing each concern.

The Board of Trustees then received a copy of this report and reviewed it during their May 2020 meeting. The Finance Committee provides accountability and oversight to the completion of the recommended changes. The Finance Committee and the Board have received updates on the team's progress in addressing issues throughout the year.

This document has provided a roadmap for the CCA of WA Finance team's work over the past several months as they addressed each of the high or medium priority identified issues in the report.

MAJOR FEDERAL AWARD PROGRAM AUDIT

2019-005 Non-compliance over Subrecipient Monitoring

Federal Agency: Department of Health and Human Services
CFDA No. 93.575

Criteria: Pass-through entities must properly identify Federal award information and compliance requirements to the subrecipient.

Condition: Child Care Aware of Washington provided inaccurate federal award amounts to subrecipients.

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

MAJOR FEDERAL AWARD PROGRAM AUDIT (Continued)

Status: CCA of WA increased the oversight of the development of sub recipient contracts to ensure that the federal award amounts were correctly reported to sub recipients. The new addition of contracts management software (to go live in February 2021) will create even more oversight to this process as it will provide a framework of checks and balances supporting clear processes and outcomes.

2019-006 Internal Control Over Procurement and Suspension and Debarment

Federal Agency: Department of Health and Human Services

CFDA No. 93.575

Criteria: Award recipients must adopt and maintain procurement policies that comply with procurement standards set out at 2 CFR sections 200.318 through 200.326. In addition, they must have procedures in place to ensure that contractors hired are not suspended or debarred or otherwise excluded from participating in federally funded programs.

Condition: Child Care Aware of Washington has drafted, but not yet adopted a procurement policy that meets the requirements of the Uniform Guidance and has not established procedures to ensure that contractors hired are not suspended or debarred or otherwise excluded from participating in federally funded programs.

Status: CCA of WA completed a procurement policy that was approved by the Board of Trustees, trained all staff who would be involved with completing a procurement process utilizing the new policy and have successfully utilized the process several times for major purchases over the past year with success.

We have also completed a written procedure for checking suspension and debarment annually. This will lead to more consistency of practice.



December 2, 2020

JACOBSON JARVIS & CO, PLLC
200 First Avenue West, Suite 200
Seattle, WA 98119-4219

Re: Corrective Action Plan for 2019 Fiscal Year Audit Findings

Pursuant to findings 2019-01 through 2019-06 from our fiscal year 2019 audit for the period ending 6-30-19, please see our corrective action plan below.

2020-001 Segregation of Duties over Electronic Fund Transfers (formerly 2019-002)

Criteria: Management is responsible for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements. This includes maintaining adequate segregation of duties over electronic fund transfers.

Condition: There is a lack of segregation of duties over electronic fund transfers in that the Director of Finance and Accountability has the ability to initiate and transmit electronic fund transfers without oversight.

Context: This finding was noted through internal controls testing over cash disbursements whereby we noted a lack of adequate controls over electronic funds transfers.

Recommendation: We recommend that someone outside of the accounting department be responsible for transmitting approval to the bank for electronic fund transfers.

Corrective Action 1: Upon receipt of this finding, CCA of WA (January 2020) immediately changed their practices so that the EFT initiation protocol and reporting consistently included an additional Director-level, non-accounting staff person to verify payees, amounts, and provide documented verification. Since February 2020, we have trained two Director-level staff who can serve in this role so that we have a backup in place. Electronic Funds Transfers now consistently include a second Director-level person ensuring that no one person has the ability to initiate and process Electronic Fund Transfers. We are working with our bank to limit those who have access to our bank accounts on line to be able to create or authorize fun transfers, but not be able to do both.

A handwritten signature in black ink that reads "Deeann Burtch Puffert".

Deeann Puffert, CEO

A handwritten signature in black ink that appears to read "Alan Strand".

Alan Strand, Director of Finance & Operations

A handwritten signature in black ink that reads "Lois A. Martin".

Lois Martin, Board Chair