CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 2012
(WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED JUNE 30, 2011)

CHILD CARE RESOURCE CENTER, INC.
(A NONPROFIT CORPORATION)
CONTENTS
June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Child Care Resource Center, Inc.
Chatsworth, California

We have audited the accompanying statement of financial position of Child Care Resource Center, Inc. ("CCRC") as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of CCRC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized comparative information has been derived from the 2011 financial statements and, in our report dated December 15, 2011, we expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Child Care Resource Center, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012 on our consideration of Child Care Resource Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information 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 financial statements. The information has been subjected to the auditing 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.

Singer Lewak LLP

SingerLewak LLP

Los Angeles, California
December 11, 2012

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
June 30, 2012
(With Comparative Totals at June 30, 2011)

ASSETS

	2012	2011
Current assets		
Cash and cash equivalents	$ 4,652,501	$ 4,264,476
Cash held in reserve	338,804	402,965
Government contracts receivable	2,842,619	7,210,147
Other receivables	35,701	50,000
Prepaid expenses and other current assets	105,301	155,990
Total current assets	7,974,926	12,083,578
Property and equipment, net	4,109,790	4,013,254
Other assets	202,243	202,243
Total assets	**$ 12,286,959**	**$ 16,299,075**

LIABILITIES AND NET ASSETS

	2012	2011
Current liabilities		
Line of credit	$ -	$ 2,000,000
Accounts payable	5,816,074	6,348,147
Accrued expenses	1,508,721	1,933,249
Capital lease obligation	61,223	-
Due to funding agencies	178,900	1,363,702
Reserve funds	338,804	402,965
Deferred rent, current portion	77,102	14,026
Total current liabilities	7,980,824	12,062,089
Deferred rent, net of current portion	333,397	367,865
Total liabilities	8,314,221	12,429,954
Commitments and contingencies (Note 11)		
Net assets		
Unrestricted	3,909,259	3,840,632
Temporarily restricted	63,479	28,489
Total net assets	3,972,738	3,869,121
Total liabilities and net assets	**$ 12,286,959**	**$ 16,299,075**

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

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Unrestricted	Temporarily Restricted	2012	2011
Revenue and support				
Grant revenue	$ 81,152,644	$ 50,000	$ 81,202,644	$ 88,846,016
Fees for services	19,654,214	-	19,654,214	26,673,435
Family fees	1,214,044	-	1,214,044	1,211,674
Contributions	239,772	-	239,772	219,947
Loss on disposal of property and equipment	(1,444)	-	(1,444)	(182,318)
Interest income	3,992	-	3,992	42,380
Other income	421,626	-	421,626	118,974
Net assets released from restrictions	15,010	(15,010)	-	-
Total revenue and support	102,699,858	34,990	102,734,848	116,930,108
Functional expenses				
Program services	95,969,497	-	95,969,497	110,139,410
General and administrative expenses	6,540,599	-	6,540,599	7,315,288
Fundraising costs	121,135	-	121,135	45,552
Total functional expenses	102,631,231	-	102,631,231	117,500,250
Changes in net assets	68,627	34,990	103,617	(570,142)
Net assets, beginning of year	3,840,632	28,489	3,869,121	4,439,263
Net assets, end of year	**$ 3,909,259**	**$ 63,479**	**$ 3,972,738**	**$ 3,869,121**

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

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	2012	2011
Cash flows from operating activities		
Changes in net assets	$ 103,617	$ (570,142)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	609,432	1,534,484
Loss on disposal of property and equipment	1,444	182,318
(Increase) decrease in		
Cash held in reserve	64,161	(88,945)
Government contracts receivable	4,367,528	(1,333,555)
Other receivables	14,299	(50,000)
Prepaid expenses and other current assets	50,689	71,310
Increase (decrease) in		
Accounts payable	(532,073)	(873,332)
Accrued expenses	(424,528)	(187,965)
Due to funding sources	(1,184,802)	1,352,907
Reserve funds	(64,161)	88,945
Deferred rent	28,608	381,891
Net cash provided by operating activities	3,034,214	507,916
Cash flows from investing activities		
Purchase of property and equipment	(508,257)	(1,202,549)
Proceeds from sale of property and equipment	-	3,622
Net cash used in investing activities	(508,257)	(1,198,927)
Cash flows from financing activities		
Net borrowings (payments) on line of credit	(2,000,000)	2,000,000
Net borrowings (payments) on obligations under capital leases	(137,932)	-
Net cash provided by (used in) financing activities	(2,137,932)	2,000,000
Net increase in cash and cash equivalents	388,025	1,308,989
Cash and cash equivalents, beginning of year	4,264,476	2,955,487
Cash and cash equivalents, end of year	**$ 4,652,501**	**$ 4,264,476**
Supplemental disclosures of cash flow information		
Cash paid during the year for interest	**$ 8,314**	**$ 43,188**

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

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2012
(With Comparative Totals for the Year Ended June 30, 2011)

	Program Services	General and Administrative	Fundraising	2012	2011
Payments to child care providers	$ 70,220,283	$ -	$ -	$ 70,220,283	$ 81,350,171
Personnel expenses					
Salaries and wages	15,140,208	3,251,072	16,435	18,407,715	19,614,849
Payroll taxes	1,377,849	263,751	1,461	1,643,061	1,741,203
Employee benefits	2,630,868	604,733	2,723	3,238,324	3,537,757
Workers' compensation insurance	639,994	45,850	313	686,157	688,336
Total personnel expenses	19,788,919	4,165,406	20,932	23,975,257	25,582,145
Other expenses					
Advertising	33,679	61,345	7,183	102,207	73,507
Business insurance	118,649	70,446	93	189,188	176,309
Conferences and staff development	127,154	72,386	222	199,762	236,227
Depreciation expense	609,432	-	-	609,432	1,534,484
In-kind contributions	108,763	-	-	108,763	172,460
Interest expense	7,211	32,768	589	40,568	104,047
Membership dues	3,022	129,774	15	132,811	138,291
Office equipment leases and maintenance	125,176	94,980	577	220,733	242,725
Other expenses	125,013	18,056	1,247	144,316	150,878
Postage and delivery	223,300	91,048	2,175	316,523	274,457
Printing	9,034	10,671	7,308	27,013	19,782
Professional services	369,887	296,509	11,175	677,571	624,289
Rent	2,272,520	787,051	39,762	3,099,333	3,557,630
Repairs and maintenance	300,569	148,946	475	449,990	602,284
Software costs	82,276	229,323	58	311,657	215,290
Supplies	860,990	111,185	28,085	1,000,260	1,198,306
Telephone	136,184	75,001	561	211,746	409,319
Temporary help	92,841	61,311	56	154,208	353,573
Travel	91,852	8,403	36	100,291	106,877
Utilities	262,743	75,990	586	339,319	377,199
Total other expenses	5,960,295	2,375,193	100,203	8,435,691	10,567,934
Total functional expenses	**$ 95,969,497**	**$ 6,540,599**	**$ 121,135**	**$ 102,631,231**	**$ 117,500,250**

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

NOTE 1 – NATURE OF OPERATIONS

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

CCRC provides the following services:

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

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

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

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

NOTE 1 – NATURE OF OPERATIONS (Continued)

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

School Readiness Initiative (SRI) … Ready For School – The School Readiness Initiative ensures a high quality parent and child environment that allows children 0-5 years of age to receive early learning experiences that are crucial to their success. SRI addresses the whole child and the whole family through such services as in-home education, individual case and crisis management and parent education and workshops. The physical, social and emotional needs of the entire family are met.

Family Child Care Home Education Network (FCCHEN) – The Family Child Care Home Education Network consists of a number of licensed family child care providers who accept children referred by CCRC and participate in comprehensive early childhood and education training from CCRC's child development specialists to maintain a high level of quality for the children in their care. The network combines the standards of a first rate center with the intimacy of a home environment. CCRC coordinates two Family Child Care Home Education Networks: one in the Antelope Valley and one in the Northeast San Fernando Valley for children 0-5 years of age. These networks are funded by the California Department of Education.

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

Book, Toy and Resource Library – The CCRC Book, Toy and Resource Library, located in the San Fernando and Antelope Valleys, offers thousands of toys, videos, books, games and educational materials at no cost to library card holders (free and easy to obtain). CCRC also offers a variety of resource materials for child care professionals, child development students and parents, such as lesson plan ideas, child development information and training guides and videos.

NOTE 1 – NATURE OF OPERATIONS (Continued)

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation</u>
The financial statements are presented utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CCRC's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

CCRC recognizes contributions, including unconditional promises to give, as revenue in the period received. Revenues, gains, expenses and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CCRC and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by actions of the board of directors or may otherwise be limited by contractual agreements with outside parties.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of CCRC and/or the passage of time. As restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity by CCRC. Investment income generated from these funds is available for general support of CCRC unless otherwise stipulated by the donor. As of June 30, 2012 and 2011, CCRC had no permanently restricted net assets.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents
For the purpose of the statement of cash flows, CCRC considers all temporary, short-term, highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents.

Cash Held in Reserve
Cash held in reserve is cash whose use by CCRC has been limited under contract funding terms and conditions. Of the total $338,804, $261,915 relates to contracts with the California Department of Education ("CDE"). The amount with CDE represents cash received but not earned by CCRC. Under CDE's rules, the reserve amount may be used for operations in certain cases. Any unused reserve funds must be returned to CDE upon termination of services under the child development contracts. The reserve balance is reviewed and re-calculated by CDE on an annual basis. The amount in excess of the required reserve balance must be repaid to CDE.

The remaining $76,889 of the cash held in reserve balance relates to CCRC's contract with the Los Angeles County Office of Education ("LACOE") for the Head Start Program. CCRC is required by LACOE to segregate cash received for future payments of accrued leave liability. Accordingly, CCRC maintains the cash received for future payments of accrued leave liability in a separate bank account.

The related liabilities for cash held in reserve for contracts with CDE and LACOE have been reflected in Reserve Funds in the accompanying statement of financial position at June 30, 2012 and 2011.

Government Contracts Receivable
Government contracts receivable consists primarily of monies due from various program funding sources. CCRC has not had issues with collectability of the government contracts receivable and has not recognized an allowance for uncollectable receivables.

Property and Equipment
Property and equipment are stated at cost or, for those assets acquired by gift or bequest, the estimated fair market value at the date of contribution. CCRC capitalizes computer equipment and other property items in excess of $2,000 and expenses amounts below these thresholds. Depreciation is computed using the straight-line method over estimated useful lives as follows:

Computer equipment and software	7 years
Furniture, fixtures and equipment	10 years
Vehicles	10 years
Leasehold improvements	Remaining term of the lease

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

CCRC accounts for its long-lived assets with definite useful lives in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("Codification" or "ASC") Topic No. 360, *Property, Plant and Equipment*. Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, CCRC first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. CCRC determined that there were no impairments on its long-lived assets for the years ended June 30, 2012 and 2011.

Due to Funding Agencies

Due to funding agencies represents amounts received under grant contracts which have not been earned by the end of the grant period and must be repaid to the funding source.

Support and Grant Revenue

Support and grant revenue consists of grants received from CDE, Department of Health & Human Services - Administration for Children & Families ("DHHS - ACF"), Los Angeles County Office of Education ("LACOE") and various governmental funding sources. These sources of support are to be spent for specific purposes. Child care services and general and administrative expenses are funded in part by CDE, DHHS - ACF, LACOE and other grants, which are subject to annual budget negotiations and availability of funds. Consequently, revenues for these transactions are recognized as the expenditures are incurred. Any difference between expenses incurred and the total funds received (not to exceed the grant maximum) is recorded as grant receivable or unearned grant revenue.

CCRC reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends and/or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Grant Revenue (Continued)
Contributions of donated non-cash assets are recorded at their fair values in the period in which they are received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation are recorded at their fair values in the period in which they are received. CCRC received contributed services valued at $108,763 and $172,460 for the years ended June 30, 2012 and 2011, respectively, which is included in contribution revenue.

Fees for Service Revenue
CCRC receives support from the Los Angeles County Department of Public Social Services ("DPSS") under the CalWORKs welfare-to-work program. CCRC receives reimbursements for payments to providers and an administrative fee per family served per month under this program. Amounts received under this program are reflected as "fees for services" in the accompanying financial statements.

Functional Allocation of Expenses
Expenses that can be identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation by management. Fundraising costs of $121,135 and $45,552 for the years ended June 30, 2012 and 2011, respectively, were not charged to any child development contracts.

Estimated Fair Value of Financial Statements
As defined in FASB ASC Topic No. 820, "Fair Value Measurements and Disclosures" ("ASC 820") (formerly SFAS No. 157, "Fair Value Measurements"), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the CCRC uses the market or income approach. Based on this approach, CCRC utilizes certain assumptions about risk and or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market-corroborated or generally unobservable inputs. CCRC utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Fair Value of Financial Statements (Continued)
Based on the observability of the inputs used in the valuation techniques, CCRC is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and the reliability of the information used to determine fair values.

As a basis for considering such assumptions, ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

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

Level 2: Includes other inputs that are directly or indirectly observable in the marketplace

Level 3: Unobservable inputs which are supported by little or no market activity

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. For the fiscal year ended June 30, 2012, the application of valuation techniques applied to similar assets and liabilities has been consistent.

CCRC's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the instrument. The carrying values of accounts receivable, grants receivable and other current assets, accounts payable, line of credit, capital lease obligation and accrued expenses approximate fair values due to the short maturity of these instruments.

Income Taxes
CCRC has been designated as tax-exempt under Internal Revenue Code Section 501(c)(3) and is also exempt from state franchise taxes under Section 23701(d) of the California Revenue and Taxation Code and is not generally subject to federal or state income taxes.

However, CCRC is subject to income taxes on any net income that is derived from a trade or business, regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, and in the opinion of management, is not material to the basic financial statements taken as a whole.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)
CCRC also applies the provisions of FASB Accounting Standards Codification Topic No. 740, *Accounting for Uncertainty in Income Taxes* ("ASC 740"). ASC 740 clarifies the uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, and prescribes a recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC 740 also provides guidance on de-recognition of tax benefits, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure and transition. CCRC has determined that the adoption of ASC 740 did not result in the recognition of any liability for unrecognized tax benefits and that there are no unrecognized tax benefits that would, if recognized, affect the effective tax rate.

CCRC's state income tax returns remain subject to examination for all tax years ended on June 30, 2008, 2009, 2010 and 2011 with regard to all tax positions and the results reported. CCRC's federal income tax returns remain subject to examination for all tax years ended on June 30, 2009, 2010 and 2011 with regard to all tax positions and the results reported.

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

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

Recently Adopted Accounting Pronouncements
In May 2011, the FASB issued Accounting Standards Update 2011-04, *Fair Value Measurement* (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*, to converge the guidance in U.S. GAAP and International Financial Reporting Standards ("IFRS"). The amended guidance changes several aspects of the fair value measurement guidance in ASC Topic 820. In addition, the amended guidance includes several new fair value disclosure requirements, including, among other things, information about valuation techniques and unobservable inputs used in Level 3 fair value measurements and a narrative description of Level 3 measurements' sensitivity to changes in unobservable inputs. For nonpublic entities, the amended guidance must be applied prospectively for annual periods beginning after December 15, 2011. The adoption of ASU 2011-04 did not have a material impact on CCRC's financial position, statement of activities or cash flows

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In October 2012, the FASB issued Accounting Standards Update No. 2012-05, *Not-for-Profit Entities ("NFP"): Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows* ("ASU 2012-05"), which require an NFP to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any NFP-imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated securities should be classified as cash flows from investing activities by the NFP. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all prior periods presented upon the date of adoption is permitted. CCRC is in the process of assessing the effect that the guidance will have on its financial statements.

NOTE 3 – GOVERNMENT CONTRACTS RECEIVABLE

Government contracts receivable at June 30, 2012 and 2011 are as follows:

	2012	2011
California Department of Education	$ 1,531,702	$ 4,493,681
County of Los Angeles DPSS – CalWORKs Stage I	730,206	1,146,409
Department of Health and Human Services – Administration for Children & Families	275,009	549,624
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	136,366	438,856
Los Angeles County – Department of Public Health Emergency Preparedness and Response Services	-	260,255
Los Angeles County – Office of Education	-	271,073
Los Angeles County Early Care & Education Workforce Consortium – Gateways for Early Educators Project	136,058	-
Other funding sources	33,278	50,249
Government contracts receivable	**$ 2,842,619**	**$ 7,210,147**

Government contracts receivable are all due within one year.

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of property and equipment at June 30, 2012 and 2011 is as follows:

	2012	2011
Leasehold improvements	$ 441,828	$ 379,513
Computer equipment and software	2,294,915	2,175,243
Office equipment	4,107,633	3,341,449
Furniture and fixtures	1,925,497	1,785,189
Vehicles	573,081	573,081
	9,342,954	8,254,475
Less accumulated depreciation and amortization	5,233,164	4,241,221
Property and equipment, net	**$ 4,109,790**	**$ 4,013,254**

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 amounted to $609,432 and $1,534,484, respectively. For the years ended June 30, 2012 and 2011, CCRC had losses on disposal of property and equipment totaling $1,444 and $182,318, respectively.

Certain property and equipment with a net carrying amount of $567,696 was acquired with federal grant funds. Under federal regulations, the federal government maintains ownership interests in these properties and equipment. Use of these properties and equipment for other than the purpose for which they were funded must be approved by the federal agencies.

NOTE 5 – LINE OF CREDIT

At June 30, 2012, CCRC had a revolving line of credit of $8,000,000, which expires on March 15, 2013. At June 30, 2012, there was no outstanding balance on the line of credit. The effective interest rate at June 30, 2012 was 4.00% per annum. Collateral used to secure the line of credit does not include any property acquired or improved with federal funds from the U.S. Department of Health & Human Services, Administration for Children & Families for the benefit of the Head Start Program.

NOTE 6 – CAPITAL LEASE OBLIGATION

CCRC has a capital lease that expires on November 30, 2012 that is due in monthly installments with interest. Future minimum lease payments under this lease at June 30, 2012 amount to $61,223. The total cost of the equipment leased is $607,579 and is included in property and equipment. As of June 30, 2012, the accumulated depreciation on the assets is $278,473.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Movements in temporarily restricted net assets were as follows:

	Available June 30, 2011	New Revenues	Expenditures/ Released from Restriction	Available June 30, 2012
Child care and educational preschool programs	$ 28,489	$ 50,000	$ 15,010	$ 63,479
Total	**$ 28,489**	**$ 50,000**	**$ 15,010**	**$ 63,479**

NOTE 8 – GRANT SUPPORT

Grant support for CCRC for the years ended June 30, 2012 and 2011 was received from the following sources:

	2012	2011
California Department of Education		
CalWORKs Stage II	$ 44,098,982	$ 41,680,766
CalWORKs Stage III	11,766,706	18,386,221
Alternative Payments	8,171,597	9,713,956
FCCHEN Homes	2,610,431	3,037,551
Resource & Referral	775,771	775,881
Child and Adult Care Food Program	635,278	622,930
Other grants	95,864	90,904
Department of Health and Human Services – Administration for Children & Families	6,702,811	7,304,420
Los Angeles County – Office of Education	5,459,741	5,359,861
Los Angeles County Children and Families First Proposition 10 Commission (First 5 LA)	402,491	1,199,410
Los Angeles County – Department of Public Health Emergency Preparedness and Response Services	92,826	375,398
Child Care Alliance of Los Angeles	203,310	-
Other grants	186,836	298,718
Total grant support	**$ 81,202,644**	**$ 88,846,016**

NOTE 9 – RETIREMENT PLANS

CCRC maintains two contributory retirement plans for its eligible employees. The plans are a defined contribution pension plan under Internal Revenue Code Section 403(b) that is available to all of its employees with at least ninety days of employment and a defined contribution plan under Section 457(b) that is available to eligible executive management employees. Effective January 1, 2012, CCRC suspended the discretionary employer 403(b) contribution match program. During the years ended June 30, 2012 and 2011, CCRC made discretionary employer contributions to these plans totaling $156,459 and $230,154, respectively.

NOTE 10 – CONCENTRATION OF CREDIT RISK

Financial instruments which potentially subject CCRC to concentrations of credit risk consist of cash and accounts receivable. CCRC maintains its cash with high-credit, quality financial institutions, and that cash may, at times, exceed amounts insured by the Federal Deposit Insurance Corporation (the "FDIC"). From December 31, 2010 through December 2012, all non-interest-bearing transaction accounts are fully insured, regardless of the balance of the account and the ownership capacity of the funds. For the years ended June 30, 2012 and 2011, uninsured cash amounted to $1,181,279 and $84,067, respectively.

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

Both governmental and private pay sources have instituted cost-containment measures designed to limit payments made to providers of child care services, and there can be no assurance that future measures designed to limit payments made to providers will not adversely affect reimbursement to CCRC. Furthermore, government reimbursement programs are subject to statutory and regulatory changes, retroactive rate adjustments, administrative rulings and government funding restrictions, all of which could materially decrease the services covered or the rates paid to CCRC for its services.

A majority of CCRC's annual funding, $100,670,022 or 97.7% and $115,220,733 or 98.5% in 2012 and 2011, respectively, of total operating revenues is derived from grant agreements with federal and nonfederal agencies. CCRC has no reason to believe that relationships with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements, withholding of funds or significant decreases to funding) would adversely affect CCRC's ability to finance ongoing operations.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Leases

CCRC leases various equipment and facilities under non-cancelable operating lease agreements expiring at various dates through 2027. The future minimum lease payments required under these lease agreements at June 30, 2012 are as follows:

Years Ending June 30,	
2013	$ 3,021,583
2014	3,009,077
2015	894,638
2016	817,060
2017	532,109
Thereafter	1,862,925
Total	**$ 10,137,392**

Rental expense for facilities includes common area maintenance charges. Total rental expense for the years ended June 30, 2012 and 2011 was $3,099,333 and $3,557,630, respectively.

NOTE 12 – SUBSEQUENT EVENTS

Management has evaluated significant events or transactions that have occurred since the balance sheet date and through December 11, 2012, which represents the date that the financial statements were available for issue. No events or transactions have occurred during this period that would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

CHILD CARE RESOURCE CENTER, INC.

(A NONPROFIT CORPORATION)

STATEMENT OF ACTIVITIES BY AREA

For the Year Ended June 30, 2012

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

	2012							2011
	CDE Programs	County Child Care	Head Start	Property and Equipment	Deferred Rent	All Other Programs	Total	Total
Revenue and support								
Grant revenue	$ 68,154,629	$ -	$ 12,162,553	$ -	$ -	$ 885,462	$ 81,202,644	$ 88,846,016
Fees for services	-	19,654,214	-	-	-	-	19,654,214	26,673,435
Family fees	1,213,116	928	-	-	-	-	1,214,044	1,211,674
Contributions	-	1,832	103,982	-	-	133,958	239,772	219,947
Loss on disposal of property and equipment	-	-	-	(1,444)	-	-	(1,444)	(182,318)
Interest income	-	-	-	-	(5,065)	9,057	3,992	42,380
Other income	380	-	-	-	-	421,246	421,626	118,974
Total revenue and support	69,368,125	19,656,974	12,266,535	(1,444)	(5,065)	1,449,723	102,734,848	116,930,108
Expenditures								
Provider payments	55,821,387	14,398,060	-	-	-	836	70,220,283	81,350,171
Salaries and wages	7,505,958	3,112,869	7,271,864	-	-	517,024	18,407,715	19,614,849
Employee benefits and payroll taxes	2,030,291	836,385	2,551,245	-	-	149,621	5,567,542	5,967,296
Supplies	619,525	146,668	170,148	-	-	63,919	1,000,260	1,198,306
Services and other operating expenses	3,180,458	1,010,909	2,034,556	(267,882)	23,543	730,982	6,712,566	7,662,684
In-kind contributions	-	1,832	103,982	-	-	2,949	108,763	172,460
Equipment	-	93,423	134,740	(287,781)	-	64,288	4,670	-
Depreciation	-	-	-	609,432	-	-	609,432	1,534,484
Total expenditures per audited financials	69,157,619	19,600,146	12,266,535	53,769	23,543	1,529,619	102,631,231	117,500,250
Change in net assets	$ 210,506	$ 56,828	$ -	$ (55,213)	$ (28,608)	$ (79,896)	$ 103,617	$ (570,142)
Adjustments to reconcile to regulatory reporting								
Capitalized renovation and repairs expensed on AUD forms	-	-	-	-	-	-	-	9,758
Capitalized equipment expensed on AUD forms	220,475	-	-	-	-	-	220,475	243,279
Total expenditures by state categories	69,378,094	19,600,146	12,266,535	53,769	23,543	1,529,619	102,851,706	117,753,287
Revenues over (under) expenditures for regulatory reporting	**$ (9,969)**	**$ 56,828**	**$ -**	**$ (55,213)**	**$ (28,608)**	**$ (79,896)**	**$ (116,858)**	**$ (823,179)**

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