

CALIFORNIA CHILD CARE
RESOURCE AND REFERRAL NETWORK

REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEARS ENDED DECEMBER 31, 2007 AND 2006

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March 21, 2008

Board of Directors
California Child Care Resource and Referral Network
San Francisco, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statements of financial position of **California Child Care Resource and Referral Network**, as of December 31, 2007 and 2006, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the **California Child Care Resource and Referral Network's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 **California Child Care Resource and Referral Network**, at December 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years 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 March 21, 2008 on our consideration of **California Child Care Resource and Referral Network's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 with the *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
California Child Care Resource and Referral Network
March 21, 2008

The financial statements referred to in the foregoing opinion are set forth on pages 3 to 13, inclusive of this report. Our audit was performed for the purpose of forming an opinion on the basic financial statements of **California Child Care Resource and Referral Network** taken as a whole. The accompanying schedule of expenditures of Federal and State awards and other information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Randolph Scott & Co." in a cursive, flowing script.

Certified Public Accountants, Inc.

**CALIFORNIA CHILD CARE
RESOURCE AND REFERRAL NETWORK
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006**

| | <u>ASSETS</u> | <u>Unrestricted</u> | |
|---|----------------------|----------------------------|----------------------------|
| | | <u>2007</u> | <u>2006</u> |
| CURRENT ASSETS: | | | |
| Cash and Cash Equivalents (Note A) | | \$ 1,823,168 | \$ 1,645,757 |
| Grants and Accounts Receivable (Note D) | | 370,193 | 638,735 |
| Prepaid Expenses | | <u>64,216</u> | <u>35,317</u> |
| TOTAL CURRENT ASSETS | | 2,257,577 | 2,319,809 |
| PROPERTY AND EQUIPMENT (Note F) | | 11,376 | 30,877 |
| DEPOSITS | | <u>16,140</u> | <u>14,118</u> |
| TOTAL ASSETS | | \$ <u>2,285,093</u> | \$ <u>2,364,804</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | |
| CURRENT LIABILITIES: | | | |
| Current Portion of Obligation on Capital Lease (Note G) | | \$ - | \$ 17,945 |
| Accounts Payable | | 97,559 | 64,414 |
| Accrued Liabilities | | 61,661 | 59,696 |
| Refundable Advances | | <u>377,450</u> | <u>545,029</u> |
| TOTAL CURRENT LIABILITIES | | 536,670 | 682,831 |
| LONG-TERM PORTION OF CAPITAL LEASE (Note G) | | <u>-</u> | <u>4,253</u> |
| TOTAL LIABILITIES | | 536,670 | 687,084 |
| COMMITMENT AND CONTINGENCY (Note I) | | | 4 |
| NET ASSETS | | | |
| Unrestricted | | | |
| Designated | | 28,139 | 28,139 |
| Investment in Property and Equipment | | 7,988 | 12,932 |
| Undesignated | | <u>1,712,296</u> | <u>1,636,649</u> |
| | | <u>1,748,423</u> | <u>1,677,720</u> |
| Temporarily restricted | | <u>-</u> | <u>-</u> |
| TOTAL NET ASSETS | | 1,748,423 | 1,677,720 |
| TOTAL LIABILITIES AND NET ASSETS | | \$ <u>2,285,093</u> | \$ <u>2,364,804</u> |

See Notes To Financial Statements.

CALIFORNIA CHILD CARE
RESOURCE AND REFERRAL NETWORK
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

| | Unrestricted | |
|---|--------------|--------------|
| | 2007 | 2006 |
| SUPPORT AND REVENUE: | | |
| California Department of Education | \$ 1,563,432 | \$ 1,744,601 |
| Other Governmental Grants | 587,030 | 501,741 |
| Foundations and Community Programs | 524,848 | 666,554 |
| Dues and Fees | 302,390 | 203,452 |
| Conferences | 528,445 | 232,193 |
| Interest Income | 67,965 | 55,154 |
| Publications | 104,774 | 17,444 |
| Other | 44,212 | 87,182 |
| Contributions | 13,450 | 6,800 |
| Total Support and Revenue | 3,736,546 | 3,515,121 |
| EXPENSES: | | |
| Salaries and Wages | 1,461,384 | 1,436,629 |
| Employee Benefits | 420,317 | 411,955 |
| Total Personnel Costs | 1,881,701 | 1,848,584 |
| Subcontracts - Other | 215,526 | 247,749 |
| Subcontracts - R&R Agencies | 408,961 | 356,276 |
| Conferences & Meetings | 613,007 | 415,917 |
| Professional Services | 28,953 | 115,931 |
| Rent Expense | 120,968 | 118,927 |
| Supplies | 30,769 | 39,828 |
| Telephone | 44,405 | 41,776 |
| Travel | 68,087 | 80,797 |
| Depreciation | 9,733 | 17,186 |
| Publication Expenses | 2,649 | 8,224 |
| Postage & Freight | 54,868 | 51,487 |
| Books, Subscriptions/Materials | 7,332 | 4,488 |
| Repairs & Maintenance | 27,678 | 36,383 |
| Copying & Printing | 92,891 | 17,591 |
| Capital Expenditures | 9,253 | 7,075 |
| Other Expenses | 32,041 | 61,376 |
| Interest Expense | 3,452 | 8,447 |
| Advertising | 747 | 902 |
| Insurance | 7,173 | 7,270 |
| Employee Training & Development | 1,228 | 1,083 |
| Total Expense | 3,661,422 | 3,487,297 |
| CHANGE IN NET ASSETS | 75,124 | 27,824 |
| CHANGES TO NET ASSETS: | | |
| Additions to Equipment Fund Balance (Note A) | - | - |
| Depreciation Charged to Equipment Fund Balance (Note A) | (4,421) | (4,421) |
| NET ASSETS, Beginning of Year | 1,677,720 | 1,654,317 |
| NET ASSETS, End of Year | \$ 1,748,423 | \$ 1,677,720 |

See Notes To Financial Statements.

**CALIFORNIA CHILD CARE
RESOURCE AND REFERRAL NETWORK
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006**

| CASH FLOWS FROM OPERATING ACTIVITIES: | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| Cash received from: | | |
| Grants and Program Income | \$ 3,725,332 | \$ 3,636,718 |
| Other Revenue | 44,212 | 87,182 |
| Cash paid to: | | |
| Employees and suppliers | (3,644,049) | (3,513,695) |
| Disposal of Equipment | (4,019) | - |
| Interest Income | 67,965 | 55,154 |
| Interest Paid | (3,452) | (8,447) |
| | <u>185,989</u> | <u>256,912</u> |
| Net Cash Provided by Operating Activities: | | |
| | <u>185,989</u> | <u>256,912</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Acquisition of Equipment | - | (3,477) |
| Net Cash Used by Investing Activities | - | (3,477) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Payments on Capital Lease Obligations - Less Interest of \$3,452 and \$8,447 respectively. | (8,578) | (9,559) |
| Net Cash Used by Financing Activities | (8,578) | (9,559) |
| NET INCREASE / (DECREASE) IN CASH: | 177,411 | 243,876 |
| Cash, Beginning of year | <u>1,645,757</u> | <u>1,401,881</u> |
| Cash, End of year | <u>\$ 1,823,168</u> | <u>\$ 1,645,757</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 75,124 | \$ 27,824 |
| Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities | | |
| Depreciation and Amortization | 14,154 | 21,607 |
| Depreciation Charged to Net Assets | (4,421) | (4,421) |
| Disposal of Equipment | (4,019) | - |
| (Increase) Decrease in: | | |
| Grants and Accounts Receivable | 268,542 | 253,387 |
| Inventories | - | 8,226 |
| Prepaid Expenses | (28,899) | 8,476 |
| Deposits | (2,022) | 7,039 |
| Increase (Decrease) in: | | |
| Accounts Payable | 33,145 | (73,343) |
| Refundable Advances | 1,965 | (2,429) |
| Accrued Liabilities | (167,580) | 10,546 |
| Net Cash Provided by Operating Activities: | <u>\$ 185,989</u> | <u>\$ 256,912</u> |

See Notes To Financial Statements.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

California Child Care Resource and Referral Network (The Network) is a 501(c) (3) non-profit corporation organized under the laws of the State of California. The California Child Care Resource and Referral Network, a nationally recognized non-profit membership organization, addresses the needs of parents and child care providers throughout California. Established in 1980, the Network provides leadership and vision for the continuous development and improvement of resource and referral services statewide, helping to build, support, and advocate for, a quality child care system that supports the diversity of families and children in every community in California.

Project Descriptions

Child Care Initiative Project:

The California Child Care Initiative Project (CCIP) is designed to increase the supply of licensed, quality child care. Developed by BankAmerica Foundation, and funded by statewide and local public-private partnership, and the California Department of Education, Child Development Division the program recruits, trains, and retains family child care providers to help meet the great demand for child care services.

Trustline:

The Network contracts with the California Department of Social Services (CDSS) to maintain the Trustline toll-free phone number, answer questions on the status of applicants and provide technical assistance to parents, child care providers, Child Care Resource and Referral programs, Alternative Payment Programs, County Welfare Departments and employment agencies. The Trustline program is a background check for license-exempt child care providers. All caregivers listed with Trustline have submitted their fingerprints to the California Department of Justice and have no disqualifying criminal convictions or substantiated child abuse reports in California.

Research and Data Standardization:

The Network Research department continues to expand its role of addressing research, data, and technology issues within California's child care system through research projects and publications such as the California Child Care Portfolio which gathers and disseminates California's child care supply and demand data and the California Workforce Census which helps define the child care workforce in California. The Network works to maintain its reputation as a reliable source of data and information on child care issues.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

**NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(Continued)**

Project Descriptions – (Continued)

Membership Services:

The Network maintains and organizational structure that facilitates the constant flow of information and assistance to its member agencies. Regional and Section meetings are held eight times a year to facilitate member participation. Full member meetings are held twice a year as well as specialized trainings such as the Director's Institute and our bi-annual R&R Day in the Capitol.

Parent Voices:

The Network's Parent Voices project provides leadership and advocacy training for low income parents to support them in their efforts to be advocates for their children and child care needs. Currently there are 17 local Parent Voices Chapters.

Public Policy:

Working toward the Network's mission of achieving a quality child care system that meets the need of all children and families requires extensive work at the local, state, and national level. The Network monitors state and federal policy issues; disseminates information and policy alerts to the local R&R's.

Basis of Accounting

The accounting records of the Network are maintained on the accrual basis.

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to the Network, the accounts of the Network are maintained in accordance with the principals of fund accounting. Fund accounting is the procedures by which resources for the various programs are classified for accounting and reporting according to the activities and objectives specified by donors, grantors, officials, and governing boards. Separate accounts are maintained for each fund.

Accounting in Accordance with SFAS 116 and 117

The Network reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the asset contributed.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Accounting in Accordance with SFAS 116 and 117 – (Continued)

When a donor restriction expires, that is, when a stipulated time restrictions ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts receivable and accounts payable: The carrying amounts of accounts receivable and accounts payable in the balance sheet approximates fair value.

Lease obligation : The carrying value of the Network's debt approximates fair value because of the variable nature of market interest rates.

Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, and revenue and expenses for the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk

Financial instruments that potentially subject the Network to concentrations of credit risk consist principally of uninsured cash balances. The Network places its cash deposits with high-credit, quality financial institutions. At times, balances in the Network's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$100,000. Uninsured balances at December 31, 2007 and 2006 were approximately \$1,445,000 and \$1,257,000, respectively.

For the years ended December 31, 2007 and 2006, the Network received approximately 58% and 57%, respectively, of its annual revenue from federal funds. The Network has not experienced any losses on its cash equivalents.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Concentration of Revenue Sources

During the years ended December 31, 2007 and 2006, the Network had two major revenue sources that accounted for approximately 58% and 64% respectively of the total revenue of the Network. California Department of Education accounted for approximately 42% and 50% respectively, while the California Department of Social Services accounted for approximately 16% and 14% respectively of the total revenue.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash Equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of their acquisition date. Not included, as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

Prepaid Expenses

Prepaid expense balances are calculated and adjusted at year-end to properly charge funds in the period benefited.

Property and Equipment

The Agency policy is to capitalize assets with a per unit cost of \$500 or greater. As further discussed in Note F, property and equipment purchased with unrestricted funds are recorded at cost and depreciated using the straight-line method over the estimated useful lives of the related assets.

Fixed Assets and capital improvements funded by restricted grants are recorded as expenditures in the year of acquisition, in accordance with funding terms and conditions. These purchases are also capitalized in the equipment fund, and depreciated over their useful life. Depreciation on these restricted assets is shown as a reduction to the restricted fund balance. Retirements are reflected as decreases to the furniture and equipment account, with a corresponding reduction in the restricted fund balance. In accordance with funding terms and conditions, title to those assets is retained by the State.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE A – GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Accrued Vacation and Sick Leave Benefits

Employee vacation benefits earned, but not used are recorded as liabilities of the Network, and are recorded in the program fund for which each employee works. Total accrued liability at December 31, 2007 and 2006 were \$59,091 and \$58,812 respectively.

Sick leave benefits are earned and accumulated for each employee. However, accumulated sick leave benefits are not recognized as liabilities of the Network because the payment of such benefits is not probable or estimable.

Functional Allocation of Expenses

Expenses are allocated to various program and support services in accordance with OMB A-122 and other statistical methods as determined by management.

Income Taxes

The Network has received tax-exempt status under Section 501 (c)(3) of the Internal Revenue Code, and Section 23701 (d) of the State of California Revenue and Taxation Code.

NOTE B – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are part of the net assets of the Network resulting from contributions and other inflows of assets whose use by the Network is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Network pursuant to those stipulations. At December 31, 2007 and 2006, respectively, the Network had no temporarily restricted net assets.

NOTE C – NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. For the year ended December 31, 2007 and 2006, respectively, no net assets were released from donor restrictions.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE D – GRANTS AND ACCOUNTS RECEIVABLE

At December 31, 2007 and 2006, respectively, accounts receivable consisted of the following:

| | <u>2007</u> | <u>2006</u> |
|--|-------------------|-------------------|
| California Department of Education | \$ 234,921 | \$ 496,190 |
| California Department of Social Services | 113,405 | 122,000 |
| National Economic Development and Law Center | - | 3,653 |
| First Five Commission | - | 15,517 |
| Other | 19,860 | 1,375 |
| | <u>\$ 370,193</u> | <u>\$ 638,735</u> |

NOTE E - INVENTORY

The production costs of the handbooks were funded with both unrestricted general funds and California Department of Education-CCIP funds. The stated costs represent the general funds portion of the inventory on hand at year-end. At December 31, 2007 and 2006, respectively, The Network had no inventory.

NOTE F – PROPERTY AND EQUIPMENT

At December 31, 2007 and 2006, respectively, property and equipment consisted of the following:

| | <u>2007</u> | <u>2006</u> |
|--------------------------------|------------------|------------------|
| Office Furniture | \$ 46,667 | \$ 46,667 |
| Office Equipment | 89,538 | 89,538 |
| Capital Lease Equipment | - | 36,671 |
| Leasehold Improvements | 13,162 | 13,222 |
| Accounting Software | 20,807 | 20,807 |
| Subtotal | <u>170,174</u> | <u>206,905</u> |
| Less: Accumulated Depreciation | <u>158,798</u> | <u>176,028</u> |
| | <u>\$ 11,376</u> | <u>\$ 30,877</u> |

Included in the equipment balance above is a capital lease copy machine at \$36,671. At December 31, 2006, there was \$25,975 of accumulated depreciation against the copy machine. See Note G for additional information.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE F – PROPERTY AND EQUIPMENT – (Continued)

Total depreciation expense for the years ended December 31, 2007 and 2006 were \$14,154 and \$21,607, respectively. Of the \$14,154 in depreciation expenses for the year ended December 31, 2007, \$4,421 was charged directly to the equipment fund balance.

NOTE G – CAPITAL LEASE

During the year ended December 31, 2006, the Network was the lessee of office equipment under a capital lease. The asset and related liability were recorded at the lower of the present value of the minimum lease payments or the fair value of the asset at the time of signing the lease. The asset was depreciated using the straight-line method over the lower of its related lease term or estimated useful life. This office equipment was traded-in during the 2007 year.

Future minimum lease payments as of December 31, 2006 were as follows:

| | | |
|--------------|------|------------------|
| Year Ending: | 2007 | |
| | | 2006 |
| | | \$ <u>17,945</u> |

NOTE H – CONTRIBUTORY RETIREMENT PLAN

The Network maintains contributory retirement plan available for its employees which allows participants to make tax deferred investment contributions. The plan qualifies under the provisions of Section 403 (b) of the Internal Revenue Code of 1954, as amended. The Network makes contributions of 5% of the employee's annual compensation. The employee may make voluntary contributions of up to 10% of their annual compensation. For the years ended December 31, 2007 and 2006, employer contributions total \$47,514 and \$47,168, respectively.

NOTE I – COMMITMENT AND CONTINGENCY

Commitment

The Network conducts its operations on leased premises. The following is a schedule of future minimum lease payments as of December 31, 2007 and 2006, respectively:

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2007 AND 2006

NOTE I – COMMITMENT AND CONTINGENCY-(CONTINUED)

Commitment-(Continued)

| Year Ending December 31: | <u>2007</u> | <u>2006</u> |
|--------------------------|-------------------|-------------------|
| 2007 | \$ - | \$ 108,528 |
| 2008 | 111,804 | 36,537 |
| 2009 | <u>37,634</u> | <u>-</u> |
| | <u>\$ 149,438</u> | <u>\$ 145,065</u> |

Total rent expense for the years ended December 31, 2007 and 2006 were \$120,968 and \$118,927, respectively.

Contingency

Grant awards require the fulfillment of certain conditions as set forth in the instruments of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Network deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the Network to the provisions of the grants. The Network's management is of the opinion that the Network has complied with the terms of all grants.

ADDITIONAL INFORMATION

**CALIFORNIA CHILD CARE
RESOURCE AND REFERRAL NETWORK
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2007**

| Grantor / Pass-Through Grantor / or Program Title | Federal CFDA Number | Pass-Through Entity Identifying Number | Grant Amount | Expenditures or Amounts Earned |
|---|---------------------------|--|----------------------------|--------------------------------------|
| <u>FEDERAL AWARDS</u> | | | | |
| <u>U.S. Department of Health & Human Services:</u> | | | | |
| <u>Pass-Through Program From:</u> | | | | |
| <u>California Department of Education-</u> | | | | |
| CDDF-Infant/Toddler & Earmark Quality | 93.575 | CN077006 | \$ 875,000 | \$ 361,766 |
| CDDF-Infant/Toddler & Earmark Quality | 93.575 | CN066133 | 875,000 | 454,948 |
| Telephone Assistance | 93.575 | CN077002 | 97,618 | 92,226 |
| Child Care Initiative Project-License Exempt | 93.575 | CN077102 | 345,000 | 140,391 |
| Child Care Initiative Project-License Exempt | 93.575 | 5082 | 1,147,926 | 271,168 |
| <u>Pass-Through Program From:</u> | | | | |
| <u>California Department of Social Services-</u> | | | | |
| Trustline Program | 93.575 | 06-3006 A-1 | 1,209,400 | 587,030 |
| <u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u> | | | <u>\$ 4,549,944</u> | <u>\$ 1,907,529</u> |
| <u>STATE AWARDS</u> | | | | |
| <u>California Department of Education</u> | | | | |
| Child Care Initiative Project - Match | | CN077005 | \$ 249,995 | \$ 228,043 |
| Child Care Initiative Project - Match | | CN066110 | 249,934 | 14,890 |
| <u>TOTAL EXPENDITURES OF STATE AWARDS</u> | | | <u>\$ 499,929</u> | <u>\$ 242,933</u> |

Note 1. Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of **California Child Care Resource & Referral Network**, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

March 21, 2008

Board of Directors
California Child Care Resource and Referral Network
San Francisco, California

We have audited the financial statements of **California Child Care Resource and Referral Network** as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated March 21, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **California Child Care Resource and Referral Network's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financials statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A control deficiency 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 misstatement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With Government Auditing Standards**

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Randolph Scott & Co." in a cursive, flowing script.

Certified Public Accountants, Inc.



**Report on Compliance With Requirements
Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with
OMB Circular A-133**

March 21, 2008

Board of Directors
California Child Care Resource and Referral Network
San Francisco, California

Compliance

We have audited the compliance of **California Child Care Resource and Referral Network** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007 and 2006. **California Child Care Resource and Referral Network's** major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of **California Child Care Resource and Referral Network's** management. Our responsibility is to express an opinion on **California Child Care Resource and Referral Network's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **California Child Care Resource and Referral Network's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **California Child Care Resource and Referral Network's** compliance with those requirements.

In our opinion, **California Child Care Resource and Referral Network** complied, in all material respects; with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2007 and 2006.

**Report on Compliance With Requirements
Applicable to Each Major Program and on Internal
Control Over Compliance in Accordance with
OMB Circular A-133**

Internal Control Over Compliance

The management of **California Child Care Resource and Referral Network** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **California Child Care Resource and Referral Network's** internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, board of directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants, Inc.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2007

SECTION I: SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- * Material weakness(es) identified? _____ yes X no
- * Control deficiency(s) identified that are not considered to be material weaknesses? _____ yes X no
- * Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Type of auditor's report issued on compliance for major programs: Unqualified

Internal control over major programs:

- * Material weakness(es) identified? _____ yes X no
- * Control deficiency(s) identified that are not considered to be material weaknesses? _____ yes X no

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? _____ yes X no

Identification of major programs:

Department of Health & Human Services-
 Pass-Through from the California Dept. of Education:
 Trustline Program CFDA: 93.575
 Infant / Toddler & Quality CFDA: 93.575

Dollar threshold used to distinguish Type A programs from Type B programs was \$300,000.

California Child Care Resource and Referral Network qualified as a low-risk auditee in accordance with OMB Circular A-133.

CALIFORNIA CHILD CARE RESOURCE AND REFERRAL NETWORK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (Continued)
YEAR ENDED DECEMBER 31, 2007

SECTION II: FINANCIAL STATEMENTS FINDINGS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

CONTROL DEFICIENCIES - MATERIAL WEAKNESSES

None.

CONTROL DEFICIENCIES – NON-MATERIAL WEAKNESSES

None.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

CONTROL DEFICIENCIES - MATERIAL WEAKNESSES

None.

CONTROL DEFICIENCIES – NON-MATERIAL WEAKNESSES

None.

QUESTIONED COSTS

None.