

California Department of Education

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Memorandum

Date: February 3, 2016

To: Monica Grimes-Burger, Program Consultant
Early Education and Support Division

From:  J. R. Waltz, Audit Manager
External Audits Unit
Audits and Investigations Division

Phone: 323-6799

Subject: Notification of Audit Findings

**Contractor Name: Community Child Care Council of Santa Clara
County, Inc.**

Vendor Number: V937

Audit Period: July 1, 2014 – June 30, 2015

Contract Status During Audit Period: Clear

OMB Circular A-133: Yes

In accordance with the *California Code of Regulations*, Title 5, Section 18072, the Audits and Investigations Division reviewed the audit report submitted for the child development program and audit period identified above. The audit report meets the submission requirements of the *California Education Code*, Section 8448(g). However, the contractor has been having an increasingly weaker financial condition.

Fiscal Year	Current Ratio	Debt Ratio	Net Assets
2008-09	1.15	0.84	\$910,106
2009-10	1.14	0.86	834,446
2010-11	1.12	0.88	846,611
2011-12	1.16	0.85	751,927
2012-13	1.03	0.93	283,562
2013-14	1.01	0.93	318,689
2014-15	0.92	0.96	170,109

The contractor has incurred operating losses in four of the past six years. Net assets have gone from \$910,106 on June 30, 2009, to \$170,109 on June 30, 2015. The current ratio (cash and assets easily converted to cash divided by debt due within one year) has steadily been decreasing, while the debt ratio (all liabilities divided by all assets) has steadily been increasing. If the contractor continues this overall trend, there is a greater possibility that the contractor will soon be unable to continue as a going concern.

Monica Grimes-Burger, Program Consultant
February 3, 2016
Page 2

The above information is provided to assist in monitoring the program and evaluating contract standing. If you have any questions regarding this memorandum, please contact John Silva, Auditor, by phone at 322-5872, or by e-mail at jsilva@cde.ca.gov.

JW:js:gw
Attachments

cc: Erica Otiono, Program Administrator, Early Education and Support Division
Eddie Yamamoto, Staff Services Manager II, Child Development Agency
Services
Jo Sublett, Fiscal Analyst, Child Development Agency Services

**COMMUNITY CHILD CARE COUNCIL OF
 SANTA CLARA COUNTY, INC.**
 (A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
 (WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$1,187,815	\$2,239,134
Contracts receivable	2,120,992	1,442,596
Accounts receivable	392,821	318,690
Deposits and prepaid expenses	306,948	215,931
Property and equipment, net	<u>504,518</u>	<u>287,662</u>
Total assets	<u>\$4,513,094</u>	<u>\$4,504,013</u>
LIABILITIES		
Accounts payable and accrued expenses	\$3,279,365	\$3,419,233
Accrued payroll and related liabilities	567,236	417,500
Contract advances	339,516	203,210
CDE reserve	156,868	140,381
Deferred revenue	<u>-</u>	<u>5,000</u>
Total liabilities	4,342,985	4,185,324
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted		
Operations fund	(334,409)	31,027
Plant fund	<u>504,518</u>	<u>287,662</u>
Total net assets	<u>170,109</u>	<u>318,689</u>
Total liabilities and net assets	<u>\$4,513,094</u>	<u>\$4,504,013</u>

See accompanying auditors' reports and notes to financial statements.

**COMMUNITY CHILD CARE COUNCIL OF
SANTA CLARA COUNTY, INC.
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)**

	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT		
Federal grants	\$ 14,324,849	\$ 13,935,133
State apportionment	26,340,055	27,366,586
County grants	124,463	77,598
Maintenance of effort	16,572	16,572
City grants	20,000	20,000
Child care food programs	103,363	-
Parent and tuition fees	2,012,820	1,842,256
Membership and donations	19,983	139,483
Interest income	502	471
In-kind contributions	8,360	8,510
Other income	361,732	256,274
Contract settlement	<u>7,765</u>	<u>-</u>
 Total revenue, support and restrictions released	 43,340,464	 43,662,883
EXPENSES		
Child Development	38,348,224	38,991,545
Child Nutrition	2,192,404	2,388,447
Early Head Start	1,827,627	1,182,693
Senior Nutrition and Wellness	225,186	135,496
Other Programs	810,728	763,876
Management and General	<u>84,875</u>	<u>165,699</u>
	43,489,044	43,627,756
 CHANGE IN NET ASSETS	 (148,580)	 35,127
NET ASSETS - beginning of year	<u>318,689</u>	<u>283,562</u>
 NET ASSETS - end of year	 <u>\$ 170,109</u>	 <u>\$ 318,689</u>

See accompanying auditors' reports and notes to financial statements.

**COMMUNITY CHILD CARE COUNCIL OF
 SANTA CLARA COUNTY, INC.**
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(WITH COMPARATIVE TOTALS FOR 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in unrestricted net assets	\$ (148,580)	\$ 35,127
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities		
Depreciation expense	100,516	52,287
Provision for bad debts	1,026	7,848
(Increase) decrease in:		
Contracts receivable	(679,422)	999,128
Accounts receivable	(74,131)	(138,424)
Deposits and prepaid expenses	(91,017)	161,642
Increase (decrease) in:		
Accounts payable and accrued expenses	(139,868)	101,401
Accrued payroll and related liabilities	149,736	25,976
Contract advances	136,306	135,557
CDE Reserve	16,487	1,268
Deferred revenue	(5,000)	(11,099)
 Total adjustments	 <u>(585,367)</u>	 <u>1,335,584</u>
Net Cash Provided (Used) by Operating Activities	(733,947)	1,370,711
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	<u>(317,372)</u>	<u>(193,227)</u>
Net Cash Provided (Used) by Investing Activities	<u>(317,372)</u>	<u>(193,227)</u>
 NET INCREASE (DECREASE) IN CASH	 (1,051,319)	 1,177,484
 CASH AT BEGINNING OF YEAR	 <u>2,239,134</u>	 <u>1,061,650</u>
 CASH AT END OF YEAR	 <u>\$ 1,187,815</u>	 <u>\$2,239,134</u>
Supplemental disclosure:		
In-kind contributions	<u>\$ 8,360</u>	<u>\$ 8,510</u>

See accompanying auditors' reports and notes to financial statements.