

Child Care Council of Westchester, Inc.

Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2020

Child Care Council of Westchester, Inc.
Financial Statements and
Uniform Guidance Schedules
Together With Independent Auditors' Reports

June 30, 2020

| TABLE OF CONTENTS | Page |
|---|-------------|
| Independent Auditors' Report | |
| FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-14 |
| UNIFORM GUIDANCE REPORTS AND SCHEDULES | |
| Schedule of Expenditures of Federal Awards | 15 |
| Notes to Schedule of Expenditures of Federal Awards | 16 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | |
| Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance | |
| Schedule of Findings and Questioned Costs | 21-22 |

Independent Auditors' Report

Board of Directors
Child Care Council of Westchester, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Child Care Council of Westchester, Inc. (the "Council"), 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.

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 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 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 auditors' 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 above present fairly, in all material respects, the financial position of the Council as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Summarized Comparative Information

We have previously audited the Council's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary 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 on page 15, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of the Council'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 solely 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 effectiveness of the Council's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

October 23, 2020

Child Care Council of Westchester, Inc.

Statement of Financial Position

June 30, 2020

(with comparative amounts June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| ASSETS | | |
| Cash | \$ 95,628 | \$ 77,905 |
| Investments | 876,813 | 626,948 |
| Accounts receivable | 2,021,466 | 1,534,339 |
| Prepaid expenses and other assets | <u>6,398</u> | <u>5,543</u> |
| | <u>\$ 3,000,305</u> | <u>\$ 2,244,735</u> |
| | | |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 890,976 | \$ 834,467 |
| Loan payable - Paycheck Protection Program | 435,062 | - |
| Deferred rent | <u>121,837</u> | <u>122,682</u> |
| Total Liabilities | <u>1,447,875</u> | <u>957,149</u> |
| Net Assets | | |
| Without donor restrictions | 1,000,106 | 899,914 |
| With donor restrictions | <u>552,324</u> | <u>387,672</u> |
| Total Net Assets | <u>1,552,430</u> | <u>1,287,586</u> |
| | <u>\$ 3,000,305</u> | <u>\$ 2,244,735</u> |

Child Care Council of Westchester, Inc.

Statement of Activities
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| OPERATING REVENUE | | |
| Program revenue | \$ 6,395,311 | \$ 5,180,425 |
| Contributions | 77,803 | 58,482 |
| Other income | 2,102 | 9,623 |
| Special events, net of direct expenses of \$51,340 and \$65,027 | 44,942 | 67,424 |
| Investment return | 10,854 | 23,275 |
| Net assets released from restriction | <u>119,298</u> | <u>202,853</u> |
| Total Operating Revenue | <u>6,650,310</u> | <u>5,542,082</u> |
| OPERATING EXPENSES | | |
| Program services | 5,903,158 | 5,148,227 |
| General and administrative | 522,768 | 281,984 |
| Fundraising | <u>124,192</u> | <u>151,543</u> |
| Total Operating Expenses | <u>6,550,118</u> | <u>5,581,754</u> |
| Change in Net Assets Without Donor Restrictions | <u>100,192</u> | <u>(39,672)</u> |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Contributions | 274,683 | 202,552 |
| Investment return | 9,267 | 17,431 |
| Net assets released from restriction | <u>(119,298)</u> | <u>(202,853)</u> |
| Change in Net Assets With Donor Restrictions | <u>164,652</u> | <u>17,130</u> |
| Change in Net Assets | 264,844 | (22,542) |
| NET ASSETS | | |
| Beginning of year | <u>1,287,586</u> | <u>1,310,128</u> |
| End of year | <u>\$ 1,552,430</u> | <u>\$ 1,287,586</u> |

See notes to financial statements

Child Care Council of Westchester, Inc.

Statement of Functional Expenses
Year Ended June 30, 2020
(with summarized totals for the year ended June 30, 2019)

| | Program Services | | | | | Total Program Services | General and Administrative | Fundraising | Direct Costs of Special Events | Total Expenses 2020 | Total Expenses 2019 |
|--|------------------------------------|----------------------|-----------------------------|--------------------|--------------|------------------------------|-------------------------------|-------------|--------------------------------------|---------------------------|---------------------------|
| | Family and Employer Services | Provider Services | Professional Development | Health Services | Scholarships | | | | | | |
| Salaries | \$ 243,772 | \$ 606,428 | \$ 641,347 | \$ 106,883 | \$ - | \$1,598,430 | \$ 418,492 | \$ 97,934 | \$ - | \$2,114,856 | \$2,044,899 |
| Fringe benefits | 27,169 | 71,549 | 64,707 | 11,797 | - | 175,222 | 42,861 | 10,773 | - | 228,856 | 227,857 |
| Total Salaries and Fringe Benefits | 270,941 | 677,977 | 706,054 | 118,680 | - | 1,773,652 | 461,353 | 108,707 | - | 2,343,712 | 2,272,756 |
| Professional fees and services | 10,566 | 40,340 | 622,355 | 1,445 | - | 674,706 | 11,721 | - | - | 686,427 | 265,460 |
| Payments to individuals and groups | 56 | 39 | 37,868 | 38 | - | 38,001 | 910 | - | - | 38,911 | 27,308 |
| Provider grant expenditure | 6,649 | 335,159 | 23,435 | - | - | 365,243 | 845 | - | - | 366,088 | 51,527 |
| Supplies | 2,399 | 14,035 | 4,423 | 573 | - | 21,430 | 5,153 | - | - | 26,583 | 22,772 |
| Staff training and development | 1,739 | 4,609 | 5,327 | 239 | - | 11,914 | 1,063 | - | - | 12,977 | 14,651 |
| Postage | 445 | 8,240 | 178 | 28 | - | 8,891 | 3,088 | - | - | 11,979 | 12,340 |
| Publicity and promotion | 5,979 | 12,691 | 3,758 | 25 | - | 22,453 | 121 | - | - | 22,574 | 35,674 |
| Telephone | - | - | - | - | - | - | 1,214 | - | - | 1,214 | 11,712 |
| Rent and utilities | 2,664 | 7,086 | 1,270 | 137 | - | 11,157 | 1 | - | - | 11,158 | 338,555 |
| Child and adult care food meal expenses and other | 72,663 | 208,720 | 30,169 | - | - | 311,552 | 23,598 | - | - | 335,150 | 2,278,956 |
| Equipment and rentals | - | 2,029,651 | - | - | - | 2,029,651 | - | - | - | 2,029,651 | 22,236 |
| Travel | 5,407 | 16,088 | 16,593 | - | - | 38,088 | 2,104 | - | - | 40,192 | 29,791 |
| Printing | 914 | 4,491 | 17,035 | 661 | - | 23,101 | 251 | - | - | 23,352 | 25,775 |
| Insurance | 3,808 | 9,403 | 1,040 | 78 | - | 14,329 | 1,485 | - | - | 15,814 | 17,864 |
| Workshop and conferences | 4,279 | 12,443 | 2,338 | - | - | 19,060 | 1,292 | - | - | 20,352 | 16,233 |
| Dues, publications and subscriptions | - | 651 | 14,277 | - | - | 14,928 | - | - | - | 14,928 | 7,779 |
| Bad debts | - | - | - | - | - | - | - | - | - | - | 485 |
| Maintenance | 2,382 | 6,773 | 651 | 17 | - | 9,823 | 1,023 | - | - | 10,846 | 11,338 |
| Scholarships | - | - | - | - | 500,560 | 500,560 | 4,831 | - | - | 505,391 | 100,851 |
| Special events | - | - | - | - | - | - | - | 15,485 | 51,340 | 66,825 | 65,027 |
| Miscellaneous | 2,313 | 6,062 | 5,678 | 566 | - | 14,619 | 2,715 | - | - | 17,334 | 17,691 |
| Total Expenses | 393,204 | 3,394,458 | 1,492,449 | 122,487 | 500,560 | 5,903,158 | 522,768 | 124,192 | 51,340 | 6,601,458 | 5,646,781 |
| Expenses Deducted Directly from Revenues on the Statement of Activities | | | | | | | | | | | |
| Direct cost of special events | - | - | - | - | - | - | - | - | (51,340) | (51,340) | (65,027) |
| Total Expenses Reported by Function | \$ 393,204 | \$3,394,458 | \$ 1,492,449 | \$ 122,487 | \$ 500,560 | \$5,903,158 | \$ 522,768 | \$ 124,192 | \$ - | \$6,550,118 | \$5,581,754 |

Child Care Council of Westchester, Inc.

Statement of Cash Flows
Year Ended June 30, 2020

(with comparative amounts for the year ended June 30, 2019)

| | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 264,844 | \$ (22,542) |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Deferred rent | (845) | 2,060 |
| Realized and unrealized gain on investments | (8,279) | (30,676) |
| Bad debts | - | 485 |
| Change in operating assets and liabilities | | |
| Accounts receivable | (487,127) | (742,094) |
| Prepaid expenses and other assets | (855) | 1,373 |
| Accounts payable and accrued expenses | <u>56,509</u> | <u>471,132</u> |
| Net Cash from Operating Activities | <u>(175,753)</u> | <u>(320,262)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (1,168,259) | (21,316) |
| Proceeds from sale of investments | <u>926,673</u> | <u>251,267</u> |
| Net Cash from Investing Activities | <u>(241,586)</u> | <u>229,951</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from loan payable | <u>435,062</u> | <u>-</u> |
| Net Change in Cash | 17,723 | (90,311) |
| CASH | | |
| Beginning of year | <u>77,905</u> | <u>168,216</u> |
| End of year | <u>\$ 95,628</u> | <u>\$ 77,905</u> |

See notes to financial statements

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

1. Organization

The Child Care Council of Westchester, Inc. (the "Council"), founded in 1968, is a private, nonprofit resource and referral organization dedicated to optimizing the quality of life for children and working parents in Westchester County, NY. The Council promotes childcare by offering training and support services for potential or established child care providers including family childcare providers, childcare centers and school age care programs.

The Council is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the 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.

Change in Accounting Principle

On July 1 2019, the Council adopted ASU 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. Under this guidance, the Council is required to determine whether contributions are conditional or unconditional. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions are accounted for as a liability or are not recognized as revenue initially. Once the barriers to entitlement are overcome, the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions. For a donor-imposed condition to exist, a right of return or release must be stated, and the agreement must include a performance-related condition or other measurable barrier. The Council has elected to adopt the simultaneous release option whereby a donor-restricted contribution can be recognized as a net asset without donor restriction if the restriction is met in the same period that the revenue is recognized.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion. This class also includes restricted gifts whose donor-imposed restrictions were met within the same year as received the donated assets for either specified or unspecified purposes.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies *(continued)*

Net Assets (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are those resulting from contributions and other inflows of assets whose use by the Council is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Council pursuant to those stipulations. The Council reports gift of cash and other assets as revenue with donor restrictions 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 or purpose restriction is accomplished, the net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Council to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. The Council has no net assets to be maintained in perpetuity.

Fair Value Measurement

The Council follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The value by input level of the Council's investments are included in Note 3 to the financial statements.

Investments and Investment Income

Investments are carried at fair value, except for certificates of deposits and money market funds which are valued at cost. Purchases and sales of securities are recorded on a trade-date basis. Unrealized gains and losses are included in the change in net assets. Investment income or loss is included in the statement of activities as increases or decreases in net assets without donor restrictions unless the income or loss is restricted by donor or law, when earned.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

Accounting for Uncertainty in Income Taxes

The Council recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Council had no uncertain tax positions that would require financial statement recognition or disclosure. The Council is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal year 2017.

Contributions

All contributions are considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions. The Council's policy is to report contributions with donor-imposed restrictions as without donor restrictions when those restrictions are met in the same year that the contributions are received.

Allowance for Doubtful Accounts

Allowances are recorded when appropriate. The determination of an allowance is an estimate based on the Council's historical experience, review of account balances and expectations relative to collections. At June 30, 2020 and 2019 the Council determined that an allowance was not necessary.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Most of these expenses are allocated based on an assessment of where employees' time is spent. Certain expenses are allocated on a square footage basis.

Revenue Recognition

The Council receives substantially all of its program revenue, including grants, contracts and program service fees, from state and local government agencies. Revenue from contract and grants are recognized as related expenses are incurred. Fees for service revenue are recognized when services are provided.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2019 is presented for comparative purposes only. Certain disclosures presenting the relationship between functional classification and natural classification are not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Council's financial statements as of and for the year ended June 30, 2019, from which the summarized comparative information was derived.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is October 23, 2020.

3. Investments

Investments at June 30, 2020 and 2019, categorized according to the fair value hierarchy for those investments measured at fair value, are as follows:

| | 2020 | |
|---|---|------------|
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Total |
| Mutual funds | \$ 186,639 | \$ 186,639 |
| Exchange-traded funds and closed-end funds | 385,003 | 385,003 |
| | \$ 571,642 | 571,642 |
| Certificate of deposit, at cost | | 291,046 |
| Money market funds, at cost | | 14,125 |
| | | \$ 876,813 |
| | | |
| | 2019 | |
| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Total |
| Mutual funds | \$ 135,446 | \$ 135,446 |
| Exchange-traded funds and closed-end funds | 388,639 | 388,639 |
| | \$ 524,085 | 524,085 |
| Certificate of deposit, at cost | | 94,725 |
| Money market funds, at cost | | 8,138 |
| | | \$ 626,948 |

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

3. Investments (continued)

Investment return for the years ended June 30, 2020 and 2019 is as follows:

| | 2020 | 2019 |
|---------------------------------------|------------------|------------------|
| Unrealized (loss) gain on investments | \$ (8,825) | \$ 14,894 |
| Realized gain on sale of investments | 17,104 | 15,782 |
| Dividends and interest | 16,740 | 15,011 |
| Investment fees | (4,898) | (4,981) |
| | <u>\$ 20,121</u> | <u>\$ 40,706</u> |

4. Commitments and Contingencies

Under a financing arrangement with a bank, the Council has secured a letter of credit for \$32,583 to guarantee the security deposit owed on the Council's leased property. No amount has been drawn on this letter of credit as of June 30, 2020 and 2019. As a result of the issuance of the letter of credit, the maximum amount available for borrowing under the Council's existing \$300,000 line of credit is \$267,417. The annual interest rate on the financing arrangement is the prime rate published in the Wall Street Journal plus 1%. There is no amount outstanding on the line of credit at June 30, 2020 and 2019.

On April 4, 2008, the Council entered into a cancelable 10 year premises lease which commenced August 1, 2008. In November 2016, the Council renewed its lease agreement for an additional 10 years which now expires in November 2028. The agreement has a cancellation option to terminate the lease effective November 30, 2025. Future minimum base rentals on the lease at June 30, 2020 are payable as follows for years ending June 30:

| | |
|------------------------------|---------------------|
| 2021 | \$ 271,766 |
| 2022 | 274,670 |
| 2023 | 277,574 |
| 2024 | 280,478 |
| 2025 | 283,382 |
| Thereafter | 989,780 |
| Total Minimum Lease Payments | <u>\$ 2,377,650</u> |

The lease provides for certain operating and real estate tax escalations annually. Also, there are options to lease additional space and to extend the lease term. The Council accounts for rent expense on a straight line basis with the difference between straight-line and cash basis rentals reflected within deferred rent on the statement of financial position.

The Council contracts with various governmentally funded programs that are subject to audit. Governmental funding is based upon allowable costs. The Council does not reflect any adjustment for potential disallowances of expenses since management believes that the expenses incurred in such programs should be treated as allowable costs.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

4. Commitments and Contingencies (*continued*)

The Council is not aware of any allegations of noncompliance with laws and regulations that could have a material adverse effect on the amounts recorded in the financial statements. In addition, management believes the Council has an effective compliance program in place to assist in complying with current laws and regulations and is compliance, in all material respects, with applicable laws and regulations.

5. Loan Payable – Paycheck Protection Program

On April 22, 2020, the Council received loan proceeds in the amount of \$435,062 under the Paycheck Protection Program (“PPP Loan”). The PPP Loan, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP Loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Council intends to use the entire PPP Loan amount for qualifying expenses. Under the terms of the PPP Loan, certain amounts of the PPP Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.

6. Pension Plan

The Council maintains a 403(b) pension plan. For each plan year the Council makes a basic contribution according to the following schedule on behalf of eligible participants:

| <u>Years of Service</u> | <u>Employer Nonelective Contribution Percentage</u> |
|-------------------------|---|
| 0 to 2 | 0% of Participants' Compensation |
| 3 to 4 | 2% of Participants' Compensation |
| 5 or more | 3% of Participants' Compensation |

Total pension expense for the years ended June 30, 2020 and 2019 was \$42,556 and \$43,416. The Council's pension plan includes a Roth Elective Deferral Contribution clause, which allows employees to make after tax contributions to the plan.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

7. Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, are available for the following purposes:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------|-------------------|-------------------|
| Scholarships | \$ 319,465 | \$ 345,868 |
| Program resource enhancements | <u>232,859</u> | <u>41,804</u> |
| | <u>\$ 552,324</u> | <u>\$ 387,672</u> |

Net assets released from restrictions during fiscal years 2020 and 2019 for scholarships amounted to \$77,728 and \$102,953 and for program enhancements \$41,570 and \$99,900.

8. Economic Dependence

The Council receives a significant portion of its operating revenue from the New York State Office of Children and Family Services, New York State Department of Health and Westchester County. Program revenue from New York State and Westchester County aggregated \$6,007,462 and \$4,883,869 in 2020 and 2019. The Council is economically dependent on these funds to continue these programs.

9. Concentration of Credit Risk

Financial instruments that potentially subject the Council to concentrations of credit risk consist primarily of cash accounts deposited in financial institutions, which, from time to time, may exceed federal insurance limits, accounts receivable and investments. The investment portfolio is diversified by type of investment and industry concentration so that no individual investment or group of investments represents a significant concentration of market risk. Management believes that the Council does not face a significant risk of loss on these accounts and has not experienced any losses on its cash deposits.

The Council provides program services that are covered under various third party payer agreements. Receivables from such arrangements are included in accounts receivable balance at June 30, 2020 and 2019. Collections are expected in the normal course of business.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2020

10. Liquidity and Availability of Resources

The Council's financial assets available within one year of the statement of financial position date for general expenditures are as follows at June 30:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash | \$ 95,628 | \$ 77,905 |
| Investments | 876,813 | 626,948 |
| Accounts receivable | <u>2,021,466</u> | <u>1,534,339</u> |
| Total financial assets | <u>2,993,907</u> | <u>2,239,192</u> |
| Less contractual or donor imposed restricted amounts: | | |
| Scholarships | 319,465 | 345,868 |
| Program resource enhancements | <u>232,859</u> | <u>41,804</u> |
| | <u>552,324</u> | <u>387,672</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 2,441,583</u> | <u>\$ 1,851,520</u> |

Liquidity Management

The Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of liquidity management, the Council invests any excess cash. The Council's primary sources of support are program revenue from various funding agencies, contributions and income from special events held, and the majority of that support is not subject to donor or other contractual restrictions that make them unavailable for general expenditures. The Council also has an existing \$300,000 line of credit of which \$267,417 is available for borrowing as of June 30, 2020.

11. Coronavirus Pandemic (COVID-19)

The Council's operations and financial performance may be affected by the recent and ongoing outbreak of the coronavirus which was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption which may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on the Council's financial position, operations and cash flows. The outbreak may adversely affect the Council on an interim basis and cannot be reasonably estimated at this time.

The full duration and extent of the coronavirus pandemic, related business and travel restrictions and changes to behavior intended to reduce its spread are uncertain as of the date of these financial statements as the pandemic continues to evolve globally. Therefore, the full extent of any adverse impact on the financial position, results of operations and cash flows in fiscal year ending June 30, 2021 cannot be reasonably estimated at this time.

* * * * *

Child Care Council of Westchester, Inc.

Uniform Guidance Reports and Schedules

June 30, 2020

Child Care Council of Westchester, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2020**

| <u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Provided to Subrecipients</u> | <u>Total Federal Expenditures</u> |
|---|------------------------------------|---|--------------------------------------|---|
| <u>Department of Health and Human Services</u> | | | | |
| Child Care and Development Fund Cluster | | | | |
| Indirect Program - Passed through New York State | | | | |
| Office of Children and and Family Services | | | | |
| Child Care and Development Block Grant | 93.575 | C028243 | \$ - | \$ 581,350 |
| Child Care and Development Block Grant | 93.575 | C028273 | - | 203,485 |
| Child Care and Development Block Grant | 93.575 | C028274 | - | 837,064 |
| Child Care and Development Block Grant | 93.575 | T012318 | - | 813,059 |
| Indirect Program - Passed through County of Westchester | | | | |
| Department of Social Services | | | | |
| Child Care and Development Block Grant | 93.575 | DSS-6051A-20 | - | <u>792,992</u> |
| Total Child Care and Development Fund Cluster | | | - | 3,227,950 |
| Indirect Program - Passed through Westchester County | | | | |
| Community Opportunity Program, Inc. | | | | |
| Head Start | 93.600 | 02HP0005/01 | - | <u>244,185</u> |
| Total Department of Health and Human Services | | | - | 3,472,135 |
| <u>Department of Agriculture</u> | | | | |
| Indirect Program - Passed through New York State | | | | |
| Department of Health | | | | |
| Child and Adult Care Food Program | 10.558 | CACFP 3401 | - | <u>2,282,558</u> |
| Total Expenditures of Federal Awards | | | <u>\$ -</u> | <u>\$ 5,754,693</u> |

See independent auditors' report and notes to schedule of expenditures of federal awards

Child Care Council of Westchester, Inc.

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2020

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Child Care Council of Westchester, Inc., (the "Council") under programs of the federal government for the year ended June 30, 2020. 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* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Council.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect Cost Rate

The Council has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Nonmonetary Assistance

For the year ended June 30, 2020, the Council did not receive any nonmonetary assistance.

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

Independent Auditors' Report

**Board of Directors
Child Care Council of Westchester, Inc.**

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 Council of Westchester, Inc. (the "Council") 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 October 30, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

October 23, 2020

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditors' Report

Board of Directors
Child Care Council of Westchester, Inc.

Report on Compliance for Each Major Federal Program

We have audited Child Care Council of Westchester, Inc.'s (the "Council") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Council's major federal programs for the year ended June 30, 2020. The Council's major federal programs are identified in the summary of auditors' 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 the Council'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 the Council'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 the Council's compliance.

Opinion on Each Major Federal Program

In our opinion, the Council complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 the Council's internal control over compliance.

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

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

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

PKF O'Connor Davies, LLP

October 23, 2020

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

Noncompliance material to financial statements noted?

___ yes X no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

___ yes X no

Significant deficiency(ies) identified?

___ yes X none reported

Type of auditors’ report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

___ yes X no

Identification of major federal programs:

CFDA Number(s)
93.575

Name of Federal Program or Cluster
Child Care and Development Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs

\$750,000

Auditee qualified as low-risk auditee?

X yes ___ no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2020.

Section III – Federal Award Findings and Questioned Costs

During our audit, we noted no material instances of noncompliance and none of the costs reported in the federal financially assisted programs are questioned or recommended to be disallowed.

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2020

Section IV – Prior Year Findings

Finding: 2019-001 – Salaries and Wages Allocation to Grants
Agency: Department of Health and Human Services
CFDA # and Title: CFDA #93.575 - Child Care and Development Block Grant
Federal Award Identification # and Year: C028243, C028273, C028274, DSS-643A-19 Year 2018-19.

Condition: The Council uses budget estimates to establish the distribution of payroll expense to its various grants for those employees who work on more than one activity. There was no supporting documentation presented on how the allocation of salaries was determined and no documented procedure to determine that the estimated percentages charged to the grants for salaries are a reasonable approximation of the activities performed.

Current year status:

Corrected.