

Child Care Council of Westchester, Inc.

Financial Statements and
OMB Circular A-133 Financial Report
Together With Independent Auditors' Report

June 30, 2015 and 2014

Child Care Council of Westchester, Inc.

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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., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 representation 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 Child Care Council of Westchester, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 26, 2015 on our consideration of Child Care Council of Westchester, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Child Care Council of Westchester, Inc.'s internal control over financial reporting and compliance.

O'Connor Davies, LLP

October 26, 2015

Child Care Council of Westchester, Inc.

Statements of Financial Position

	June 30,	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash	\$ 308,902	\$ 437,178
Investments	767,300	714,997
Accounts receivable	945,829	910,745
Prepaid expenses and other assets	<u>6,133</u>	<u>7,575</u>
	<u>\$ 2,028,164</u>	<u>\$ 2,070,495</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 513,143	\$ 550,773
Deferred rent	<u>155,777</u>	<u>172,524</u>
Total Liabilities	<u>668,920</u>	<u>723,297</u>
Net Assets		
Unrestricted	857,862	808,817
Temporarily restricted	<u>501,382</u>	<u>538,381</u>
Total Net Assets	<u>1,359,244</u>	<u>1,347,198</u>
	<u>\$ 2,028,164</u>	<u>\$ 2,070,495</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statements of Activities

	Year Ended June 30,	
	2015	2014
CHANGE IN UNRESTRICTED NET ASSETS		
OPERATING REVENUE		
Program revenue	\$ 4,414,960	\$ 4,076,881
Contributions	78,328	78,698
Interest and dividends	4,966	4,573
Other income	45,935	53,769
Unrealized and realized loss on investments	(3,093)	(2,379)
Net assets released from restriction	156,702	147,785
Total Operating Revenue	4,697,798	4,359,327
OPERATING EXPENSES		
Program services	4,201,994	3,914,448
General and administrative	331,141	288,670
Fundraising	115,618	89,368
Total Operating Expenses	4,648,753	4,292,486
Change in Unrestricted Net Assets	49,045	66,841
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	117,968	199,861
Interest income	8,927	7,294
Unrealized and realized (loss) gain on investments	(7,192)	23,081
Net assets released from restriction	(156,702)	(147,785)
Change in Temporarily Restricted Net Assets	(36,999)	82,451
Change in Net Assets	12,046	149,292
NET ASSETS		
Beginning of year	1,347,198	1,197,906
End of year	\$ 1,359,244	\$ 1,347,198

See notes to financial statements

Child Care Council of Westchester, Inc.

Statement of Functional Expenses
Year Ended June 30, 2015
(with comparative totals for 2014)

	Program Services					Total Program Services	General and Administrative	Fundraising	Total Expenses 2015	Total Expenses 2014
	Family and Employer Services	Provider Services	Professional Development	Health Services	Scholarships					
Salaries	\$ 179,475	\$ 613,350	\$ 363,780	\$ 98,107	\$ 5,149	\$ 1,259,861	\$ 297,828	\$ 56,950	\$ 1,614,639	\$ 1,529,231
Fringe benefits	39,506	146,867	74,577	18,380	889	280,219	46,872	11,960	339,051	352,179
Total Salaries and Fringes Benefits	218,981	760,217	438,357	116,487	6,038	1,540,080	344,700	68,910	1,953,690	1,881,410
Professional fees and services	4,776	13,697	120,441	2,626	-	141,540	14,492	-	156,032	172,274
Payments to individuals and groups	-	-	13,560	-	-	13,560	-	-	13,560	18,100
Provider grant expenditure	-	109	9,110	-	-	9,219	-	-	9,219	18,604
Supplies	2,952	7,791	3,444	1,807	-	15,994	1,512	-	17,506	20,840
Staff training and development	962	3,920	6,698	422	1	12,003	33,467	-	45,470	13,114
Postage	1,025	9,912	1,438	87	208	12,670	2,816	-	15,486	16,017
Publicity and promotion	11,601	9,186	3,071	1,804	365	26,027	1,560	-	27,587	20,432
Recruitment	145	-	170	40	-	355	105	-	460	648
Telephone	3,171	8,531	3,963	1,464	-	17,129	7,885	-	25,014	14,075
Rent and utilities	35,588	144,956	59,368	19,050	818	259,780	28,651	-	288,431	210,186
Child and adult care food meal expenses and other	-	1,823,559	-	-	-	1,823,559	-	-	1,823,559	1,567,193
Equipment and rentals	7,544	5,864	16,267	1,344	-	31,019	3,030	-	34,049	20,220
Travel	1,651	7,721	9,764	1,969	-	21,105	1,024	-	22,129	19,696
Printing	7,634	6,633	7,763	1,570	595	24,195	-	-	24,195	12,269
Insurance	1,690	6,679	2,122	906	2	11,399	3,013	-	14,412	13,732
Workshop and conferences	-	-	15,446	-	-	15,446	-	-	15,446	17,799
Special events	-	-	-	-	-	-	-	46,708	46,708	36,925
Dues, publications and subscriptions	2,145	1,457	1,632	1,248	-	6,482	1,042	-	7,524	9,937
Bad debt	-	-	-	-	-	-	-	-	-	244
Maintenance	1,860	6,768	2,555	979	15	12,177	2,273	-	14,450	14,661
Scholarships	-	-	-	-	80,139	80,139	7,044	-	87,183	190,221
Miscellaneous	-	524	3,417	186	-	4,127	2,516	-	6,643	3,889
Allocated administrative expenses	900	85,926	37,163	-	-	123,989	(123,989)	-	-	-
	<u>\$ 302,625</u>	<u>\$ 2,903,450</u>	<u>\$ 755,749</u>	<u>\$ 151,989</u>	<u>\$ 88,181</u>	<u>\$ 4,201,994</u>	<u>\$ 331,141</u>	<u>\$115,618</u>	<u>\$ 4,648,753</u>	<u>\$ 4,292,486</u>

Child Care Council of Westchester, Inc.

Statement of Functional Expenses
Year Ended June 30, 2014

	Program Services						Total Program Services	General and Administrative	Fundraising	Total
	Family and Employer Services	Provider Services	Professional Development	Institute School Age Care	Health Services	Scholarships				
Salaries	\$ 165,088	\$ 587,508	\$ 333,766	\$ 18,216	\$ 98,410	\$ 8,738	\$ 1,211,726	\$ 274,868	\$ 42,637	\$1,529,231
Fringe benefits	<u>37,727</u>	<u>146,903</u>	<u>69,029</u>	<u>4,359</u>	<u>19,515</u>	<u>1,719</u>	<u>279,252</u>	<u>63,121</u>	<u>9,806</u>	<u>352,179</u>
Total Salaries and Fringes Benefits	202,815	734,411	402,795	22,575	117,925	10,457	1,490,978	337,989	52,443	1,881,410
Professional fees and services	6,875	26,681	117,460	2,485	6,117	642	160,260	12,014	-	172,274
Payments to individuals and groups	-	-	18,100	-	-	-	18,100	-	-	18,100
Provider grant expenditure	-	533	17,308	-	-	-	17,841	763	-	18,604
Supplies	1,218	12,687	3,353	388	980	183	18,809	2,031	-	20,840
Staff training and development	592	4,513	6,779	-	298	395	12,577	537	-	13,114
Postage	1,107	10,153	1,470	2	161	208	13,101	2,916	-	16,017
Publicity and promotion	4,994	7,750	3,120	615	1,834	835	19,148	1,284	-	20,432
Recruitment	189	14	319	-	13	-	535	113	-	648
Telephone	1,788	5,767	2,628	267	919	-	11,369	2,706	-	14,075
Rent and utilities	24,830	96,088	44,203	6,035	12,485	1,146	184,787	25,399	-	210,186
Child and adult care food meal expenses and other	-	1,567,193	-	-	-	-	1,567,193	-	-	1,567,193
Equipment and rentals	4,941	997	11,318	-	936	-	18,192	2,028	-	20,220
Travel	2,093	8,648	6,551	23	2,202	22	19,539	157	-	19,696
Printing	3,084	2,990	4,557	23	1,350	-	12,004	265	-	12,269
Insurance	1,524	6,040	1,829	352	785	-	10,530	3,202	-	13,732
Workshop and conferences	36	22	17,456	-	20	265	17,799	-	-	17,799
Special events	-	-	-	-	-	-	-	-	36,925	36,925
Dues, publications and subscriptions	2,887	1,850	2,659	220	1,549	-	9,165	772	-	9,937
Bad debt	-	-	-	-	-	-	-	244	-	244
Maintenance	1,919	6,936	2,289	588	1,044	-	12,776	1,885	-	14,661
Scholarships	-	-	-	-	-	190,221	190,221	-	-	190,221
Miscellaneous	-	522	1,168	-	283	1	1,974	1,915	-	3,889
Allocated administrative expenses	<u>502</u>	<u>74,478</u>	<u>32,134</u>	<u>436</u>	<u>-</u>	<u>-</u>	<u>107,550</u>	<u>(107,550)</u>	<u>-</u>	<u>-</u>
	<u>\$ 261,394</u>	<u>\$ 2,568,273</u>	<u>\$ 697,496</u>	<u>\$ 34,009</u>	<u>\$ 148,901</u>	<u>\$ 204,375</u>	<u>\$ 3,914,448</u>	<u>\$ 288,670</u>	<u>\$ 89,368</u>	<u>\$4,292,486</u>

Child Care Council of Westchester, Inc.

Statements of Cash Flows

	Year Ended	
	June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 12,046	\$ 149,292
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	(16,747)	(77,485)
Unrealized and realized loss (gain) on investments	10,285	(20,702)
Bad debt	-	244
Change in operating assets and liabilities		
Accounts receivable	(35,084)	(174,177)
Prepaid expenses and other assets	1,442	17,742
Accounts payable and accrued expenses	(37,630)	120,711
Net Cash from Operating Activities	(65,688)	15,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(142,677)	(113,877)
Proceeds from sale of investments	80,089	102,528
Net Cash from Investing Activities	(62,588)	(11,349)
Net Change in Cash	(128,276)	4,276
CASH		
Beginning of year	437,178	432,902
End of year	\$ 308,902	\$ 437,178

See notes to financial statements

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

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.

Classes of Net Assets

The financial statements report amounts separately by class of net assets. Unrestricted amounts are those currently available for use by the Council. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes. When a donor restriction expires, that is, when a stipulated time restriction and/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 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.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

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

Investments

Investments are valued at fair value.

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 2012.

Contributions

All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. The Council's policy is to report as unrestricted support contributions with donor-imposed 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, 2015 and 2014 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.

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.

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 26, 2015.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

3. Investments

Investments at June 30, 2015 and 2014, categorized according to the fair value hierarchy for those investments measured at fair value, are as follows:

	2015		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Mutual Funds	\$ 150,981	\$ -	\$ 150,981
Corporate Bonds	-	117,877	117,877
	\$ 150,981	\$ 117,877	268,858
Certificate of Deposit			166,526
ETFs & CEFs			24,702
Money Market Funds			307,214
			\$ 767,300
	2014		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Mutual Funds	\$ 200,849	\$ -	\$ 200,849
Corporate Bonds	-	180,708	180,708
	\$ 200,849	\$ 180,708	381,557
Certificate of Deposit			120,290
Money Market Funds			213,150
			\$ 714,997

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2015 and 2014

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, 2015 and 2014. 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, 2015 and 2014.

On April 4, 2008, the Council entered into a noncancelable 10 year premises lease which commenced August 1, 2008 and expires in 2019. The minimum future base rentals on the noncancelable lease at June 30, 2015 are payable as follows for years ending June 30:

2016	\$ 269,630
2017	283,112
2018	297,267
2019	<u>126,369</u>
Total minimum lease payments	<u>\$ 976,378</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.

5. 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	2% of Participants' Compensation
4	2% of Participants' Compensation
5	3% of Participants' Compensation

Total pension expense for the years ended June 30, 2015 and 2014 was \$29,429 and \$34,695. 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, 2015 and 2014

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Scholarships	\$ 370,715	\$ 395,472
Program resource enhancements	<u>130,667</u>	<u>142,909</u>
	<u>\$ 501,382</u>	<u>\$ 538,381</u>

Net assets released from restrictions during fiscal 2015 for scholarships were \$96,849 and for program enhancements were \$59,853. In 2014, \$122,000 was released for scholarships and \$25,785 for program enhancements.

7. Concentration of Credit Risk

The Council receives a significant portion of its operating revenue from the New 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 \$3,831,924 and \$3,554,030 in 2015 and 2014. The Council is economically dependent on these funds to continue these programs.

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. 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, 2015 and 2014. Collections are expected in the normal course of business.

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Child Care Council of Westchester, Inc.

OMB Circular A-133 Schedules and Reports

June 30, 2015

Child Care Council of Westchester, Inc.

Schedule of Expenditures of Federal Awards and Accompanying Notes
Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass-Through Agency	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures
<u>Department of Health and Human Services</u>				
Child Care and Development Block Grant	NYS Office of Children and Family Services	C026628	93.575	\$ 808,384
Child Care and Development Block Grant	NYS Office of Children and Family Services	C026658	93.575	112,880
Child Care and Development Block Grant	Westchester County Department of Social Services	DSS-629A-14	93.575	<u>877,946</u>
Total Department of Health and Human Services Cluster				1,799,210
<u>Administration for Children and Families</u>				
Head Start - Babies Step Forward	Westchester Community Opportunity Program, Inc.	02HP0005/01	93.600	<u>62,831</u>
Total Department of Health and Human Services				1,862,041
<u>Department of Agriculture</u>				
Child and Adult Care Food Program	NYS Department of Health	CACFP 3401	10.558	<u>2,042,529</u>
Total Expenditures of Federal Awards				<u>\$ 3,904,570</u>

1. Basis of Presentation

The schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity for Child Care Council of Westchester, Inc., (the "Council") under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. Subrecipients

For the year ended June 30, 2015, the Council provided no funds to subrecipients.

4. Nonmonetary Assistance

For the year ended June 30, 2015, 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, 2015, 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 26, 2015.

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 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*.

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 Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP

October 26, 2015

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by OMB Circular A-133**

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 Circular A-133 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, 2015. The Council's major federal program is 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 the requirements of laws, regulations, contracts, and grants 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 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 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

O'Connor Davies, LLP

October 26, 2015

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified
Internal control over financial reporting:
Material weakness (es) identified? yes no
Significant deficiency (ies) identified? yes none reported
Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major federal programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified? yes 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 Section 510(a)
of OMB Circular A-133 yes no

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.558	Child and Adult Care Food Program

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee? yes no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2015.

Section III – Federal Award Findings and Questioned Costs

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

Section IV – Prior Year Findings

There were no prior year financial statement findings or federal award findings and questioned costs.