

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

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

June 30, 2017

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

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

June 30, 2017

| <b>TABLE OF CONTENTS</b>  | <b>Page</b> |
|---|-------------|
| Independent Auditors' Report  |             |
| <b>FINANCIAL STATEMENTS</b>   |             |
| Statements of Financial Position  | 3           |
| Statements of Activities  | 4           |
| Statements of Functional Expenses   | 5           |
| Statements of Cash Flows  | 6           |
| Notes to Financial Statements   | 7-12        |
| <b>UNIFORM GUIDANCE REPORTS AND SCHEDULES</b>   |             |
| Schedule of Expenditures of Federal Awards  | 13          |
| Notes to Schedule of Expenditures of Federal Awards   | 14          |
| Report on Internal Control Over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements Performed<br>In Accordance With <i>Government Auditing Standards</i> |             |
| Report on Compliance for Each Major Federal Program and Report on<br>Internal Control Over Compliance Required by the Uniform Guidance  |             |
| Schedule of Findings and Questioned Costs   | 19          |

## **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, 2017, 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 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 the Council as of June 30, 2017, 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, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 24, 2016. In our opinion, the summarized comparative information presented therein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

***Report on Supplementary Information***

Our audit were 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 13 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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, 2017 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, 2017

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

Statement of Financial Position

June 30, 2017

(with comparative amounts at June 30, 2016)

|                                       | <u>2017</u>         | <u>2016</u>         |
|---------------------------------------|---------------------|---------------------|
| <b>ASSETS</b>                         |                     |                     |
| Cash                                  | \$ 273,658          | \$ 133,267          |
| Investments                           | 803,670             | 771,583             |
| Accounts receivable                   | 1,122,504           | 991,478             |
| Prepaid expenses and other assets     | <u>8,206</u>        | <u>8,994</u>        |
|                                       | <u>\$ 2,208,038</u> | <u>\$ 1,905,322</u> |
| <br>                                  |                     |                     |
| <b>LIABILITIES AND NET ASSETS</b>     |                     |                     |
| Liabilities                           |                     |                     |
| Accounts payable and accrued expenses | \$ 614,098          | \$ 455,431          |
| Deferred rent                         | <u>115,659</u>      | <u>126,322</u>      |
| Total Liabilities                     | <u>729,757</u>      | <u>581,753</u>      |
| Net Assets                            |                     |                     |
| Unrestricted                          | 984,203             | 904,390             |
| Temporarily restricted                | <u>494,078</u>      | <u>419,179</u>      |
| Total Net Assets                      | <u>1,478,281</u>    | <u>1,323,569</u>    |
|                                       | <u>\$ 2,208,038</u> | <u>\$ 1,905,322</u> |

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

Statement of Activities

Year Ended June 30, 2017

(with summarized totals for the year ended June 30, 2016)

|  | <u>2017</u>         | <u>2016</u>         |
|--|---------------------|---------------------|
| <b>CHANGE IN UNRESTRICTED NET ASSETS</b>           |                     |                     |
| <b>OPERATING REVENUE</b>                           |                     |                     |
| Program revenue                                    | \$ 4,844,078        | \$ 4,907,890        |
| Contributions                                      | 104,025             | 80,187              |
| Interest and dividends                             | 4,281               | 4,857               |
| Other income                                       | 110,181             | 48,569              |
| Unrealized and realized gain on investments        | 8,873               | 637                 |
| Net assets released from restriction               | <u>84,232</u>       | <u>135,256</u>      |
| Total Operating Revenue                            | <u>5,155,670</u>    | <u>5,177,396</u>    |
| <b>OPERATING EXPENSES</b>                          |                     |                     |
| Program services                                   | 4,683,423           | 4,749,603           |
| General and administrative                         | 268,460             | 266,237             |
| Fundraising  | <u>123,974</u>      | <u>115,028</u>      |
| Total Operating Expenses                           | <u>5,075,857</u>    | <u>5,130,868</u>    |
| Change in Unrestricted Net Assets                  | <u>79,813</u>       | <u>46,528</u>       |
| <b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b> |                     |                     |
| Contributions                                      | 140,197             | 54,164              |
| Interest income                                    | 5,692               | 8,392               |
| Unrealized and realized gain (loss) on investments | 13,242              | (9,503)             |
| Net assets released from restriction               | <u>(84,232)</u>     | <u>(135,256)</u>    |
| Change in Temporarily Restricted Net Assets        | <u>74,899</u>       | <u>(82,203)</u>     |
| Change in Net Assets                               | 154,712             | (35,675)            |
| <b>NET ASSETS</b>                                  |                     |                     |
| Beginning of year                                  | <u>1,323,569</u>    | <u>1,359,244</u>    |
| End of year  | <u>\$ 1,478,281</u> | <u>\$ 1,323,569</u> |

See notes to financial statements

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

Statement of Functional Expenses  
Year Ended June 30, 2017  
(with summarized totals for year ended June 30, 2016)

|   | Program Services                   |                      |                             |                    |                  | Total<br>Program<br>Services | General and<br>Administrative | Fundraising       | Total<br>Expenses<br>2017 | Total<br>Expenses<br>2016 |
|---|------------------------------------|----------------------|-----------------------------|--------------------|------------------|------------------------------|-------------------------------|-------------------|---------------------------|---------------------------|
|   | Family and<br>Employer<br>Services | Provider<br>Services | Professional<br>Development | Health<br>Services | Scholarships     |                              |                               |                   |                           |                           |
| Salaries  | \$ 248,330                         | \$ 708,142           | \$ 534,865                  | \$ 114,808         | \$ 3,183         | \$ 1,609,328                 | \$ 310,664                    | \$ 58,631         | \$ 1,978,623              | \$ 1,864,091              |
| Fringe benefits                                   | 27,544                             | 84,012               | 55,272                      | 13,792             | 529              | 181,149                      | 29,366                        | 12,312            | 222,827                   | 385,124                   |
| Total Salaries and Fringe Benefits                | <u>275,874</u>                     | <u>792,154</u>       | <u>590,137</u>              | <u>128,600</u>     | <u>3,712</u>     | <u>1,790,477</u>             | <u>340,030</u>                | <u>70,943</u>     | <u>2,201,450</u>          | <u>2,249,215</u>          |
| Professional fees and services                    | 4,558                              | 16,404               | 130,021                     | 2,284              | -                | 153,267                      | 12,710                        | -                 | 165,977                   | 177,815                   |
| Payments to individuals and groups                | -                                  | -                    | 21,320                      | -                  | -                | 21,320                       | -                             | -                 | 21,320                    | 14,918                    |
| Provider grant expenditure                        | -                                  | 186                  | 48,176                      | -                  | -                | 48,362                       | -                             | -                 | 48,362                    | 32,990                    |
| Supplies  | 1,400                              | 7,391                | 3,316                       | 1,749              | 7                | 13,863                       | 231                           | -                 | 14,094                    | 15,242                    |
| Staff training and development                    | 652                                | 3,509                | 8,749                       | 435                | -                | 13,345                       | 2,826                         | -                 | 16,171                    | 15,829                    |
| Postage   | 858                                | 8,505                | 1,911                       | 146                | 97               | 11,517                       | 714                           | -                 | 12,231                    | 16,397                    |
| Publicity and promotion                           | 5,802                              | 5,612                | 17,071                      | 2,230              | 255              | 30,970                       | 6,484                         | -                 | 37,454                    | 21,153                    |
| Recruitment                                       | -                                  | -                    | -                           | -                  | -                | -                            | -                             | -                 | -                         | 284                       |
| Telephone   | 2,106                              | 6,869                | 4,383                       | 994                | -                | 14,352                       | 17,216                        | -                 | 31,568                    | 12,189                    |
| Rent and utilities                                | 33,166                             | 151,264              | 65,592                      | 17,385             | -                | 267,407                      | 23,594                        | -                 | 291,001                   | 293,252                   |
| Child and adult care food meal expenses and other | -                                  | 1,989,059            | -                           | -                  | -                | 1,989,059                    | -                             | -                 | 1,989,059                 | 2,036,321                 |
| Equipment and rentals                             | 5,045                              | 10,133               | 14,362                      | 924                | -                | 30,464                       | 1,744                         | -                 | 32,208                    | 24,180                    |
| Travel  | 1,614                              | 7,244                | 17,122                      | 1,336              | 19               | 27,335                       | 173                           | -                 | 27,508                    | 28,776                    |
| Printing  | 2,928                              | 4,025                | 9,273                       | 1,424              | -                | 17,650                       | 235                           | -                 | 17,885                    | 19,542                    |
| Insurance   | 1,744                              | 7,350                | 2,221                       | 933                | -                | 12,248                       | 2,757                         | -                 | 15,005                    | 14,537                    |
| Workshop and conferences                          | -                                  | 18                   | 18,383                      | -                  | 240              | 18,641                       | -                             | -                 | 18,641                    | 20,710                    |
| Dues, publications and subscriptions              | 2,730                              | 1,741                | 2,217                       | 1,576              | -                | 8,264                        | 453                           | -                 | 8,717                     | 11,151                    |
| Bad debts   | -                                  | -                    | -                           | -                  | -                | -                            | 285                           | -                 | 285                       | -                         |
| Maintenance                                       | 1,216                              | 5,398                | 3,312                       | 593                | 1                | 10,520                       | 1,780                         | -                 | 12,300                    | 11,345                    |
| Scholarships                                      | -                                  | -                    | -                           | -                  | 43,719           | 43,719                       | 8,655                         | -                 | 52,374                    | 63,783                    |
| Special events                                    | -                                  | -                    | -                           | -                  | -                | -                            | -                             | 53,031            | 53,031                    | 42,954                    |
| Miscellaneous                                     | -                                  | 935                  | 4,099                       | 468                | 16               | 5,518                        | 3,698                         | -                 | 9,216                     | 8,285                     |
| Allocated administrative expenses                 | -                                  | <u>85,799</u>        | <u>69,326</u>               | -                  | -                | <u>155,125</u>               | <u>(155,125)</u>              | -                 | -                         | -                         |
| Total Other Than Personnel Services               | <u>63,819</u>                      | <u>2,311,442</u>     | <u>440,854</u>              | <u>32,477</u>      | <u>44,354</u>    | <u>2,892,946</u>             | <u>(71,570)</u>               | <u>53,031</u>     | <u>2,874,407</u>          | <u>2,881,653</u>          |
|   | <u>\$ 339,693</u>                  | <u>\$ 3,103,596</u>  | <u>\$ 1,030,991</u>         | <u>\$ 161,077</u>  | <u>\$ 48,066</u> | <u>\$ 4,683,423</u>          | <u>\$ 268,460</u>             | <u>\$ 123,974</u> | <u>\$ 5,075,857</u>       | <u>\$ 5,130,868</u>       |

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

Statements of Cash Flows

|  | Year Ended<br>June 30, |             |
|--|------------------------|-------------|
|  | 2017                   | 2016        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                        |             |
| Change in net assets   | \$ 154,712             | \$ (35,675) |
| Adjustments to reconcile change in net assets<br>to net cash from operating activities |                        |             |
| Deferred rent  | (10,663)               | (29,455)    |
| Unrealized (gain) loss on investments  | (22,115)               | 8,866       |
| Bad debts  | 285                    | -           |
| Change in operating assets and liabilities   |                        |             |
| Accounts receivable  | (131,311)              | (45,649)    |
| Prepaid expenses and other assets  | 788                    | (2,861)     |
| Accounts payable and accrued expenses  | 158,667                | (57,712)    |
| Net Cash from Operating Activities   | 150,363                | (162,486)   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                        |             |
| Purchase of investments  | (58,402)               | (128,263)   |
| Proceeds from sale of investments  | 48,430                 | 115,114     |
| Net Cash from Investing Activities   | (9,972)                | (13,149)    |
| Net Change in Cash   | 140,391                | (175,635)   |
| <b>CASH</b>  |                        |             |
| Beginning of year  | 133,267                | 308,902     |
| End of year  | \$ 273,658             | \$ 133,267  |

See notes to financial statements

## **Child Care Council of Westchester, Inc.**

Notes to Financial Statements  
June 30, 2017 and 2016

### **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 or time restrictions. 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. Permanently restricted net assets are those which contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the Council to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. The Council has no permanently restricted net assets.

#### ***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, 2017 and 2016

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

#### ***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 unrestricted net assets unless the income or loss is restricted by donor or law, when earned.

#### ***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 2014.

#### ***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, 2017 and 2016 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.

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

Notes to Financial Statements  
June 30, 2017 and 2016

**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, 2017.

**3. Investments**

Investments at June 30, 2017 and 2016, categorized according to the fair value hierarchy for those investments measured at fair value, are as follows:

|   | 2017   |  |            |
|---|--|--|------------|
|   | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Total      |
|   | (Level 1)  | (Level 2)  | Total      |
| Mutual funds                                  | \$ 80,008  | \$ -   | \$ 80,008  |
| Exchange-traded funds<br>and closed-end funds | 123,783  | -  | 123,783    |
| Corporate bonds                               | -  | 30,087   | 30,087     |
|   | \$ 203,791   | \$ 30,087  | 233,878    |
| Certificate of deposit                        |  |  | 289,425    |
| Money market funds                            |  |  | 280,367    |
|   |  |  | \$ 803,670 |

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

Notes to Financial Statements  
June 30, 2017 and 2016

**3. Investments (continued)**

|   | 2016   |  |            |
|---|--|--|------------|
|   | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Observable<br>Inputs<br>(Level 2) | Total      |
| Mutual funds                                  | \$ 111,447   | \$ -   | \$ 111,447 |
| Exchange-traded funds<br>and closed-end funds | 108,997  | -  | 108,997    |
| Corporate bonds                               | -  | 30,635   | 30,635     |
|   | \$ 220,444   | \$ 30,635  | 251,079    |
| Certificate of deposit                        |  |  | 294,298    |
| Money market funds                            |  |  | 226,206    |
|   |  |  | \$ 771,583 |

**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, 2017 and 2016. 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, 2017 and 2016.

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 and 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, 2017 are payable as follows for years ending June 30:

|                              |              |
|------------------------------|--------------|
| 2018                         | \$ 263,054   |
| 2019                         | 265,958      |
| 2020                         | 268,862      |
| 2021                         | 271,766      |
| 2022                         | 274,670      |
| Thereafter                   | 1,831,214    |
| Total minimum lease payments | \$ 3,175,524 |

## Child Care Council of Westchester, Inc.

Notes to Financial Statements  
June 30, 2017 and 2016

### 4. Commitments and Contingencies (*continued*)

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 statements 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 or more               | 3% of Participants' Compensation                    |

Total pension expense for the years ended June 30, 2017 and 2016 was \$37,924 and \$32,676. The Council's pension plan includes a Roth Elective Deferral Contribution clause, which allows employees to make after tax contributions to the plan.

### 6. Temporarily Restricted Net Assets

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

|                               | <u>2017</u>       | <u>2016</u>       |
|-------------------------------|-------------------|-------------------|
| Scholarships                  | \$ 369,792        | \$ 391,562        |
| Program resource enhancements | <u>124,286</u>    | <u>27,617</u>     |
|                               | <u>\$ 494,078</u> | <u>\$ 419,179</u> |

Net assets released from restrictions during fiscal years 2017 and 2016 for scholarships amounted to \$57,374 and \$72,048 and for program enhancements \$26,858 and \$63,208.

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

Notes to Financial Statements  
June 30, 2017 and 2016

**7. 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 \$4,500,256 and \$4,079,946 in 2017 and 2016. The Council is economically dependent on these funds to continue these programs.

**8. 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. Accounts receivable are expected to be collected in the normal course of business. 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, 2017 and 2016. Collections are expected in the normal course of business.

\* \* \* \* \*

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

Uniform Guidance Reports and Schedules

June 30, 2017

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

Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2017

| Federal Grantor/Pass-Through Grantor<br>Program or Cluster Title | Federal<br>CFDA<br>Number | Pass-Through<br>Identifying Number | Passed Through<br>to Subrecipients | Total<br>Federal<br>Expenditures |
|--|---------------------------|------------------------------------|------------------------------------|----------------------------------|
| <u>Department of Health and Human Services</u>                   |                           |                                    |                                    |                                  |
| CCDF Cluster   |                           |                                    |                                    |                                  |
| Indirect Program - Passed through New York State                 |                           |                                    |                                    |                                  |
| Office of Children and and Family Services                       |                           |                                    |                                    |                                  |
| Child Care and Development Block Grant                           | 93.575                    | C026628                            | \$ -                               | \$ 799,289                       |
| Child Care and Development Block Grant                           | 93.575                    | C026658                            | -                                  | 115,720                          |
| Indirect Program - Passed through County of Westchester          |                           |                                    |                                    |                                  |
| Department of Social Services                                    |                           |                                    |                                    |                                  |
| Child Care and Development Block Grant                           | 93.575                    | DSS-635A-16                        | -                                  | 823,426                          |
| Total Child Care and Development Block Grant                     |                           |                                    | -                                  | 1,738,435                        |
| Indirect Program - Passed through Westchester County             |                           |                                    |                                    |                                  |
| Community Opportunity Program, Inc.                              |                           |                                    |                                    |                                  |
| Head Start   | 93.600                    | 02HP0005/01                        | -                                  | 286,204                          |
| Total Department of Health and Human Services                    |                           |                                    | -                                  | 2,024,639                        |
| <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                         | -                                  | 2,213,454                        |
| <u>Department of Labor</u>                                       |                           |                                    |                                    |                                  |
| Indirect Program - Passed through County of Westchester          |                           |                                    |                                    |                                  |
| Department of Social Services, Office of Workforce Development   |                           |                                    |                                    |                                  |
| WIOA Adult Program   | 17.258                    | DSS-464-15                         | -                                  | 53,097                           |
| Total Expenditures of Federal Awards                             |                           |                                    | <u>\$ -</u>                        | <u>\$ 4,291,190</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, 2017

**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, 2017. 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, 2017, 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, 2017, 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 23, 2017.

**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, 2017



## **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, 2017. 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, 2017.

**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, 2017

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

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2017

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

CCDF Cluster  
Child Care and Development Block Grant

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, 2017.

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 findings and questioned costs in the prior year.