

Child Care Council of Westchester, Inc.

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

June 30, 2013 and 2012

Child Care Council of Westchester, Inc.

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TABLE OF CONTENTS	Page
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8-12
OMB CIRCULAR A-133 SCHEDULES AND REPORTS	
Schedule of Expenditures of Federal Awards	13
Notes to the Schedule of Expenditures of Federal Awards	14
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 OMB Circular A-133	
Schedule of Findings and Questioned Costs	19-20

Independent Auditors' Report

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

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, 2013 and 2012, 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, 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, 2013 and 2012, 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.

Other Matters

Report on Supplemental 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the 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, 2013 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

Harrison, New York
October 23, 2013

Child Care Council of Westchester, Inc.

Statements of Financial Position

	June 30,	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash	\$ 432,902	\$ 573,427
Investments	682,946	461,286
Accounts receivable	736,812	735,848
Prepaid expenses and other assets	<u>25,317</u>	<u>5,653</u>
	<u>\$ 1,877,977</u>	<u>\$ 1,776,214</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 430,062	\$ 334,707
Deferred rent	<u>250,009</u>	<u>253,715</u>
Total Liabilities	<u>680,071</u>	<u>588,422</u>
Net Assets		
Unrestricted	741,976	743,987
Temporarily restricted	<u>455,930</u>	<u>443,805</u>
Total Net Assets	<u>1,197,906</u>	<u>1,187,792</u>
	<u>\$ 1,877,977</u>	<u>\$ 1,776,214</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statements of Activities

	Year Ended June 30,	
	2013	2012
CHANGE IN UNRESTRICTED NET ASSETS		
OPERATING REVENUE		
Program revenue	\$ 3,871,745	\$ 3,512,355
Contributions	50,423	67,985
Interest and dividends	6,275	6,767
Other income	37,453	33,335
Unrealized and realized loss on investments	(3,653)	(2,397)
Net assets released from restriction	154,535	95,740
Total Operating Revenue	4,116,778	3,713,785
OPERATING EXPENSES		
Program services	3,996,703	3,674,031
General and administrative	98,229	123,760
Fundraising	23,857	26,465
Total Operating Expenses	4,118,789	3,824,256
Change in Unrestricted Net Assets	(2,011)	(110,471)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	144,809	168,086
Interest income	6,996	6,735
Unrealized and realized gain (loss) on investments	14,855	(9,087)
Net assets released from restriction	(154,535)	(95,740)
Change in Temporarily Restricted Net Assets	12,125	69,994
Change in Net Assets	10,114	(40,477)
NET ASSETS		
Beginning of year	1,187,792	1,228,269
End of year	\$ 1,197,906	\$ 1,187,792

See notes to financial statements

Child Care Council of Westchester, Inc.

Statement of Functional Expenses
Year Ended June 30, 2013

	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	\$ 234,883	\$ 649,608	\$ 305,531	\$142,522	\$ 112,223	\$ 89	\$ 1,444,856	\$ 99,499	\$ -	\$ 1,544,355
Fringe benefits	<u>52,285</u>	<u>155,247</u>	<u>62,078</u>	<u>29,186</u>	<u>22,815</u>	<u>2</u>	<u>321,613</u>	<u>20,664</u>	<u>-</u>	<u>342,277</u>
Total Salaries and Fringes Benefits	287,168	804,855	367,609	171,708	135,038	91	1,766,469	120,163	-	1,886,632
Professional fees and services	8,524	25,461	123,122	6,947	4,378	500	168,932	9,835	-	178,767
Payments to individuals and groups	-	-	24,622	-	-	-	24,622	-	-	24,622
Provider grant expenditure	-	-	22,278	19	-	-	22,297	-	-	22,297
Supplies	2,314	7,721	3,309	925	1,630	-	15,899	4,035	-	19,934
Staff training and development	973	2,045	5,779	477	473	98	9,845	1,654	-	11,499
Postage	1,858	9,702	752	18	174	200	12,704	2,856	-	15,560
Publicity and promotion	2,729	2,172	1,964	942	1,266	228	9,301	1,982	-	11,283
Recruitment	13	13	25	-	-	-	51	-	-	51
Telephone	2,418	4,009	2,684	931	629	-	10,671	4,921	-	15,592
Rent and utilities	33,544	115,183	45,829	27,074	12,498	-	234,128	39,207	-	273,335
Child and Adult Care Food Program	-	1,364,149	-	-	-	-	1,364,149	-	-	1,364,149
Equipment and rentals	4,340	2,738	12,771	805	677	-	21,331	4,519	-	25,850
Travel	3,174	6,901	4,205	1,468	1,233	-	16,981	16	-	16,997
Printing	2,969	3,389	4,179	962	730	-	12,229	520	-	12,749
Insurance	1,285	4,804	1,091	1,097	586	-	8,863	4,080	-	12,943
Workshop and conferences	11	12	21,139	36	6	-	21,204	4,181	-	25,385
Special events	-	-	-	-	-	-	-	-	23,857	23,857
Dues, publications and subscriptions	2,203	1,917	1,957	643	1,052	-	7,772	217	-	7,989
Maintenance	1,687	7,208	1,558	1,427	867	-	12,747	2,601	-	15,348
Scholarships	-	-	-	-	-	148,358	148,358	-	-	148,358
Miscellaneous	-	1,145	1,444	-	178	-	2,767	2,825	-	5,592
Allocated administrative expenses	<u>-</u>	<u>84,785</u>	<u>20,598</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,383</u>	<u>(105,383)</u>	<u>-</u>	<u>-</u>
	<u>\$ 355,210</u>	<u>\$ 2,448,209</u>	<u>\$ 666,915</u>	<u>\$215,479</u>	<u>\$ 161,415</u>	<u>\$ 149,475</u>	<u>\$ 3,996,703</u>	<u>\$ 98,229</u>	<u>\$ 23,857</u>	<u>\$ 4,118,789</u>

Child Care Council of Westchester, Inc.

Statement of Functional Expenses

Year Ended June 30, 2012

	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	\$ 254,281	\$ 644,063	\$ 329,962	\$ 165,896	\$ 119,707	\$ -	\$ 1,513,909	\$ 85,961	\$ -	\$ 1,599,870
Fringe benefits	56,069	145,931	65,064	32,505	24,245	-	323,814	52,343	-	376,157
Total Salaries and Fringes Benefits	310,350	789,994	395,026	198,401	143,952	-	1,837,723	138,304	-	1,976,027
Professional fees and services	6,213	10,453	143,783	9,163	4,200	700	174,512	17,671	-	192,183
Payments to individuals and groups	-	-	7,528	1,400	-	58,878	67,806	-	-	67,806
Provider grant expenditure	-	1,053	14,410	8,365	-	-	23,828	-	-	23,828
Supplies	3,813	7,871	2,978	933	1,577	-	17,172	5,556	-	22,728
Staff training and development	1,167	1,578	6,684	623	554	-	10,606	1,022	-	11,628
Postage	2,014	10,211	1,225	120	293	4	13,867	3,531	-	17,398
Publicity and promotion	3,523	3,837	3,310	918	1,723	-	13,311	790	-	14,101
Recruitment	-	-	70	-	-	-	70	-	-	70
Telephone	2,309	6,581	3,215	1,637	1,470	-	15,212	4,973	-	20,185
Rent and utilities	32,340	108,285	45,886	24,655	13,958	-	225,124	47,035	-	272,159
Child and Adult Care Food Program	-	1,056,042	-	-	-	-	1,056,042	-	-	1,056,042
Equipment and rentals	4,410	1,408	9,953	1,124	917	-	17,812	850	-	18,662
Travel	2,892	7,557	3,594	2,082	1,609	-	17,734	53	-	17,787
Printing	3,717	647	5,290	149	275	-	10,078	668	-	10,746
Insurance	1,344	5,068	1,198	1,050	714	-	9,374	3,406	-	12,780
Workshop and conferences	-	42	22,942	3,477	-	-	26,461	4,264	-	30,725
Special events	-	-	-	-	-	-	-	-	26,465	26,465
Dues, publications and subscriptions	3,572	1,227	2,723	694	866	-	9,082	214	-	9,296
Maintenance	1,366	6,850	1,408	1,064	892	-	11,580	7,444	-	19,024
Miscellaneous	89	716	1,060	-	274	-	2,139	2,477	-	4,616
Allocated administrative expenses	2,053	89,703	21,657	1,085	-	-	114,498	(114,498)	-	-
	<u>\$ 381,172</u>	<u>\$ 2,109,123</u>	<u>\$ 693,940</u>	<u>\$256,940</u>	<u>\$ 173,274</u>	<u>\$ 59,582</u>	<u>\$ 3,674,031</u>	<u>\$ 123,760</u>	<u>\$ 26,465</u>	<u>\$ 3,824,256</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statements of Cash Flows

	Year Ended	
	June 30,	
	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 10,114	\$ (40,477)
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	(3,706)	9,798
Unrealized and realized (gain) loss on investments	(11,202)	11,484
Change in operating assets and liabilities		
Accounts receivable	(964)	63,839
Prepaid expenses and other assets	(19,664)	3,826
Accounts payable and accrued expenses	95,355	(76,308)
Deferred revenue	-	(17,615)
Net Cash from Operating Activities	<u>69,933</u>	<u>(45,453)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(232,862)	(12,904)
Proceeds from sale of investments	<u>22,404</u>	<u>32,021</u>
Net Cash from Investing Activities	<u>(210,458)</u>	<u>19,117</u>
Net Change in Cash	(140,525)	(26,336)
CASH		
Beginning of year	<u>573,427</u>	<u>599,763</u>
End of year	<u>\$ 432,902</u>	<u>\$ 573,427</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

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. 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.

Cash

Cash consists of highly liquid debt instruments with a maturity of 90 days or less at the time of purchase.

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, 2013 and 2012

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 year June 30, 2010.

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. For the years ended June 30, 2013 and 2012 the Council determined that an allowance was not appropriate.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of 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 23, 2013.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

3. Investments

Investments at June 30, 2013 and 2012, categorized according to the fair value hierarchy for those investments measured at fair value, are as follows:

	2013		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Mutual Funds	\$ 177,626	\$ -	\$ 177,626
Corporate Bonds	<u>-</u>	<u>181,987</u>	<u>181,987</u>
	<u>\$ 177,626</u>	<u>\$ 181,987</u>	359,613
Money Market Funds			<u>323,333</u>
Total Investments			<u>\$ 682,946</u>
	2012		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Mutual Funds	\$ 118,618	\$ -	\$ 118,618
Corporate Bonds	<u>-</u>	<u>202,281</u>	<u>202,281</u>
	<u>\$ 118,618</u>	<u>\$ 202,281</u>	320,899
Certificate of Deposit			45,819
Money Market Funds			<u>94,568</u>
Total Investments			<u>\$ 461,286</u>

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2013 and 2012

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, 2013 and 2012. 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%.

On April 4, 2008, the Council entered into a noncancelable 10 year premises lease which commenced August 1, 2008 and expires in 2018. The minimum future base rentals on the noncancelable lease at June 30, 2013 are payable as follows for years ending June 30:

2014	\$ 297,731
2015	312,618
2016	328,249
2017	344,661
2018	<u>389,312</u>
Total minimum lease payments	<u>\$ 1,672,571</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 Participant's 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, 2013 and 2012 was \$31,005 and \$33,850. 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, 2013 and 2012

6. Temporarily Restricted Net Assets

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

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 368,735	\$ 391,484
Program resource enhancements	<u>87,195</u>	<u>52,321</u>
	<u>\$ 455,930</u>	<u>\$ 443,805</u>

Net assets released from restrictions during fiscal 2013 for scholarships were \$76,439 and for program enhancements were \$78,096. In 2012, \$17,829 was released for scholarships and \$77,911 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 \$1,842,841 and \$1,814,401 in 2013 and 2012. 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, 2013 and 2012. 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, 2013

Child Care Council of Westchester, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Pass-Through Agency</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>Department of Health and Human Services</u>				
<u>CCDF Cluster</u>				
Child Care and Development Block Grant	NYS Office of Children and Family Services	C026658/C026659	93.575	\$ 936,966
Child Care and Development Block Grant	Westchester County Department of Social Services	DSS-634A-13	93.575	<u>829,579</u>
Total CCDF Cluster				1,766,545
Social Services Block Grant	Westchester County Department of Social Services	DSS632-12	93.667	18,524
Children's Health Insurance Program	Westchester County Department of Public Health	HLTFE1392659	93.767	28,886
Medical Assistance Program	Westchester County Department of Public Health	HLTFE1392659	93.778	<u>28,886</u>
Total Department of Health and Human Services				1,842,841
<u>Department of Agriculture</u>				
Child and Adult Care Food Program	NYS Department of Health	CACFP 3401	10.558	<u>1,550,920</u>
Total Federal Expenditures				<u>\$ 3,393,761</u>

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

Child Care Council of Westchester, Inc.

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

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., Inc. (the "Council") under programs of the federal government for the year ended June 30, 2013. 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.

**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, 2013, 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, 2013.

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

Harrison, New York
October 23, 2013

**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, 2013. The Council's major federal programs 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, 2013.

Report on Internal Control Over Compliance

Management of the Council's 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

Harrison, New York
October 23, 2013

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2013

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: 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 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 programs: Unmodified
Any audit findings disclosed that are required
to be reported in accordance with Section 510(a)
of OMB Circular A-133 ___ yes X no

Identification of major programs:
CFDA Number(s) Name of Federal Program or Cluster
93.575 Child Care and Development Block Grant

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

Auditee qualified as low-risk auditee? ___ yes X no

Section II – Financial Statement Findings

During our audit, we noted no material findings for the year ended June 30, 2013.

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.

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs (*continued*)
Year Ended June 30, 2013

Section IV – Prior Year Findings

Finding 2012 – 01

<u>CFDA Number(s)</u>	<u>Name of Federal Programs</u>
93.575	Child Care and Development Block Grant
10.558	Child and Adult Care Food Program

Criteria: OMB Circular A-133 requires the reporting package and data collection form to be submitted to the Federal Audit Clearinghouse the earlier of 30 days after the reports are received from the auditors or nine months after the end of the audit period. The Council's 2011 reporting package and data collection form were not filed within the time established by the Office of Management and Budget.

Cause: Due to an administrative oversight the electronic filing was not submitted by the due date. Please note all other "paper" reports were filed timely with the appropriate funding agencies.

Effect: In order for an entity to be considered a low-risk auditee in the current year, the prior two years audits must have met the requirements of OMB Circular A-133, including report submission to the FAC by the due date.

Recommendation: The auditee should post the due date to a calendar to ensure the timely filing of the reporting package.

Management's Response:

Management concurs with the recommendation to post the filing due dates in an electronic calendar and follow up with auditor for timely submission.