

Child Care Council of Westchester, Inc.

Financial Statements with Independent Auditors' Report
and Audit Reports Related to the Office of
Management and Budget Circular A-133

June 30, 2011 and 2010

Child Care Council of Westchester, Inc.

Financial Statements

June 30, 2011 and 2010

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O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Directors Child Care Council of Westchester, Inc.

We have audited the accompanying statements of financial position of Child Care Council of Westchester, Inc. (the "Council") as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Child Care Council of Westchester, Inc.'s management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2011 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* and should be considered in assessing the results of our audit.

Board of Directors
Child Care Council of Westchester, Inc.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

O'Connor Davies Munro & Dobbins, LLP

October 31, 2011
Harrison, New York

Child Care Council of Westchester, Inc.

Statements of Financial Position

June 30,

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents	\$ 599,763	\$ 646,847
Investments	491,888	376,963
Accounts receivable, net of \$7,500 allowance for doubtful accounts for 2011 and 2010	799,687	792,277
Prepaid expenses and other assets	<u>9,479</u>	<u>34,803</u>
	<u>\$ 1,900,817</u>	<u>\$ 1,850,890</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 411,016	\$ 319,640
Deferred revenue	17,615	-
Deferred rent	<u>243,917</u>	<u>217,874</u>
Total Liabilities	<u>672,548</u>	<u>537,514</u>
Net Assets		
Unrestricted	855,284	911,773
Temporarily restricted	<u>372,985</u>	<u>401,603</u>
Total Net Assets	<u>1,228,269</u>	<u>1,313,376</u>
	<u>\$ 1,900,817</u>	<u>\$ 1,850,890</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statements of Activities

Years Ended June 30,

	<u>2011</u>	<u>2010</u>
CHANGE IN UNRESTRICTED NET ASSETS		
OPERATING REVENUE		
Program revenue	\$ 3,791,451	\$ 4,310,421
Contributions	54,323	71,501
Interest and dividends	951	1,944
Other income	14,826	22,920
Net assets released from restriction	<u>43,823</u>	<u>67,218</u>
Total Operating Revenue	<u>3,905,374</u>	<u>4,474,004</u>
OPERATING EXPENSES		
Program services	3,714,725	4,312,762
General and administrative	242,560	204,799
Fundraising	<u>4,578</u>	<u>3,393</u>
Total Operating Expenses	<u>3,961,863</u>	<u>4,520,954</u>
Change in Unrestricted Net Assets	<u>(56,489)</u>	<u>(46,950)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Interest income	4,645	4,715
Unrealized and realized gain on investments	10,560	5,372
Net assets released from restriction	<u>(43,823)</u>	<u>(67,218)</u>
Change in Temporarily Restricted Net Assets	<u>(28,618)</u>	<u>(57,131)</u>
Change in Net Assets	(85,107)	(104,081)
NET ASSETS		
Beginning of year	<u>1,313,376</u>	<u>1,417,457</u>
End of year	<u>\$ 1,228,269</u>	<u>\$ 1,313,376</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statement of Functional Expenses

Year Ended June 30, 2011

	Program Services						Total Program Services	General and Administrative	Fundraising	Total
	Resource and Referral	Registration	Professional Development	Institute School Age Care	Health Services	Scholarships				
Salaries	\$ 200,607	\$ 468,030	\$ 546,589	\$ 143,038	\$ 139,600	\$ -	\$ 1,497,864	\$ 145,621	\$ -	\$ 1,643,485
Fringe benefits	42,957	103,400	103,984	25,894	28,238	-	304,473	38,660	-	343,133
Total Salaries and Fringes Benefits	243,564	571,430	650,573	168,932	167,838	-	1,802,337	184,281	-	1,986,618
Professional fees and services	6,895	8,172	365,034	1,015	6,276	977	388,369	24,796	2,800	415,965
Payments to individuals and groups	-	-	10,150	5,750	-	-	15,900	-	-	15,900
Provider grant expenditure	-	-	53,998	-	-	-	53,998	-	-	53,998
Supplies	1,603	8,236	4,297	834	812	-	15,782	10,087	1,250	27,119
Staff training and development	174	1,867	6,037	1,824	257	-	10,159	3,288	-	13,447
Postage	1,311	9,589	3,356	27	424	-	14,707	3,534	528	18,769
Publicity and promotion	2,729	3,422	3,204	507	1,485	-	11,347	11,116	-	22,463
Recruitment	59	81	202	6	7	-	355	20	-	375
Telephone	2,245	5,729	6,593	1,668	1,719	-	17,954	5,929	-	23,883
Rent and utilities	26,517	73,809	75,122	11,263	19,266	-	205,977	70,386	-	276,363
Child and Adult Care Food Program	-	-	962,600	-	-	-	962,600	-	-	962,600
Equipment and rentals	27	2,064	729	199	-	-	3,019	1,034	-	4,053
Travel	670	4,620	11,778	1,630	2,864	-	21,562	1,582	-	23,144
Printing	1,391	7,684	8,284	155	29	-	17,543	3,671	-	21,214
Insurance	454	2,694	1,836	464	269	-	5,717	7,836	-	13,553
Workshop and conferences	2	4	39,562	21	47	-	39,636	10,860	-	50,496
Dues, publications and subscriptions	1,350	1,636	5,255	130	1,076	-	9,447	684	-	10,131
Maintenance	896	3,781	2,107	535	668	-	7,987	7,342	-	15,329
Miscellaneous	22	598	803	33	167	-	1,623	4,820	-	6,443
Allocated administrative expenses	4,443	67,154	33,743	3,366	-	-	108,706	(108,706)	-	-
	<u>\$ 294,352</u>	<u>\$ 772,570</u>	<u>\$ 2,245,263</u>	<u>\$ 198,359</u>	<u>\$ 203,204</u>	<u>\$ 977</u>	<u>\$ 3,714,725</u>	<u>\$ 242,560</u>	<u>\$ 4,578</u>	<u>\$ 3,961,863</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statement of Functional Expenses

Year Ended June 30, 2010

	Program Services							General and Administrative	Fundraising	Total
	Resource and Referral	Registration	Professional Development	Institute School Age Care	Health Services	Scholarships	Total Program Services			
Salaries	\$ 189,040	\$ 496,970	\$ 579,681	\$ 141,776	\$ 127,729	\$ 12,642	\$ 1,547,838	\$ 118,522	\$ -	\$ 1,666,360
Fringe benefits	39,227	114,094	118,383	26,828	26,456	2,666	327,654	34,244	-	361,898
Total Salaries and Fringes Benefits	228,267	611,064	698,064	168,604	154,185	15,308	1,875,492	152,766	-	2,028,258
Professional fees and services	6,696	10,452	164,780	10,910	1,762	1,835	196,435	19,395	2,115	217,945
Payments to individuals and groups	-	-	22,612	17,269	-	753,995	793,876	1,488	-	795,364
Provider grant expenditure	-	-	27,263	36	-	-	27,299	-	-	27,299
Supplies	519	7,090	3,724	966	1,148	20	13,467	11,741	618	25,826
Staff training and development	97	3,833	5,337	4,142	42	-	13,451	2,059	-	15,510
Postage	3,309	9,236	4,066	175	494	1,082	18,362	3,034	660	22,056
Publicity and promotion	3,303	2,532	3,113	488	1,320	210	10,966	6,509	-	17,475
Recruitment	16	-	149	-	48	-	213	226	-	439
Telephone	2,107	7,360	7,301	1,759	1,670	259	20,456	5,644	-	26,100
Rent and utilities	28,140	77,964	79,557	8,217	20,026	2,702	216,606	97,546	-	314,152
Child and Adult Care Food Program	-	-	860,761	-	-	-	860,761	-	-	860,761
Equipment and rentals	2,469	3,666	3,519	23	355	-	10,032	4,368	-	14,400
Travel	763	5,167	7,721	490	3,154	-	17,295	1,678	-	18,973
Printing	1,444	1,342	8,520	166	498	577	12,547	13,389	-	25,936
Insurance	395	6,111	1,596	35	182	-	8,319	4,952	-	13,271
Workshop and conferences	-	183	42,465	65	-	-	42,713	15,183	-	57,896
Dues, publications and subscriptions	843	1,182	2,688	206	768	-	5,687	2,185	-	7,872
Maintenance	1,253	4,799	3,368	468	919	-	10,807	7,107	-	17,914
Miscellaneous	17	668	780	1	372	-	1,838	11,669	-	13,507
Allocated administrative expenses	10,423	77,072	56,669	11,976	-	-	156,140	(156,140)	-	-
	<u>\$ 290,061</u>	<u>\$ 829,721</u>	<u>\$2,004,053</u>	<u>\$ 225,996</u>	<u>\$ 186,943</u>	<u>\$ 775,988</u>	<u>\$ 4,312,762</u>	<u>\$ 204,799</u>	<u>\$ 3,393</u>	<u>\$ 4,520,954</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statements of Cash Flows

Years Ended June 30,

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (85,107)	\$ (104,081)
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	26,043	75,388
Unrealized and realized gains on investments	(10,560)	(5,372)
Change in operating assets and liabilities		
Accounts receivable	(7,410)	305,431
Prepaid expenses and other assets	25,324	17,741
Accounts payable and accrued expenses	91,376	(206,266)
Deferred revenue	<u>17,615</u>	<u>(134,919)</u>
Net Cash from Operating Activities	<u>57,281</u>	<u>(52,078)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(501,113)	(4,970)
Proceeds from sale of investments	<u>396,748</u>	<u>300</u>
Net Cash from Investing Activities	<u>(104,365)</u>	<u>(4,670)</u>
Net Change in Cash and Cash Equivalents	(47,084)	(56,748)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>646,847</u>	<u>703,595</u>
End of year	<u>\$ 599,763</u>	<u>\$ 646,847</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Notes to Financial Statements

1. Organization

The Child Care Council of Westchester, Inc. (the “Council”), which was 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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Classes of Net Asset

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 and Cash Equivalents

Cash and cash equivalents consist of highly liquid debt instruments with a maturity of 90 days or less at the time of purchase.

Fair Value Measurements

The Council follows Financial Accounting Standards Board (“FASB”) 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

Child Care Council of Westchester, Inc.

Notes to Financial Statements

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

Fair Value Measurements (*continued*)

markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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

Investments

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 examination by the applicable taxing jurisdictions for periods prior to fiscal year 2008.

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

An allowance has been established for accounts where there exists doubt as to the whether they will be fully collected. The determination of this allowance is an estimate based on the Council's historical experience, review of account balances and expectations relative to collections. Changes in the estimated collectibility of accounts receivable are reported in the statement of activities for the period in which the estimates are revised.

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.

Child Care Council of Westchester, Inc.

Notes to Financial Statements

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

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.

Deferred Revenue

Deferred revenue consists of payments received for program services and activities to take place at a future date and is recognized as revenue when the service or activity occurs.

Subsequent Events Evaluation by Management

Management has evaluated 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 31, 2011.

3. Investments

Investments at June 30 2011 and 2010, categorized according to the FASB fair value hierarchy for those investments measured at fair value, are as follows:

	2011		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Mutual Funds	\$ 130,610	\$ -	\$ 130,610
Corporate Bonds	<u>-</u>	<u>204,341</u>	<u>204,341</u>
	<u>\$ 130,610</u>	<u>\$ 204,341</u>	334,951
Certificate of Deposit			47,174
Money Market Funds			<u>109,763</u>
Total Investments			<u>\$ 491,888</u>

Child Care Council of Westchester, Inc.

Notes to Financial Statements

3. Investments (continued)

	2010		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Total
Mutual Funds	\$ 58,985	\$ -	\$ 58,985
Equities	491	-	491
Corporate Bonds	-	15,165	15,165
	<u>\$ 59,476</u>	<u>\$ 15,165</u>	74,641
Money Market Funds			<u>302,322</u>
Total Investments			<u>\$ 376,963</u>

4. Commitments and Contingencies

Under a financing arrangement with a bank the Council has secured a letter of credit for \$32,583 to guarantee the security deposit owed on the Council's leased property. No amount has been drawn on this letter of credit as of June 30, 2011. 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, are payable as follows:

2012	\$ 270,051
2013	283,553
2014	297,731
2015	312,618
2016	328,249
2017 - 2018	<u>733,973</u>
Total minimum lease payments	<u>\$ 2,226,175</u>

Child Care Council of Westchester, Inc.

Notes to Financial Statements

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 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, 2011 and 2010 was \$30,405 and \$28,103. On January 11, 2008, the Council amended its pension plan to include 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>2011</u>	<u>2010</u>
Scholarships - specific restrictions	\$ 292,180	\$ 325,677
Program resource enhancements - general restrictions	<u>80,805</u>	<u>75,926</u>
	<u>\$ 372,985</u>	<u>\$ 401,603</u>

Child Care Council of Westchester, Inc.

Notes to Financial Statements

6. Temporarily Restricted Net Assets (*continued*)

Net Assets Released from Restrictions

Net assets released from restrictions during fiscal 2011 for scholarships were \$953 and for program enhancements were \$42,870. In 2010, \$12,004 was released for scholarships and \$55,214 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 \$1,858,878 and \$2,900,261 in 2011 and 2010. 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, 2011 and 2010. Collections are expected in the normal course of business.

Child Care Council of Westchester, Inc.

Supplemental Information

June 30, 2011

Child Care Council of Westchester, Inc.

Schedule of Prior Year Audit Findings and
Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Grantor Pass-Through Agency</u>	<u>Contract Number</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>Department of Health and Human Services</u>				
<u>CCDF Cluster</u>				
Child Care Development Block Grant	NYS Office of Children and Family Services	C025199	93.575	\$ 886,586
Child Care Development Block Grant	Westchester County Department of Social Services	DSS612A-11	93.575	823,822
Child Care Development Block Grant, American Recovery and Reinvestment Act	Early Care & Learning Council, Inc.		93.713	<u>259,761</u>
Total CCDF Cluster				1,970,169
Social Services Block Grant	Westchester County Department of Social Services	SS614-11	93.667	141,569
Children's Health Insurance Program	Westchester County Department of Public Health	HLTFE1184384	93.767	11,528
Medical Assistance Program	Westchester County Department of Public Health	HLTFE1184384	93.778	<u>19,463</u>
Total Department of Health and Human Services				2,142,729
<u>Department of Agriculture</u>				
Child and Adult Care Food Program	NYS Department of Health	CACFP 3401	10.558	<u>1,122,547</u>
Total Federal Expenditures				<u>\$ 3,265,276</u>

Note 1

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Council under programs of the federal government for the year ended June 30, 2011. The information in this schedule is presented in accordance with the requirements of 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.

See independent auditors' report

Child Care Council of Westchester, Inc.

Schedule of Prior Year Audit Findings and
Notes to the Schedule of Expenditures of Federal Awards
(continued)

Year Ended June 30, 2011

Note 2

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.

Note 3

Of the federal expenditures presented in the schedule, the Council provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
93.713	ARRA-Child Care Development Block Grant	<u>\$ 236,317</u>



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

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*

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

We have audited the financial statements of Child Care Council of Westchester, Inc. (the "Council") as of and for the years ended June 30, 2011 and 2010, and have issued our report thereon dated October 31, 2011. 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.

Internal Control Over Financial Reporting

Management of the Council is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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 Council's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Child Care Council of Westchester, Inc.

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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*.

This report is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munro & Dobbins, LLP

October 31, 2011
Harrison, New York



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

**Report on Compliance With Requirements That Could Have a Direct and
Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133**

Independent Auditors' Report

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

Compliance

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 years ended June 30, 2011 and 2010. The Council's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

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. 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. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

O'Connor Davies Munno & Dobbins, LLP

October 31, 2011
Harrison, New York

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

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 programs:

Material weakness(es) identified? yes no

Significant deficiency (ies) identified? yes none reported

Type of auditors' report issued on compliance for major programs Unqualified

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 programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.575	CCDF Cluster
93.713	Child Care and Development Block Grant
	ARRA 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 no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

Summary of Prior Year Audit Findings

None