

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, 2012 and 2011

Child Care Council of Westchester, Inc.

Financial Statements

June 30, 2012 and 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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 10, 2012 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Council taken 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.

O'Connor Davies, LLP

Harrison, New York
October 10, 2012

Child Care Council of Westchester, Inc.

Statements of Financial Position

	June 30,	
	2012	2011
ASSETS		
Cash and cash equivalents	\$ 573,427	\$ 599,763
Investments	461,286	491,888
Accounts receivable, net of \$0 and \$7,500 allowance for doubtful accounts for 2012 and 2011	735,848	799,687
Prepaid expenses and other assets	<u>5,653</u>	<u>9,479</u>
	<u>\$ 1,776,214</u>	<u>\$ 1,900,817</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 334,707	\$ 411,016
Deferred revenue	-	17,615
Deferred rent	<u>253,715</u>	<u>243,917</u>
Total Liabilities	<u>588,422</u>	<u>672,548</u>
Net Assets		
Unrestricted	743,987	855,284
Temporarily restricted	<u>443,805</u>	<u>372,985</u>
Total Net Assets	<u>1,187,792</u>	<u>1,228,269</u>
	<u>\$ 1,776,214</u>	<u>\$ 1,900,817</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Statements of Activities

	Year Ended June 30,	
	2012	2011
CHANGE IN UNRESTRICTED NET ASSETS		
OPERATING REVENUE		
Program revenue	\$ 3,512,355	\$ 3,791,451
Contributions	67,985	54,323
Interest and dividends	6,767	951
Other income	33,335	14,826
Unrealized and realized loss on investments	(2,397)	-
Net assets released from restriction	95,740	43,823
Total Operating Revenue	3,713,785	3,905,374
OPERATING EXPENSES		
Program services	3,674,031	3,714,725
General and administrative	123,760	242,560
Fundraising	26,465	4,578
Total Operating Expenses	3,824,256	3,961,863
Change in Unrestricted Net Assets	(110,471)	(56,489)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		
Contributions	168,086	-
Interest income	6,735	4,645
Unrealized and realized (loss) gain on investments	(9,087)	10,560
Net assets released from restriction	(95,740)	(43,823)
Change in Temporarily Restricted Net Assets	69,994	(28,618)
Change in Net Assets	(40,477)	(85,107)
NET ASSETS		
Beginning of year	1,228,269	1,313,376
End of year	\$ 1,187,792	\$ 1,228,269

See notes to financial statements

Child Care Council of Westchester, Inc.

Statement of Functional Expenses

Year Ended June 30, 2012

	Program Services								Total
	Family and Employer Services	Provider Services	Professional Development	Institute School Age Care	Health Services	Scholarships	Program Services	General and Administrative	
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	<u>310,350</u>	<u>789,994</u>	<u>395,026</u>	<u>198,401</u>	<u>143,952</u>	-	<u>1,837,723</u>	<u>138,304</u>	<u>1,976,027</u>
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
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>\$ 3,824,256</u>

Child Care Council of Westchester, Inc.
Statement of Functional Expenses
Year Ended June 30, 2011

	Family and Employer Services	Program Services							Total Program Services	General and Administrative	Fundraising	Total
		Provider Services	Professional Development	School Age Care	Health Services	Scholarships	Institute	Total				
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)	-	-	
	\$ 294,352	\$ 1,735,170	\$ 1,282,663	\$ 198,359	\$ 203,204	\$ 977	\$ -	\$ 3,714,725	\$ 242,560	\$ 4,578	\$ 3,961,863	

Child Care Council of Westchester, Inc.

Statements of Cash Flows

	Year Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (40,477)	\$ (85,107)
Adjustments to reconcile change in net assets to net cash from operating activities		
Deferred rent	9,798	26,043
Unrealized and realized (loss) gain on investments	11,484	(10,560)
Change in operating assets and liabilities		
Accounts receivable	63,839	(7,410)
Prepaid expenses and other assets	3,826	25,324
Accounts payable and accrued expenses	(76,308)	91,376
Deferred revenue	<u>(17,615)</u>	<u>17,615</u>
Net Cash from Operating Activities	<u>(45,453)</u>	<u>57,281</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(12,904)	(501,113)
Proceeds from sale of investments	<u>32,021</u>	<u>396,748</u>
Net Cash from Investing Activities	<u>19,117</u>	<u>(104,365)</u>
Net Change in Cash and Cash Equivalents	(26,336)	(47,084)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>599,763</u>	<u>646,847</u>
End of year	<u>\$ 573,427</u>	<u>\$ 599,763</u>

See notes to financial statements

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

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. Accordingly, 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 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, 2012 and 2011

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 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

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 year ending June 30, 2012 the Council determined that an allowance was not appropriate. An allowance was established for the year ending June 30, 2011 for accounts where there existed doubt as to whether they will be fully collected. Changes in the estimated collectability 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.

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.

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

2. Summary of Significant Accounting Policies (continued)

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 10, 2012.

3. Investments

Investments at June 30, 2012 and 2011, categorized according to the FASB fair value hierarchy for those investments measured at fair value, are as follows:

	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	-	202,281	202,281
	\$ 118,618	\$ 202,281	320,899
Certificate of Deposit			45,819
Money Market Funds			94,568
Total Investments			\$ 461,286
	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	-	204,341	204,341
	\$ 130,610	\$ 204,341	334,951
Certificate of Deposit			47,174
Money Market Funds			109,763
Total Investments			\$ 491,888

Child Care Council of Westchester, Inc.

Notes to Financial Statements
June 30, 2012 and 2011

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, 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, 2012 are payable as follows for years ending June 30:

2013	\$ 283,553
2014	297,731
2015	312,618
2016	328,249
2017	344,661
2018	<u>389,312</u>
Total minimum lease payments	<u>\$ 1,956,124</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, 2012 and 2011 was \$33,850 and \$30,405. 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, 2012 and 2011

6. Temporarily Restricted Net Assets

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

	<u>2012</u>	<u>2011</u>
Scholarships - specific restrictions	\$ 391,484	\$ 292,180
Program resource enhancements - general restrictions	<u>52,321</u>	<u>80,805</u>
	<u>\$ 443,805</u>	<u>\$ 372,985</u>

Net assets released from restrictions during fiscal 2012 for scholarships were \$17,829 and for program enhancements were \$77,911. In 2011, \$953 was released for scholarships and \$42,870 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 \$1,814,401 and \$1,858,878 in 2012 and 2011. 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, 2012 and 2011. Collections are expected in the normal course of business.

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Child Care Council of Westchester, Inc.

Supplemental Information
June 30, 2012

Child Care Council of Westchester, Inc.

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Federal Grantor/Pass-through Grantor/Program</u>	<u>Grantor 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	C025199	93.575	\$ 956,112
Child Care and Development Block Grant	Westchester County Department of Social Services	DSS630A-12	93.575	<u>748,649</u>
Total CCDF Cluster				1,704,761
Social Services Block Grant	Westchester County Department of Social Services	DSS632-12	93.667	53,910
Children's Health Insurance Program	Westchester County Department of Public Health	HLTFE1289102	93.767	27,865
Medical Assistance Program	Westchester County Department of Public Health	HLTFE1289102	93.778	<u>27,865</u>
Total Department of Health and Human Services				1,814,401
<u>Department of Agriculture</u>				
Child and Adult Care Food Program	NYS Department of Health	CACFP 3401	10.558	<u>1,198,349</u>
Total Federal Expenditures				<u>\$ 3,012,750</u>

See notes to Schedule of Expenditures of Federal Awards and Independent auditors' report

Child Care Council of Westchester, Inc.

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Council under programs of the federal government for the year ended June 30, 2012. 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.

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.

**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 year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. 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.

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 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, LLP

Harrison, New York
October 10, 2012

**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 year ended June 30, 2012. 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, *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. 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-01.

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.

Child Care Council of Westchester, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Child Care Council of Westchester, Inc.'s response and, accordingly, we express no opinion on the response.

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, LLP

Harrison, New York
October 10, 2012

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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
OMB Circular A-133 Section 510(a) yes no

Identification of major programs:

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

Dollar threshold used to distinguish
between Type A and Type B programs \$300,000
Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Child Care Council of Westchester, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section III - Federal Programs

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. The auditee was designated high risk for the current reporting period.

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.

Summary of Prior Year Audit Findings

None