



Day Care Council of New York

Educated Children Are Our Future



***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITORS' REPORT***

YEARS ENDED JUNE 30, 2019 AND 2018

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors
Day Care Council of New York, Inc.
New York, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Day Care Council of New York, Inc. which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of activities, cash flows, and functional expenses 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation 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 Day Care Council of New York, Inc. as of June 30, 2019 and 2018, 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.

Emphasis of a Matter

As discussed in Note 2 to the financial statements, in fiscal year 2019 Day Care Council of New York, Inc. adopted Accounting Standards Update No. 2016-14, *Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters:

Other 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 as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2020 on our consideration of Day Care Council of New York, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Day Care Council of New York, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Day Care Council of New York, Inc.'s internal control over financial reporting and compliance.

Dorfman Abrams Music, LLC

Saddle Brook, New Jersey
March 12, 2020

DAY CARE COUNCIL OF NEW YORK, INC.

BALANCE SHEETS

ASSETS

	June 30,	
	<u>2019</u>	<u>2018</u>
Assets:		
Cash	\$ 693,663	\$ 523,625
Investments	1,535,862	1,569,433
Governmental agency receivables and other receivables	2,524,946	2,538,960
Prepaid expenses	17,096	41,414
Security deposits	71,332	71,332
Property and equipment, net	<u>19,790</u>	<u>15,851</u>
Total assets	<u>\$ 4,862,689</u>	<u>\$ 4,760,615</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 342,125	\$ 198,505
Grants payable	1,391,039	1,579,222
Deferred revenue	604,524	460,737
Accrued salaries and vacation	252,747	55,006
Deferred rent	<u>44,059</u>	<u>69,374</u>
Total liabilities	<u>2,634,494</u>	<u>2,362,844</u>
Net assets:		
Without donor restrictions	<u>2,228,195</u>	<u>2,397,771</u>
Total liabilities and net assets	<u>\$ 4,862,689</u>	<u>\$ 4,760,615</u>

The accompanying notes are an integral part
of these financial statements.

DAY CARE COUNCIL OF NEW YORK, INC.

STATEMENTS OF ACTIVITIES

	Year ended June 30,	
	2019	2018
Operating revenues:		
Contributions	\$ 39,799	\$ 39,410
Grants from governmental agencies	9,287,487	9,639,067
Membership dues and fees	196,370	178,185
Workshop fees and other revenues	32,252	48,294
Special events, net of expenses of \$32,564 in 2019 and \$16,430 in 2018	15,714	27,745
Interest and dividends	18,749	9,013
Total operating revenues	<u>9,590,371</u>	<u>9,941,714</u>
Operating expenses:		
Program services:		
Child care support services	6,515,457	6,906,365
Food program	1,561,388	1,698,753
Labor relations	1,374,264	1,069,404
Total program services	<u>9,451,109</u>	<u>9,674,522</u>
Supporting services:		
Management and general	358,068	240,115
Total supporting services	<u>358,068</u>	<u>240,115</u>
Total operating expenses	<u>9,809,177</u>	<u>9,914,637</u>
Excess of operating revenue over operating expenses	(218,806)	27,077
Non-operating activities:		
Realized and unrealized gains on investments	49,230	78,251
Change in net assets	(169,576)	105,328
Net assets without donor restrictions, beginning of year	<u>2,397,771</u>	<u>2,292,443</u>
Net assets without donor restrictions, end of year	<u>\$ 2,228,195</u>	<u>\$ 2,397,771</u>

The accompanying notes are an integral part
of these financial statements.

DAY CARE COUNCIL OF NEW YORK, INC.

STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ (169,576)	\$ 105,328
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,105	7,042
Realized and unrealized gains on investments	(49,230)	(78,251)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Governmental agency receivables	14,014	(594,960)
Prepaid expenses	24,318	(9,313)
Increase (decrease) in:		
Accounts payable and accrued expenses	143,620	(12,519)
Grants payable	(188,183)	366,390
Deferred revenue	143,787	259,864
Accrued salaries and vacation	197,741	4,103
Deferred rent	(25,315)	(19,424)
Net cash provided by operating activities	<u>96,281</u>	<u>28,260</u>
Cash flows from investing activities:		
Purchases of investments	(818,405)	(369,732)
Proceeds from sales of investments	901,206	360,719
Purchases of property and equipment	(9,044)	(12,955)
Net cash provided (used) by investing activities	<u>73,757</u>	<u>(21,968)</u>
Cash flows from financing activities:		
Proceeds from short-term bridge loan	350,000	
Repayments of short-term bridge loan	(350,000)	
Net cash provided by financing activities	<u></u>	<u></u>
Net increase in cash	170,038	6,292
Cash, beginning of year	<u>523,625</u>	<u>517,333</u>
Cash, end of year	<u>\$ 693,663</u>	<u>\$ 523,625</u>

The accompanying notes are an integral part of these financial statements.

DAY CARE COUNCIL OF NEW YORK, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

Years Ended June 30, 2019 and 2018

	Child care support services		Program services expenses				Supporting services expenses		Total program and supporting services	
	2019	2018	Food program	Labor relations	2019	2018	Management and general	2019	2018	
Salaries	\$ 809,539	\$ 699,656	\$ 115,659	\$ 355,320	\$ 1,280,518	\$ 1,204,686	\$ 112,169	\$ 1,398,124	\$ 1,316,855	
Employee health and retirement benefits	242,898	245,337	33,782	80,411	357,091	367,492	19,829	374,146	387,321	
Payroll taxes	70,397	63,654	11,373	29,347	111,117	106,842	17,271	124,552	124,113	
Total salaries and related expenses	1,122,834	1,008,647	160,814	465,078	1,748,726	1,679,020	149,269	1,896,822	1,828,289	
Consortium expenses	4,765,132	5,227,641			4,765,132	5,227,641		4,765,132	5,227,641	
Food - CACFP vouchers			1,348,126		1,348,126	1,429,174		1,348,126	1,429,174	
Grants and client expenses	10,734	38,030		630,882	641,616	386,070		641,616	386,070	
Professional fees	313,423	295,997		180,283	500,846	478,682		527,103	501,951	
Occupancy	173,507	169,332	7,140	62,007	271,514	267,087	23,269	285,886	282,233	
Printing, postage and advertising	42,594	42,162	36,000	12,450	55,472	52,423	15,146	163,860	57,699	
Office and other expenses	21,215	33,229	428	5,140	30,030	40,932	17,457	51,036	58,389	
Equipment rental and maintenance	16,869	17,558	3,675	6,284	24,682	24,905	2,265	25,484	27,170	
Training	8,796	10,663	1,529	3,645	12,723	12,390	5,713	23,079	18,103	
Provider Resource Day	20,231	14,077	282		20,231	14,077		20,231	14,077	
Telephone	10,838	14,262	1,644	3,913	16,395	19,438	2,928	18,786	22,366	
Local travel and related expenses	1,746	7,730	1,750	1,241	4,737	10,636	5,279	15,368	15,915	
Insurance	6,476	13,137		2,900	9,376	17,274	2,933	11,064	20,207	
Membership fees and subscriptions	1,062	13,900		441	1,503	14,773	3,538	10,479	18,311	
Total expenses before depreciation	6,515,457	6,906,365	1,561,388	1,374,264	9,451,109	9,674,522	233,073	9,804,072	9,907,595	
Depreciation								5,105	7,042	
Total expenses	\$ 6,515,457	\$ 6,906,365	\$ 1,561,388	\$ 1,374,264	\$ 9,451,109	\$ 9,674,522	\$ 240,115	\$ 9,809,177	\$ 9,914,637	

The accompanying notes are an integral part of these financial statements.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

1. Nature of the Council

Day Care Council of New York, Inc. (the Council) is a federation of non-profit sponsoring boards that operate more than 300 publicly funded early childhood programs in New York City. Since 1947, the Council has worked to improve the quality of early childhood programs and other support systems for families. The Council's program services include direct services to strengthen the leadership capacity of its member agencies, such as Board Development Training and Technical Assistance, the Early Childhood Training Opportunities program, and Labor Relations and Mediation Services. In addition, the Council offers an array of services and periodicals for the general public including Child Care Resource and Referral Services, and the Job Opportunities Bulletin, to name a few.

2. Summary of significant accounting policies

New accounting pronouncement

Effective July 1, 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The main provision of this guidance affecting the Organization is the presentation of two classes of net assets versus the previously required three as well as enhanced disclosures for the composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

As a result of the adoption of ASU, net assets as of June 30, 2018 were reclassified as follows:

	ASU Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
Net asset classifications			
As previously presented:			
Unrestricted	\$ 2,397,771	\$	\$ 2,397,771
Total net assets	\$ 2,397,771	\$	\$ 2,397,771

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

2. Summary of significant accounting policies (continued)

Basis of presentation

The financial statements of the Council have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which require the Council to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Council. These net assets may be used at the discretion of the Council's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Council or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Council's ongoing services and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Private support and revenue

Contributions, including unconditional pledges received, are recorded as made as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional pledges are recognized when the conditions on which they depend are substantially met. Contributions of investments are recorded at the fair market value at the date of the gift.

Membership dues and fees are recognized as income when received.

Governmental support and advances under government grants

Under the terms of funding agreements with various governmental agencies, all reported expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the Council's financial position or changes in net assets. Funds received in periods prior to the cost being incurred are deferred until future periods.

In-kind contributions and contributed services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Council recognized \$36,000 of in-kind rent received to operate its program facility in Queens for each of the years ended June 30, 2019 and 2018.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

2. Summary of significant accounting policies (continued)

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain expenses have been allocated among the programs and supporting services based on management's best estimates. The expenses that are allocated include salaries and payroll taxes and employee benefits, which are allocated based on estimates of time and effort. Other allocated expenses include occupancy, professional fees and contracted services, telephone, membership fees and subscriptions, consumable supplies, equipment rental and maintenance, insurance, and depreciation which are allocated based on full-time employees per program. Certain expenses, such as Consortium expenses, food costs and career ladder scholarships, are charged wholly to specific programs in accordance with contractual agreements.

Cash

Cash consists of demand deposit accounts. Demand deposit accounts that are held in the Council's investment portfolio are classified as investments and are not considered to be cash for the purposes of the statement of cash flows.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values on the balance sheet. Unrealized gains and losses are included in the changes in net assets without donor restriction for the gains and losses that are unrestricted, and in the changes in net assets with donor restriction for the gains and losses that are restricted for the support of certain programs. Investment fees are netted against the investment income.

Fair value measurement

U.S. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Council has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

2. Summary of significant accounting policies (continued)

Fair value measurement (continued)

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Council. The Council considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Council's perceived risk of that investment.

Allowance for doubtful accounts

The Council uses the allowance method to account for uncollectible governmental agency receivables. The allowance is based on prior years' experience and management's analysis of possible bad debt. As of June 30, 2019 and 2018, the Council determined that an allowance was not necessary.

Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in excess of \$5,000 is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives on a straight-line basis.

Office equipment, and furniture and fixtures	5 years
Leasehold improvements	Term of the lease

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income except for assets traded where no cash is received. Expenditures for maintenance and repairs are charged to expenses as incurred; replacements and betterments that extend the useful lives are capitalized.

Deferred rent

Rent expense is recognized on the straight-line basis over the life of the lease. Deferred rent, when material, is recognized for the difference between the fixed payment and the rent expense.

Income taxes

The Council is a tax-exempt organization as defined by Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Council has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Council has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

2. Summary of significant accounting policies (continued)

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform to the 2019 presentation.

3. Concentration of credit risk

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash, investments, and governmental agency receivables. The Council maintains its cash in bank deposit accounts, the balance, of which, at times, may exceed federally insured limits. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the amount reported on the financial statements. Concentration of credit risk with respect to the governmental agency receivables is limited due to the fact that they are contract based and have short payment periods. The Council has not experienced, nor does it anticipate, any losses with respect to such accounts.

4. Availability and liquidity

The following represents the Council's financial assets at June 30, 2019:

Financial assets at year end

Cash	\$ 693,663
Investments	1,535,862
Governmental agency receivables and other receivables	<u>2,524,946</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,754,471</u>

The Council maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations become due. As part of its liquidity plan, excess cash is invested in short-term investments and interest-bearing savings accounts.

Due to uncertain timing of its governmental agency receivables, occasionally the Council may enter into short-term bridge loan with a local not for profit to meet its short-term liquidity needs. One such instance was a \$350,000 loan entered into during February 2019. Such loans are collateralized by the governmental agency receivables, causing the liquidity need and as such this loan was repaid in May 2019 upon receipt of the aforementioned receivables.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

5. Investments

Investment securities are stated at fair value and summarized as follows at June 30:

	2019		2018	
	Cost	Carrying value	Cost	Carrying value
Cash and money market	\$ 29,888	\$ 29,888	\$ 129,335	\$ 129,335
Equities	458,018	577,212	449,212	554,844
Mutual funds	603,860	626,772	612,195	604,998
ETFs and closed end funds	230,840	301,990	233,605	280,256
	<u>\$ 1,322,606</u>	<u>\$ 1,535,862</u>	<u>\$ 1,424,347</u>	<u>\$ 1,569,433</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the years ended June 30:

	2019	2018
Investments:		
Interest and dividends	\$ 18,749	\$ 9,013
Realized and unrealized gains	49,230	78,251
	<u>\$ 67,979</u>	<u>\$ 87,264</u>

6. Fair value measurement

The classification of the Council's investment securities at fair value are as follows at June 30, 2019:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 29,888	\$	\$	\$ 29,888
Equities	577,212			577,212
Mutual funds	626,772			626,772
ETFs and closed end funds	301,990			301,990
	<u>\$ 1,535,862</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,535,862</u>

The classification of the Council's investment securities at fair value are as follows at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Cash and money market	\$ 129,335	\$	\$	\$ 129,335
Equities	554,844			554,844
Mutual funds	604,998			604,998
ETFs and closed end funds	280,256			280,256
	<u>\$ 1,569,433</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,569,433</u>

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

7. Property and equipment

A summary of property and equipment is as follows at June 30:

	<u>2019</u>	<u>2018</u>
Office equipment, and furniture and fixtures	\$ 73,211	\$ 64,167
Leasehold improvements	<u>18,928</u>	<u>18,928</u>
	92,139	83,095
Less accumulated depreciation	<u>72,349</u>	<u>67,244</u>
	<u>\$ 19,790</u>	<u>\$ 15,851</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$5,105 and \$7,042, respectively.

8. Grants payable

The Council is the lead agency for the NYC Consortium (the Consortium), which is comprised of the Council and three other not-for-profit organizations who share the grant funds for the Child Care Resource and Referral Program. The Council is responsible for the monitoring of the programs as well as the pass through of funds to the members of the Consortium. As of June 30, 2019 and 2018, the Council owed the Consortium members \$1,391,039 and \$1,579,222, respectively.

9. Deferred rent

To house their administrative offices, the Council has entered into an operating lease that has escalations throughout the term of the lease. The Council records rent expense on a straight-line basis and the difference between rent expense and the lower rental amounts actually paid to the landlord is reported as deferred rent in the accompanying balance sheet. As of June 30, 2019 and 2018, deferred rent amounted to \$44,059 and \$69,374, respectively.

10. Retirement plan

The Council participates in a multiemployer defined benefit pension plan covering all full-time employees who have completed a full year of service. The Plan, Cultural Institutions Pension Plan, is filed under the Employer Identification Number 11-2001170 and the three-digit Pension Plan Number 001. The Council is not required to file an annual zone certification under the Pension Protection Act of 2006 and disclosures concerning a financial improvement plan or a rehabilitation plan are not applicable. The Plan was approximately 92% funded using the most recent financial information as of July 1, 2018, the beginning of the Plan year.

Plan contributions are based on a percentage of employees' salaries at the beginning of each plan year. Pension expense amounted to \$154,917 and \$178,344 for the years ended June 30, 2019 and 2018, respectively. These contributions represented approximately less than 0.4% of the total contributions to the Plan for each of the years ended June 30, 2019 and 2018.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019 and 2018

11. Commitments and contingencies

The Council leases office space and equipment under operating leases that have various expiration dates through fiscal year 2024. Certain leases require additional payments based upon property tax and maintenance expense escalations. Aggregate rental expenses on such leases, exclusive of in-kind rent (see Note 2), for the years ended June 30, 2019 and 2018 was \$242,617 and \$244,302, respectively.

Future minimum commitments due under these leases are as follows:

Year ending June 30:	
2020	\$ 273,606
2021	151,568
2022	22,968
2023	22,968
2024	11,484
	<u>482,594</u>
	\$ <u>482,594</u>

12. Significant source of support

The Council has a concentration with respect to revenue recognized from state and city agencies of New York. Revenue recognized for the year ended June 30, 2019 and amounts due at each respective year end were as follows:

For the year ended June 30, 2019:

	Revenue	%	Receivables
NYS Office of Children and Families	\$ 6,515,457	68	\$ 2,095,778
NYS Dept. of Health	1,397,216	14	253,991
NYC Admin. for Children's Services	1,374,264	15	168,250
	<u>\$ 9,286,937</u>	<u>97</u>	<u>\$ 2,518,019</u>

For the year ended June 30, 2018:

	Revenue	%	Receivables
NYS Office of Children and Families	\$ 6,888,552	69	\$ 2,177,436
NYS Dept. of Health	1,662,752	17	247,203
NYC Admin. for Children's Services	969,405	10	101,086
	<u>\$ 9,520,709</u>	<u>96</u>	<u>\$ 2,525,725</u>

All contracts with these funding agencies were renewed at comparable amounts for the upcoming fiscal year.

13. Subsequent events

Subsequent events have been evaluated through March 12, 2020, which is the date financial statements were available to be issued. The Council is not aware of any material subsequent events.

SINGLE AUDIT SECTION

INDEPENDENT AUDITORS' 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

To The Board of Directors
Day Care Council of New York, Inc.
New York, New York

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 Day Care Council of New York, Inc., which comprise the balance sheets as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Day Care Council of New York, Inc.'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 Day Care Council of New York, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Day Care Council of New York, Inc.'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Day Care Council of New York, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Day Care Council of New York, Inc.'s Response to Findings

Day Care Council of New York, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Day Care Council of New York, Inc. response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Dorfman Abrams Munis, LLC

Saddle Brook, New Jersey

March 12, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To The Board of Directors
Day Care Council of New York, Inc.
New York, New York

Report on Compliance for Each Major Federal Program

We have audited Day Care Council of New York, Inc.'s compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Day Care Council of New York, Inc.'s major federal programs for the year ended June 30, 2019. Day Care Council of New York, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Day Care Council of New York, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Day Care Council of New York, Inc.'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 Day Care Council of New York, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Day Care Council of New York, Inc. 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, 2019.

Report on Internal Control over Compliance

Management of Day Care Council of New York, Inc. 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 Day Care Council of New York, Inc.'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 accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Day Care Council of New York, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dorfman Abrams Incis, LLC

Saddle Brook, New Jersey

March 12, 2020

DAY CARE COUNCIL OF NEW YORK, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

<u>Grantor/pass-through grantor/program title</u>	<u>Federal CFDA number</u>	<u>Pass-through grantor's number</u>	<u>Federal expenditures</u>	<u>Passed through to subrecipients</u>
Department of Health and Human Services Passed through the New York State Office of Children and Families Child Care and Development Block Grant - CCR&R	93.575 93.575	C026663 C026663	\$ 6,404,774 110,683	\$ 4,765,132
Child Care and Development Block Grant - Infant Toddler				
Total Department of Health and Human Services			6,515,457	4,765,132
Department of Agriculture Passed through the New York State Department of Health Child and Adult Care Food Program	10.558	3233	1,495,786	
Total Department of Agriculture			1,495,786	
Total expenditures			\$ 8,011,243	\$ 4,765,132

See accompanying notes to the schedule of expenditures of federal awards.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

1. Basis of presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Day Care Council of New York, Inc. under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of Day Care Council of New York, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Day Care Council of New York, Inc. for the year then ended.

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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect costs

Day Care Council of New York, Inc. elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

DAY CARE COUNCIL OF NEW YORK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

Part 1 - Summary of Auditors' Results

Financial Statements

- A) Type of auditors' report issued: Unmodified
- B) Internal control over financial reporting:
- 1) Material weakness(es) identified? yes x no
- 2) Significant deficiencies identified? x yes no
- C) Noncompliance material to financial statements noted? yes x no

Federal Awards

- D) Internal control over compliance:
- 1) Material weakness(es) identified? yes x no
- 2) Significant deficiencies identified? yes x no
- E) Type of auditors' report on compliance for major programs: Unmodified
- F) Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes x no

- G) Identification of major program:

<u>Identification Number</u>	<u>Name of Program</u>
93.575	Child Care and Development Block Grant
10.558	Child and Adult Care Food Program

- H) Dollar threshold used to determine Type A programs: \$750,000
- I) Auditee qualified as low-risk auditee? x yes no

DAY CARE COUNCIL OF NEW YORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Part 2 - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, violations of provisions of contracts and grant agreements and abuse related to the financial statements for which *Government Auditing Standards* require reporting in a Uniform Guidance audit.

2019-001 Improper Recording of Expenses

Significant Deficiency

Criteria: The Organization must prepare financial statements that reflect accurate information about its financial position, results of operations or changes in net assets for the fiscal year. In addition, the Organization should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations.

Condition(s): The Organization recorded in the wrong accounting period several payments to Family Day Care Home Providers during fiscal year 2019.

Context: During our review of confirmation from the New York State Department of Health for the Child and Adult Care Food Program, we noted that the amounts confirmed for meals claimed during the fiscal year 2019 did not agree with the accounting records used to prepare the financial statements.

Effect: Expenses and liabilities were understated.

Cause: Improper accrual of year-end expenses.

Recommendation: We recommend that the Organization strengthens internal control procedures to ensure expenses are recorded in the proper accounting period.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the above finding and recommendation and will closely monitor that the Organization records expenses in the proper period. Payments for monthly meals claimed will be reconcile to books and records.

DAY CARE COUNCIL OF NEW YORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

Part 3 - Schedule of Federal Award Findings and Questioned Costs

This section identifies the audit findings required to be reported by the Uniform Guidance (significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs) as well as any abuse findings involving federal awards that are material to a major federal program.

None

DAY CARE COUNCIL OF NEW YORK, INC.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND
QUESTIONED COSTS AS PREPARED BY MANAGEMENT

Year Ended June 30, 2019

This section identifies the status of prior year findings related to the financial statements and federal awards that are required to be reported in accordance with *Government Auditing Standards* and the Uniform Guidance.

None