



Day Care Council of New York

Educated Children Are Our Future



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

YEARS ENDED JUNE 30, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 Matters

As discussed in Note 2 to the financial statements, in fiscal year 2020 the Council adopted Accounting Standards Update No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*; and No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. *Our opinion is not modified with respect to these matters.*

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 April 22, 2021 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
April 22, 2021

DAY CARE COUNCIL OF NEW YORK, INC.

BALANCE SHEETS

ASSETS

	June 30,	
	<u>2020</u>	<u>2019</u>
Assets:		
Cash	\$ 872,590	\$ 693,663
Investments	1,553,580	1,535,862
Accounts and other receivables, net	182,202	6,927
Governmental agency receivables	4,206,958	2,518,019
Prepaid expenses	12,224	17,096
Security deposits	71,332	71,332
Property and equipment, net	<u>88,675</u>	<u>19,790</u>
Total assets	<u>\$ 6,987,561</u>	<u>\$ 4,862,689</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 908,915	\$ 342,125
Grants payable	2,586,272	1,391,039
Refundable advances from government agencies	77,928	604,524
Accrued salaries and vacation	196,370	252,747
Deferred rent	<u>17,928</u>	<u>44,059</u>
Total liabilities	<u>3,787,413</u>	<u>2,634,494</u>
Net assets		
Without donor restrictions	<u>3,200,148</u>	<u>2,228,195</u>
Total liabilities and net assets	<u>\$ 6,987,561</u>	<u>\$ 4,862,689</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, 2020			Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Operating revenues:						
Contributions	\$ 40,060	\$ 14,077,129	\$ 14,077,129	\$ 39,799	\$ 9,287,487	\$ 9,287,487
Grants from governmental agencies	156,675		156,675	196,370		196,370
Membership dues and fees	177,323		177,323	32,252		32,252
Program fees	20,820		20,820	15,714		15,714
Special events, net of expenses of \$32,564 in 2019				18,749		18,749
Interest and dividends						
Total operating revenues	394,878	14,077,129	14,472,007	302,884	9,287,487	9,590,371
Net assets released from restrictions	14,077,129	(14,077,129)		9,287,487	(9,287,487)	
Total support and revenues	14,472,007		14,472,007	9,590,371		9,590,371
Operating expenses:						
Program services						
Child care support services	10,340,145		10,340,145	6,515,457		6,515,457
Food program	1,304,415		1,304,415	1,561,388		1,561,388
Labor relations	1,652,808		1,652,808	1,374,264		1,374,264
Total program services	13,297,368		13,297,368	9,451,109		9,451,109
Supporting services:						
Management and general	199,584		199,584	358,068		358,068
Total supporting services	199,584		199,584	358,068		358,068
Total operating expenses	13,496,952		13,496,952	9,809,177		9,809,177
Excess (deficiency) of operating revenue over operating expenses	975,055		975,055	(218,806)		(218,806)
Nonoperating activities:						
Realized and unrealized gains (losses) on investments	(3,102)		(3,102)	49,230		49,230
Change in net assets	971,953		971,953	(169,576)		(169,576)
Net assets, beginning of year	2,228,195		2,228,195	2,397,771		2,397,771
Net assets, end of year	\$ 3,200,148	\$	\$ 3,200,148	\$ 2,228,195	\$	\$ 2,228,195

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,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 971,953	\$ (169,576)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	5,782	5,105
Amortization	5,333	
Realized and unrealized gains (losses) on investments	3,102	(49,230)
(Increase) decrease in assets:		
Accounts and other receivables	(175,275)	760
Governmental agency receivables	(1,688,939)	13,254
Prepaid expenses	4,872	24,318
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	566,790	143,620
Grants payable	1,195,233	(188,183)
Refundable advances from government agencies	(526,596)	143,787
Accrued salaries and vacation	(56,377)	197,741
Deferred rent	(26,131)	(25,315)
Net cash provided by operating activities	<u>279,747</u>	<u>96,281</u>
Cash flows from investing activities:		
Purchases of investments	(822,495)	(818,405)
Proceeds from sale of investments	801,675	901,206
Purchases of property and equipment	(80,000)	(9,044)
Net cash provided (used) by investing activities	<u>(100,820)</u>	<u>73,757</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>
Net increase in cash	178,927	170,038
Cash, beginning of year	<u>693,663</u>	<u>523,625</u>
Cash, end of year	<u>\$ 872,590</u>	<u>\$ 693,663</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, 2020 and 2019

	Program services expenses						Supporting services expenses		Total program and supporting services	
	Child care support services		Food program		Labor relations		Management and general		Total program and supporting services	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Salaries	\$ 1,008,133	\$ 809,539	\$ 99,749	\$ 115,659	\$ 376,572	\$ 355,320	\$ 60,133	\$ 117,606	\$ 1,544,587	\$ 1,398,124
Employee health and retirement benefits	232,591	242,898	33,456	33,782	80,772	80,411	20,226	17,055	367,045	374,146
Payroll taxes	95,485	70,397	12,412	11,373	30,311	29,347	21,730	13,435	159,938	124,552
Total salaries and related expenses	1,336,209	1,122,834	145,617	160,814	487,655	465,078	102,089	148,096	2,071,570	1,896,822
Consortium expenses	7,478,307	4,765,132					7,478,307		7,478,307	4,765,132
Food			1,108,164	1,348,126			1,108,164		1,108,164	1,348,126
Grants and client expenses	898,087	10,734			928,671	630,882	34,852	26,257	1,826,758	641,616
Professional fees	268,172	313,423	6,751	7,140	145,058	180,283	11,101	14,372	454,833	527,103
Occupancy	161,355	173,507	36,000	36,000	64,486	62,007	15,502	21,006	272,942	285,886
Office and other expenses	34,029	21,215	2,919	3,675	4,038	5,140	3,952	108,388	55,610	163,860
Printing, postage and advertising	47,772	42,594	389	428	3,497	12,450	2,826	10,356	48,477	23,079
Training	42,565	8,796	371	282	2,715	3,645	802	802	27,657	25,484
Equipment rental and maintenance	18,985	16,869	1,662	1,529	7,010	6,284	2,047	2,391	24,858	18,786
Telephone	16,337	10,838	1,697	1,644	4,777	3,913	11,657	8,976	17,682	20,231
Provider Resource Day	17,682	20,231					11,657	8,976	16,607	10,479
Membership fees and subscriptions	4,236	1,062	845	1,750	714	441	2,510	10,631	12,956	15,368
Local travel and related expenses	9,307	1,746			294	1,241	1,933	1,688		
Insurance	7,102	6,476			3,893	2,900				
Total expenses before depreciation	10,340,145	6,515,457	1,304,415	1,561,388	1,652,808	1,374,264	188,469	352,963	13,485,837	9,804,072
Depreciation and amortization							11,115	5,105	11,115	5,105
Total expenses	\$ 10,340,145	\$ 6,515,457	\$ 1,304,415	\$ 1,561,388	\$ 1,652,808	\$ 1,374,264	\$ 199,584	\$ 358,068	\$ 13,496,952	\$ 9,809,177

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

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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

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.

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.

Revenue recognition

Contributions

The Council recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Donated facilities 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, 2020 and 2019.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Grants from governmental agencies

A significant portion of the Council's revenue is derived from government grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Council has met required deliverables and incurred expenditures in compliance with specific contract or grant provisions. Amounts received on government grants, prior to meeting requirements and incurring qualifying expenditures, are reported as liabilities in the balance sheet. 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 its net assets.

Program fees and membership dues

Revenue relating to the Council's programs fees are recognized in accordance with the provisions of Financial Accounting Standards Board Accounting Standard Codification 606. The Council recognizes revenue as its performance obligations are completed. For its Census program and membership dues, the performance obligation of delivering the services is simultaneously received and consumed; therefore, the revenue is recognized ratably over the course of the fiscal year. For its workshop fees, performance obligations are satisfied at a point in time when those services are rendered.

Special events

The Council recognizes revenue from special events when the event takes place. The Council records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received.

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.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

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.

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.

Accounts and other receivables

Accounts receivable consist of unpaid amounts from program fees and membership dues. All accounts receivable are expected to be collected within one year.

Governmental agency receivables

Governmental agency receivables consist of amounts unpaid from government agencies and are expected to be collected within one year.

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, 2020 and 2019, the Council determined that an allowance was not necessary.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

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
Website upgrade	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.

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 2019 financial statements have been reclassified to conform to the 2020 presentation.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

2. Summary of significant accounting policies (continued)

Recently adopted accounting standards

The Council has adopted Accounting Standards Update No. 2018-08 Not for Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958); and, No. 2014-09 Revenue from Contracts with Customers (Topic 606) as management believes the standards improve the usefulness and understandability of the Council's financial reporting.

Analysis of various provisions of these standards resulted in no significant change in the way the Council recognizes revenue, with the exception of certain government grants which had previously been treated as without donor restriction. These amounts have been reclassified as with donor restriction in the amount of \$9,287,487 for the year ended June 30, 2019. Due to the nature of the government grants, the same amounts were released as of June 30, 2019. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

3. Risks and uncertainties

Concentration of credit risk

Financial instruments that potentially subject the Council to concentrations of credit risk consist principally of cash, investments, accounts and other receivables 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 accounts and other receivables, and, 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.

Pandemic

During 2020, the outbreak of a novel strain of coronavirus, COVID-19, was declared a pandemic. The Pandemic did not have an impact on the Council until mid-March 2020. In response to the Pandemic, management has modified certain business and workforce practices and implemented new protocols to promote social distancing and enhance health and safety measures in their offices. The Council's workforce is currently on a hybrid model, alternating time in the office and working from home. The Pandemic also impacted certain of the Council's direct service programs that now depend upon the use of technology to maintain its operations. To the date of these financial statements, there has been no significant programmatic slowdowns and the Council received additional contracts awarded by the State of New York to administer Federal CARES act grants to assist child care providers within the Council's network.

Due to the fluidity of the pandemic, uncertainties as to its scope and duration, and ongoing changes in the way that governments, businesses and individuals react and respond to the Pandemic, management is unable at this time to predict the Pandemic's future impact on the Council.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

4. Availability and liquidity

The following represents the Council's financial assets at June 30, 2020:

Financial assets at year end

Cash	\$ 872,590
Investments	1,553,580
Accounts and other receivables	182,202
Governmental agency receivables	<u>4,206,958</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,815,330</u>

The Council's operations are substantially supported by government grants, membership dues and program fees. 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.

5. Investments

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

	2020		2019	
	Cost	Carrying value	Cost	Carrying value
Cash and money market	\$ 22,181	\$ 22,181	\$ 29,888	\$ 29,888
Equities	525,091	691,226	458,018	577,212
Mutual funds	550,513	542,772	603,860	626,772
ETFs and closed end funds	216,222	284,814	230,840	301,990
Corporate fixed income	12,642	12,587		
	<u>\$ 1,326,649</u>	<u>\$ 1,553,580</u>	<u>\$ 1,322,606</u>	<u>\$ 1,535,862</u>

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

	2020	2019
Investments:		
Interest and dividends	\$ 20,820	\$ 18,749
Realized and unrealized gains (losses)	<u>(3,102)</u>	<u>49,230</u>
	<u>\$ 17,718</u>	<u>\$ 67,979</u>

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

6. Fair value measurement

The classification of the Council's investment securities at fair value are as follows at June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and money market	\$ 22,181	\$	\$	\$ 22,181
Equities	691,226			691,226
Mutual funds	542,772			542,772
ETFs and closed end funds	284,814			284,814
Corporate fixed income	12,587			12,587
	<u>\$ 1,553,580</u>	<u>\$</u>	<u>\$</u>	<u>\$ 1,553,580</u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

7. Property and equipment

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

	<u>2020</u>	<u>2019</u>
Office equipment and furniture and fixtures	\$ 73,211	\$ 73,211
Website upgrade	80,000	
Leasehold improvements	18,928	18,928
	172,139	92,139
Less accumulated depreciation and amortization	83,464	72,349
	<u>\$ 88,675</u>	<u>\$ 19,790</u>

Depreciation and amortization expenses for the years ended June 30, 2020 and 2019 was \$11,115 and \$5,105, 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 from the NYS Office of Children and Families for the Child Care Resource and Referral and COVID-19 – Essential Worker Scholarship Payment 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, 2020 and 2019, the Council owed the Consortium members \$2,586,272 and \$1,391,039, respectively.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

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, 2020 and 2019, deferred rent amounted to \$17,928 and \$44,059, 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 90% funded using the most recent financial information as of July 1, 2019, 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 \$163,222 and \$154,917 for the years ended June 30, 2020 and 2019, respectively. These contributions represented approximately less than 0.4% of the total contributions to the Plan for each of the years ended June 30, 2020 and 2019.

11. Commitments and contingencies

The Council leases office space and equipment under operating leases that have various expiration dates through fiscal year 2028. 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, 2020 and 2019 was \$229,285 and \$242,617, respectively.

Future minimum commitments due under these leases are as follows:

Year ending June 30:		
2021	\$	282,068
2022		380,878
2023		385,726
2024		379,187
2025		372,747
Thereafter		<u>960,502</u>
	\$	<u>2,761,108</u>

In February 2021, the Organization entered into a lease agreement for a new administrative office. Under this lease agreement, the Organization will pay rent of \$7,876 per month through fiscal year 2026. These payments will begin when the Organization begins conducting commences the conduct of its business in the new space. As of this report, the Organization had not yet moved into the new premises, and no rent expense was incurred.

DAY CARE COUNCIL OF NEW YORK, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020 and 2019

12. Program fees and membership dues and fees

The Council has determined that its program fees and membership dues and fees are subject to the provisions of Topic 606. The Council disaggregates its revenue from contracts with customers by types of service as management believes this best depicts the nature, amount and timing of revenue. Billing is provided typically in arrears and payments are due upon receipt of related billing.

The following table represents program fees recognized during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Membership dues and fees	\$ 156,675	\$ 196,370
Census project	150,000	
Workshop fees	<u>27,323</u>	<u>32,252</u>
	<u>\$ 333,998</u>	<u>\$ 228,622</u>

13. Significant source of support

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

For the year ended June 30, 2020:

	<u>Revenue</u>	<u>%</u>	<u>Receivables</u>
NYS Office of Children and Families	\$ 11,176,875	77	\$ 3,820,679
NYS Dept. of Health	1,242,954	9	132,892
NYC Dept. of Education	<u>1,657,025</u>	<u>11</u>	<u>215,887</u>
	<u>\$ 14,076,854</u>	<u>97</u>	<u>\$ 4,169,458</u>

For the year ended June 30, 2019:

	<u>Revenue</u>	<u>%</u>	<u>Receivables</u>
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	<u>1,374,264</u>	<u>15</u>	<u>168,250</u>
	<u>\$ 9,286,937</u>	<u>97</u>	<u>\$ 2,518,019</u>

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

14. Subsequent events

Subsequent events have been evaluated through April 22, 2021, which is the date financial statements were available to be issued. The Council is not aware of any material subsequent events, other than as disclosed in the financial statement (see Note 11).

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 sheet as of June 30, 2020, 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 April 22, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Council's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dorfman Abrams Morris, LLC

Saddle Brook, New Jersey

April 22, 2021

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR 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 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, 2020. 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, 2020.

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 in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-001, that we consider to be significant deficiencies.

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

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 Music, LLC

Saddle Brook, New Jersey

April 22, 2021

DAY CARE COUNCIL OF NEW YORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2020

Grantor/pass-through grantor/program title	Federal CFDA number	Pass-through grantor's number	Federal expenditures	Passed through to subrecipients
Department of Health and Human Services				
Passed through the New York State Office of Children and Families				
Child Care and Development Block Grant - Child Care Resource and Referral	93.575	C026663	\$ 6,443,774	\$ 4,779,082
Child Care and Development Block Grant - Infant Toddler	93.575	C026663	172,027	
Child Care and Development Block Grant - COVID-19 - Essential Worker Scholarship Payment Program	93.575	T012323	3,722,812	2,699,225
Total Child Care and Development Block Grant			<u>10,338,613</u>	<u>7,478,307</u>
Total Department of Health and Human Services			<u>10,338,613</u>	<u>7,478,307</u>
Department of Agriculture				
Passed through the New York State Department of Health				
Child and Adult Care Food Program	10.558	3233	1,242,956	
Total Department of Agriculture			<u>1,242,956</u>	
Total expenditures			<u>\$ 11,581,569</u>	<u>\$ 7,478,307</u>

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, 2020

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, 2020. 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, 2020

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? yes x 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? x yes 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)? x yes no

- G) Identification of major program:

Identification Number	Name of Program
93.575	Child Care and Development Block Grant

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

DAY CARE COUNCIL OF NEW YORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2020

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.

None

DAY CARE COUNCIL OF NEW YORK, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2020

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.

U.S. Department of Health and Human Services

Child Care and Development Block Grant CFDA – 93.575

2020-001 Contract No. T012323 COVID-19 - Essential Worker Scholarship Payment Program - Grant period April 2020 to June 2020 - Year ended June 30, 2020

Significant Deficiency

Criteria: New York State Office of Children and Family Services requires that all agreements between the contractor and subcontractors shall be by written contract, signed by individuals authorized to bind the parties.

Procedures should be in place to ensure that at the time of the sub-award, the Council identifies to its subrecipients, the Federal award information (i.e., CFDA title and number; award name, and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements. Also, the Council should monitor the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipients administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

Condition(s): During the course of our audit procedures on the COVID-19 - Essential Worker Scholarship Payment Program (COVID-19 program), it was noted that the Council did not have written contracts with its subrecipients to cover this program. While the Council did provide its subrecipients with the Federal award information and applicable compliance requirements, and monitor their use of Federal awards, formal written contracts are still required as part of its subrecipient monitoring.

Context: During our audit of the COVID-19 program, it was noted that the Council subcontracted with three other Organizations that are part of a consortium agreement that dictate the terms and requirements for the Child Care Resource and Referral program. However, the consortium agreement does not include the newly established COVID-19 program.

Effect: Possible disallowance of expenses reimbursed to subrecipients.

Cause: Due to the COVID-19 environment and the rapid response needed in order to establish the program and provide the child care assistance to the essential workers covered under the program, the Council had assumed that the existing consortium agreement in place, would cover this contract and did not set up separate new subcontracts for this specific program.

Recommendation: We recommend that the Council follow the requirements of this program agreement and enter into written agreements with its subcontractors as soon as possible.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the above finding and recommendation and will enter into written agreements with its subcontractors.

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, 2020

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.

Prior Year Finding reported in the Schedule of Financial Statements section.

2019-001 Improper Recording of Expenses

Criteria: The Council 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 Council 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): This finding was a significant deficiency reported in the schedule of financial statement findings stating that the Council 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 recommended that the Council strengthens internal control procedures to ensure expenses are recorded in the proper accounting period.

Current Status: This item has been remediated.