

**EDUCARE OF WEST DUPAGE**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(Including Reports Required by  
OMB's Uniform Guidance)**

**For the Year Ended June 30, 2018**

# Educare of West DuPage

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# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

## **Independent Auditor's Report**

To the Board of Directors  
Educare of West DuPage  
West Chicago, IL

We have audited the accompanying financial statements of Educare of West DuPage (a non-profit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Educare of West DuPage as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

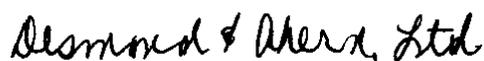
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements 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 January 2, 2019, on our consideration of Educare of West DuPage's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Educare of West DuPage's internal control over financial reporting and compliance.

### ***Report on Summarized Comparative Information***

We have previously audited Educare of West DuPage's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 1, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 2, 2019  
Chicago, IL

**EDUCARE OF WEST DUPAGE**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2018 (with comparative totals for 2017)**

	<u>2018</u>	<u>2017</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 1,335,455	\$ 1,233,768
Government receivable, net of allowance	670,699	187,087
Contributions receivable due within one year	200,000	200,000
Program service fees, net of allowance	12,517	12,672
Prepaid expenses	<u>12,202</u>	<u>10,175</u>
Total current assets	<u>2,230,873</u>	<u>1,643,702</u>
Property and Equipment		
Building and improvements	7,287,643	7,287,643
Furniture and equipment	244,197	231,597
Website design	<u>8,138</u>	<u>8,138</u>
	7,539,978	7,527,378
Less accumulated depreciation and amortization	<u>(1,904,359)</u>	<u>(1,590,030)</u>
Net property and equipment	<u>5,635,619</u>	<u>5,937,348</u>
Other Assets		
Long-term contributions receivable - net of discount	<u>581,186</u>	<u>768,808</u>
<b>Total Assets</b>	<b><u><u>\$ 8,447,678</u></u></b>	<b><u><u>\$ 8,349,858</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	\$ 22,462	\$ 57,582
Accrued payroll and related benefits	<u>207,904</u>	<u>213,747</u>
Total current liabilities	230,366	271,329
Net Assets		
Unrestricted net assets		
Invested in property and equipment	6,366,145	6,366,145
General	<u>1,023,871</u>	<u>702,466</u>
Total unrestricted net assets	7,390,016	7,068,611
Temporarily restricted	<u>827,296</u>	<u>1,009,918</u>
Total net assets	<u>8,217,312</u>	<u>8,078,529</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 8,447,678</u></u></b>	<b><u><u>\$ 8,349,858</u></u></b>

See independent auditor's report and notes to financial statements.

**EDUCARE OF WEST DUPAGE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018 (with comparative totals for 2017)**

	Unrestricted	Temporarily Restricted	Total 2018	Total 2017
<b><u>Public Support and Revenue</u></b>				
Government grants	\$ 4,076,355	\$ -	\$ 4,076,355	\$ 2,923,949
Contributions - other	6,986	44,798	51,784	156,781
Program service fees	46,246	-	46,246	97,181
Tuition	56,120	-	56,120	59,522
Donated services	64,386	-	64,386	52,507
Donated facilities	88,768	-	88,768	101,903
Special Events				
Contributions and special events revenue	53,781	-	53,781	79,569
Less costs of direct benefits to donors	(20,582)	-	(20,582)	(13,636)
Net revenues from special events	33,199	-	33,199	65,933
Interest income	7,331	-	7,331	3,121
Net assets released from restrictions - satisfaction of time restrictions	200,000	(200,000)	-	-
satisfaction of program restrictions	27,420	(27,420)	-	-
Total Public Support and Revenue	4,606,811	(182,622)	4,424,189	3,460,897
<b><u>Expenses</u></b>				
Program services	3,791,907	-	3,791,907	3,211,846
Management and general	386,969	-	386,969	475,751
Fundraising	106,530	-	106,530	191,031
Total Expenses	4,285,406	-	4,285,406	3,878,628
<b>Change in Net Assets</b>	321,405	(182,622)	138,783	(417,731)
Net assets, beginning of year	7,068,611	1,009,918	8,078,529	8,496,260
Net assets, end of year	<u>\$ 7,390,016</u>	<u>\$ 827,296</u>	<u>\$ 8,217,312</u>	<u>\$ 8,078,529</u>

See independent auditor's report and notes to financial statements.

**EDUCARE OF WEST DUPAGE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2018 (with comparative totals for 2017)**

	Program Services	Management and General	Fundraising	Total 2018	Total 2017
<b><u>Functional Expenses</u></b>					
Salaries and wages	\$ 2,162,225	\$ 213,327	\$ 63,907	\$ 2,439,459	\$ 2,235,707
Fringe benefits and related taxes	431,371	42,462	12,762	486,595	449,278
	<u>2,593,596</u>	<u>255,789</u>	<u>76,669</u>	<u>2,926,054</u>	<u>2,684,985</u>
Professional fees	188,409	84,542	10,442	283,393	367,288
Staff development and training	80,986	2,251	50	83,287	87,890
Donated services	64,386	-	-	64,386	48,233
Parent services	7,143	-	-	7,143	3,418
Donated facilities	88,768	-	-	88,768	106,177
Telephone and internet	15,443	857	294	16,594	12,410
Insurance	14,600	5,943	-	20,543	17,605
Repairs and maintenance	33,714	-	-	33,714	8,881
Equipment	81,403	2,732	18	84,153	36,303
Meal related costs	144,566	-	-	144,566	86,046
Classroom and educational supplies	133,020	78	-	133,098	53,047
Supplies - other	44,278	5,100	912	50,290	32,233
Printing and postage	453	344	93	890	449
Bank fees	-	2,534	-	2,534	1,744
Depreciation and amortization	279,396	25,912	9,021	314,329	317,622
Miscellaneous	21,746	887	9,031	31,664	14,297
<b>Total Expenses</b>	<u><u>\$ 3,791,907</u></u>	<u><u>\$ 386,969</u></u>	<u><u>\$ 106,530</u></u>	<u><u>\$ 4,285,406</u></u>	<u><u>\$ 3,878,628</u></u>

See independent auditor's report and notes to financial statements.

**EDUCARE OF WEST DUPAGE**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2018 (with comparative totals for 2017)**

	<u>2018</u>	<u>2017</u>
<b><u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u></b>		
Change in net assets	\$ 138,783	\$ (417,731)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	314,329	317,622
(Increase) decrease in		
Government receivable	(483,612)	75,596
Contributions receivable	187,622	222,339
Program service fees receivable	155	(1,763)
Prepays	(2,027)	8,538
Increase (decrease) in		
Accounts payable	(35,120)	4,863
Accrued payroll and vacation	(5,843)	48,279
Net cash provided by operating activities	<u>114,287</u>	<u>257,743</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of furniture and equipment	<u>(12,600)</u>	<u>-</u>
Net cash (used in) investing activities	<u>(12,600)</u>	<u>-</u>
<b>Net increase in cash and cash equivalents</b>	101,687	257,743
<b>Cash and cash equivalents, beginning of year</b>	<u>1,233,768</u>	<u>976,025</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 1,335,455</u></u>	<u><u>\$ 1,233,768</u></u>

See independent auditor's report and notes to financial statements.

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**

Organization

Educare of West DuPage (Educare) is an Illinois not-for-profit corporation organized to increase access to quality, comprehensive child care and early learning experiences for children from birth through the age of five years and their families and increase school readiness in children from low income backgrounds.

Tax Exempt Status

Educare was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). Educare qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax-exempt purpose of Educare and the nature in which it operates is described above. Educare continues to operate in compliance with its tax-exempt purpose. Educare's annual information and income tax returns filed with the federal and state governments are subject to examination generally for three years after they are filed.

Educare has adopted the requirements for accounting for uncertain tax positions and management has determined that Educare was not required to record a liability related to uncertain tax positions as of June 30, 2018.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation

Educare reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets, as required by Generally Accepted Accounting Principles (GAAP).

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. The accounts may, at times, exceed the federally insured limit of \$250,000. For purposes of the Statement of Cash

**EDUCARE OF WEST DUPAGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Flows, the Organization considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents. No taxes or interest were paid during the year ended June 30, 2018.

Property and Equipment

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. The Organization provides for depreciation and amortization on the straight-line method at rates designed to depreciate the cost of assets over estimated useful lives as follows:

Building and improvements	25 years
Furniture and equipment	3 - 10 years
Website design	5 years

Contributions Receivables

Unconditional promises to give are recognized as revenue in the period the pledge is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Educare uses the specific allowance method to determine uncollectible promises to give. Any allowance is based on previous experience and management's analysis of specific promises made. There was no allowance for uncollectible promises to give at June 30, 2018 as management believes all contributions will be collected.

Program Service Fee Receivable and Allowance

Program service fee receivable consists of the parent fees. An allowance is calculated based on the age of the receivables and the likelihood of collection, which amounted to \$8,290 at June 30, 2018. Uncollectible accounts are written off in the year they are deemed uncollectible.

Support and Revenue

Educare reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Government Grants

Support funded by government contracts, which qualify as exchange transactions, are recognized when the contracted services have been performed. Revenue is therefore recognized as earned as the eligible expenses are incurred. These expenditures are subject to audit and acceptance by the granting organization and, as a result of such audit, adjustments could be required.

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)**

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended June 30, 2018, Educare received \$64,386 of donated custodial and other services meeting the above criteria.

In-Kind Contributions

In addition to receiving cash contributions, Educare receives in-kind contributions from various donors. It is the policy of Educare to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended June 30, 2018, Educare received in-kind donations for facility use valued at \$88,768.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2018 amounted to \$4,424,189. Of this amount, approximately 92% of its funding was from four government sources. Furthermore, 100% of the government receivable is due from three different agencies. Of the pledge's receivable, 100% is due from one donor. Educare continues to pursue additional sources of funding.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class, which does not provide sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such prior year information should be read in conjunction with the Foundation's audited financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through January 2, 2019, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed.

**EDUCARE OF WEST DUPAGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

**Note 2 – Contributions Receivable**

As of June 30, 2018, contributions receivable are as follows:

	Current	Long-Term	Temporarily Restricted
Due within one year	\$ 200,000	\$ -	\$ 200,000
Due in 1 - 5 years	-	600,000	600,000
	<u>200,000</u>	<u>600,000</u>	<u>800,000</u>
Less discount at rate of 1.61%	-	(18,814)	(18,814)
	<u>\$ 200,000</u>	<u>\$ 581,186</u>	<u>\$ 781,186</u>

As of June 30, 2018, contributions receivable over one year were discounted based upon payment terms using a discount factor of 1.61%, which reflects the ten-year U.S. Treasury rate as of the date of donation.

**Note 3 – Retirement Plan**

The Organization maintains a 401(k) defined contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. Contributions to the plan are at the discretion of the Board of Directors and are based on a percent of each eligible employee's total compensation up to 3%. The Board of Directors authorized \$47,283 in employer contributions for the year ending June 30, 2018.

**Note 4 – Commitments**

During September 2010, Educare entered into a lease agreement with West Chicago Elementary School District No. 33 (School District) that requires the ownership of the Educare facility to be transferred to the School District as of the later of the date on which the facility is substantially complete or when any loans procured by Educare to finance the cost of constructing the facility have been repaid in full. As of June 30, 2018, the facility is complete and the construction loan has been paid in full. As of the date of the audit report, title has not yet been transferred to Educare.

The School District is also leasing the land for the facility site to Educare for \$100. The lease agreement obligates the School District to provide all utilities and maintenance, other than major improvements in excess of \$10,000 or more. The lease agreement is for twenty-five years, ending September 2035, as long as Educare uses and occupies the facility as an early childhood education and care center and for no other purpose unless approved by the School District.

**EDUCARE OF WEST DUPAGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018**

**Note 5 – Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Gustafon Family Foundation Challenge Grant	\$ 41,110
Tuition and education grant	5,000
Future periods included in contribution receivable	<u>781,186</u>
	<u>\$ 827,296</u>

**Reports Required by  
OMB's Uniform Guidance**

**EDUCARE OF WEST DUPAGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Disbursements or Expenditures</u>
<b>U.S. Department of Health and Human Services</b>				
Head Start	93.600	FCSW104059	\$ - (1)	\$ 1,295,035
Passed through Illinois Department of Human Services				
Child Care and Development Block Grant	93.575	FVSCI04059	-	6,878
Child Care Mandatory and Matching Funds	93.596	FVSCI04059	-	150,060
Total U.S. Department of Health and Human Services			-	1,451,973
<b>U.S. Department of Agriculture</b>				
Passed through Illinois State Board of Education				
Child and Adult Care Food Program	10.558	19022073P00	-	164,968
Total U.S. Department of Agriculture			-	164,968
<b>U.S. Department of Education</b>				
Passed through West Chicago District #33				
Preschool Development Grant	84.419	18-4902-PE-19- 022-0330-02	-	136,480
Total U.S. Department of Education			-	136,480
<b>Total Expenditures of Federal Awards</b>			<b>\$ -</b>	<b>\$ 1,753,421</b>

(1) Major Program

See accompanying notes to schedule of federal awards.

**EDUCARE OF WEST DUPAGE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2018**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “SEFA”) includes the Federal award activity of Educare of West DuPage under programs of the federal government for the year June 30, 2018. 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 (Uniform Guidance)*. Because this schedule presents only a selected portion of the operations of Educare of West DuPage, it is not intended to and does not present the financial position, changes in net assets or cash flows of Educare of West DuPage.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the accrual basis on accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

The Organization elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 3 – Other Matters**

Amount of non-cash awards received	None
Amount of insurance assistance received	None
Amount of loans or loan guarantees received	None



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's 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 of  
Educare of West DuPage  
West Chicago, IL

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 Educare of West DuPage (Educare), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 2, 2019.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Educare'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 Educare of West DuPage's internal control. Accordingly, we do not express an opinion on the effectiveness of Educare of West DuPage's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 Educare'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*.

### ***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 Educare's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Educare's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

January 2, 2019  
Chicago, IL



# Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**Independent Auditor's Report on Compliance for Each  
Major Federal Program and on Internal Control over  
Compliance Required by Uniform Guidance**

To the Board of Directors  
Educare of West DuPage  
West Chicago, IL

***Report on Compliance for Each Major Federal Program***

We have audited Educare of West DuPage's compliance with the types of compliance requirements described in the *United States Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Educare of West DuPage's major federal programs for the year ended June 30, 2018. Educare of West DuPage'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Educare of West DuPage'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 Educare of West DuPage'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 Educare of West DuPage's compliance.

### ***Opinion on Each of the Major Federal Programs***

In our opinion, Educare of West DuPage 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, 2018.

### ***Report on Internal Control Over Compliance***

Management of Educare of West DuPage 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 Educare of West DuPage'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 Educare of West DuPage'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.

January 2, 2019  
Chicago, IL

**EDUCARE OF WEST DUPAGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2018**

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   X   no
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

Federal Awards

Internal control over major programs:

- Material weakness identified? \_\_\_\_\_ yes   X   no
- Significant deficiencies identified that are not considered to be material weakness? \_\_\_\_\_ yes   X   no

Type of auditor’s report issued on compliance for major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a)?? \_\_\_\_\_ yes   X   no

**Certification of Major Programs**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start

Dollar threshold used to distinguish between type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes \_\_\_\_\_ no

**EDUCARE OF WEST DUPAGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2018**

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**Section IV – Federal Award Findings and Questioned Costs – Prior Year**

N/A