

**EDUCARE OF WEST DUPAGE**

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

**For the Year Ended June 30, 2021**

# 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, 2021, 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, 2021, 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 February 23, 2022, 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 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

February 23, 2022  
Chicago, IL

**EDUCARE OF WEST DUPAGE**  
**STATEMENT OF FINANCIAL POSITION**  
**As of June 30, 2021 (with comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,177,933	\$ 1,831,632
Government receivables	1,653,659	952,798
Contributions receivable due within one year	200,000	256,855
Other receivables	8,585	840
Program service fees, net of allowance	14,449	46,965
Prepaid expenses	9,799	13,595
Total current assets	<u>4,064,425</u>	<u>3,102,685</u>
Property and Equipment		
Land	442,899	-
Building and improvements	7,943,849	7,943,849
Furniture and equipment	293,155	279,218
Website design	8,138	8,138
	<u>8,688,041</u>	<u>8,231,205</u>
Less accumulated depreciation and amortization	<u>(3,033,628)</u>	<u>(2,598,403)</u>
Net property and equipment	<u>5,654,413</u>	<u>5,632,802</u>
Other Assets		
Long-term contributions receivable - net of discount	-	190,543
<b>Total Assets</b>	<b><u><u>\$ 9,718,838</u></u></b>	<b><u><u>\$ 8,926,030</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Accounts payable	\$ 31,866	\$ 3,649
Accrued payroll and related benefits	303,060	275,850
Government advances	465,729	114,066
Refundable advance- PPP loan	34,735	34,735
Total current liabilities	<u>835,390</u>	<u>428,300</u>
Net Assets		
Without donor restrictions	8,532,978	7,908,803
With donor restrictions	350,470	588,927
Total net assets	<u>8,883,448</u>	<u>8,497,730</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 9,718,838</u></u></b>	<b><u><u>\$ 8,926,030</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, 2021 (with comparative totals for 2020)**

	Without Donor Restrictions	With Donor Restrictions	Total 2021	Total 2020
<b><u>Public Support and Revenue</u></b>				
Government grants	\$ 4,550,179	\$ -	\$ 4,550,179	\$ 4,147,230
Contributions - other	72,300	135,103	207,403	268,903
Program service fees	-	-	-	52,896
Tuition	-	-	-	21,344
Donated property	442,899	-	442,899	-
Donated services	-	-	-	62,362
Donated facilities	-	-	-	57,441
Special Events				
Contributions and special events revenue	2,037	-	2,037	17,889
Less costs of direct benefits to donors	-	-	-	-
Net revenues from special events	2,037	-	2,037	17,889
Interest income	1,460	-	1,460	18,720
Net assets released from restrictions - satisfaction of time restrictions	190,543	(190,543)	-	-
satisfaction of program restrictions	183,017	(183,017)	-	-
Total Public Support and Revenue	5,442,435	(238,457)	5,203,978	4,646,785
<b><u>Expenses</u></b>				
Program services	4,121,856	-	4,121,856	3,777,524
Management and general	676,600	-	676,600	667,874
Fundraising	19,804	-	19,804	11,718
Total Expenses	4,818,260	-	4,818,260	4,457,116
<b>Change in Net Assets</b>	624,175	(238,457)	385,718	189,669
<b>Net assets, beginning of year</b>	7,908,803	588,927	8,497,730	8,308,061
<b>Net assets, end of year</b>	\$ 8,532,978	\$ 350,470	\$ 8,883,448	\$ 8,497,730

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

**EDUCARE OF WEST DUPAGE**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended June 30, 2021 (with comparative totals for 2020)**

	Program Services	Management and General	Fundraising	Total 2021	Total 2020
<b><u>Functional Expenses</u></b>					
Salaries and wages	\$ 2,412,206	\$ 335,558	\$ 9,636	\$ 2,757,400	\$ 2,629,447
Fringe benefits and related taxes	558,249	77,906	2,460	638,615	545,094
	<u>2,970,455</u>	<u>413,464</u>	<u>12,096</u>	<u>3,396,015</u>	<u>3,174,541</u>
Professional fees	152,789	160,396	106	313,291	316,738
Staff development and training	99,173	4,685	-	103,858	94,095
Custodial fees	-	-	-	-	62,362
Parent services	57,371	137	-	57,508	6,150
Occupancy	121,410	14,419	360	136,189	82,625
Telephone and internet	22,070	3,070	88	25,228	13,939
Insurance	21,921	4,899	-	26,820	26,507
Repairs and maintenance	35,338	6,663	171	42,172	11,519
Equipment	48,058	21,272	-	69,330	50,361
Meal related costs	63,141	395	-	63,536	121,117
Classroom and educational supplies	66,069	9,675	-	75,744	34,307
Supplies - other	17,223	7,466	1,780	26,469	15,849
Printing and postage	57	46	275	378	729
Bank fees	-	985	125	1,110	1,764
Bad debt	-	-	-	-	43,000
Depreciation and amortization	411,704	21,857	1,664	435,225	378,879
Miscellaneous	35,077	7,171	3,139	45,387	22,634
<b>Total Expenses</b>	<u>\$ 4,121,856</u>	<u>\$ 676,600</u>	<u>\$ 19,804</u>	<u>\$ 4,818,260</u>	<u>\$ 4,457,116</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, 2021 (with comparative totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b><u>Reconciliation of Change in Net Assets to Net Cash</u></b>		
<b><u>Provided by Operating Activities</u></b>		
Change in net assets	\$ 385,718	\$ 189,669
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	435,225	378,879
Donated property	(442,899)	-
(Increase) decrease in		
Government receivables	(700,861)	(593,944)
Contributions receivable	247,398	133,788
Other receivables	(7,745)	814
Program service fees receivable, net	32,516	3,701
Prepaid expense	3,796	(700)
Increase (decrease) in		
Accounts payable	28,217	(38,110)
Accrued payroll and vacation	27,210	64,763
Government advances	351,663	(209,706)
Refundable advance- PPP loan	-	34,735
Net cash provided by (used in) operating activities	<u>360,238</u>	<u>(36,111)</u>
<b><u>Cash Flows used in Investing Activities</u></b>		
Purchase of furniture and equipment	<u>(13,937)</u>	<u>(111,770)</u>
Net cash used in investing activities	<u>(13,937)</u>	<u>(111,770)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	346,301	(147,881)
<b>Cash and cash equivalents, beginning of year</b>	<u>1,831,632</u>	<u>1,979,513</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 2,177,933</u></u>	<u><u>\$ 1,831,632</u></u>

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

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

Organization

Educare of West DuPage (“Educare” or the “Organization”) is an Illinois not-for-profit corporation organized to increase access to quality, comprehensive childcare 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, 2021.

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 in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

As required by the generally accepted accounting principles for Not-for-Profit accounting, the Organization is required to report information regarding its financial position and activities according to two classes:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Such gifts include gifts without restrictions, including an investment account designated by the Board to function as restricted and restricted gifts whose donor-imposed restrictions were met during the fiscal year.

With donor restrictions – Net assets subject to donor-imposed restrictions which will be met either by actions of the Organization or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met in the year of receipt. Restrictions that have been met on net assets with donor restrictions are reported as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as without donor restrictions.

**EDUCARE OF WEST DUPAGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

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

With donor restrictions (cont.)

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the Organization, including gifts and pledges wherein donors stipulate that the corpus of the gift is to be held in perpetuity and that only the income be made available for programs. As of June 30, 2021, there are no donor-imposed restrictions to be maintained permanently.

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 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, 2021.

Property and Equipment

Expenditures for land, property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Any donated property and equipment are recorded at their estimated fair value when received. The Organization provides for depreciation and amortization for property and equipment 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, 2021 as management believes all contributions will be collected.

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

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 \$51,290 at June 30, 2021. Uncollectible accounts are written off in the year they are deemed uncollectible.

Support and Revenue

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. 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. The Organization 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, 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. It is the Organization’s policy to immediately liquidate donations of common stock.

The Organization reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. During the year ending June 30, 2021, the land that the Organization has been occupying was transferred into the Organization’s name by a Warranty Deed. The cost of the land was transferred from the district valued at \$442,899 based on the average fair market value per acre in the area.

The Organization recognizes contract revenue at an amount that reflects consideration to which the Organization expects to be entitled to in exchange for transferring goods or services to a customer. There is currently one type of contract that the Organization is engaged, which is based on performance reporting. Due to the nature and varying performance obligations of these contracts, the timing and methods of recognizing revenue from these contracts will vary. All contracts recognize revenue in accordance with ASU No. 2014-09 and prior year revenues have been retrospectively adjusted. There was no contract revenue recorded in 2021 for any performance obligations met in the prior year.

For performance reporting contracts, a customer pays the agreed upon amounts after the completion and submission of specified deliverables in the contract. For these contracts, the Organization will allocate the transaction price of the contract to the specific performance obligations based on the contract. The Organization recognizes revenue when the performance obligations are met and

**EDUCARE OF WEST DUPAGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2021**

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

delivered to the customer. The Organization had no contracts during 2021 that were performance reporting contracts. There are no contract assets or liabilities.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. These expenditures are subject to audit and acceptance by the granting organization and, as a result of such audit, adjustments could be required. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization had \$465,729 in refundable advances from one government agency recorded at June 30, 2021.

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, 2021, Educare did not receive 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, 2021, Educare did not receive any in-kind donations.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2021 amounted to \$5,203,978. Of this amount, approximately 86% of its funding was from four government sources including \$442,899 of donated land from District 33. Furthermore, 91% 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, 2020, 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. The financial

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

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

statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, office and occupancy, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort. Although the methods of allocation used are considered reasonable, other methods could be used that would produce a different amount.

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 February 23, 2022, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed.

**Note 2 – Financial Assets and Liquidity Resources**

As of June 30, 2021, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at June 30, 2021	
Cash and cash equivalents	\$ 2,177,933
Government receivables	1,653,659
Contributions and other receivables - short term	274,324
Total financial assets and liquidity resources	<u>4,105,916</u>
Less allowance for doubtful accounts	(51,290)
Less net assets with donor purpose restrictions	(150,470)
Total financial assets available within one year	<u>\$ 3,904,156</u>

The Organization provides various contractual program services from which it receives city, state and federal reimbursement as well as unrestricted and restricted gift pledges and contributions from individual, corporation and foundation donors; and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general operating purposes. The organization manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended June 30, 2021 the level of liquidity and reserves was managed within the policy requirements.

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 2 – Financial Assets and Liquidity Resources (cont.)**

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

**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 \$79,601 in employer contributions for the year ending June 30, 2021.

**Note 4 – Commitments**

During 2017 Educare entered into a 5 year lease agreement to rent a Church for a second location for an early learning childcare center. The lease was to begin January 2018 with monthly rent of \$2,350 every month for five years with three 5-year options to extend the term. Due to leasehold improvements needed, the lease was put on hold until the completion of the renovations. The project was complete in fiscal year 2020 and the Organization started paying rent as of December 2019. Rent expense under this lease for the year ended June 30, 2021 amounted to \$30,550.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 28,200
2023	28,200
2024	28,200
2025	11,750
	<u>\$ 96,350</u>

**Note 5 – Net Assets with Donor Restrictions**

Net assets with donor restrictions are available for the following purposes at June 30, 2021:

Gustafon Family Foundation Challenge Grant	\$ 34,993
Red Nose Day Grant	45,844
COVID-19 Relief	19,740
Construct Coaching	38,150
Healing IL Fund	11,743
Future periods	200,000
	<u>\$ 350,470</u>

**EDUCARE OF WEST DUPAGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**Note 6 – Paycheck Protection Loan**

In May 2020, the Organization received loan proceeds in the amount of approximately \$34,735 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight or twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Organization has been using the proceeds for purposes consistent with the PPP and elected to follow ASC 958-605 and record the loan as a refundable advance where once forgiveness conditions are substantially met or explicitly waived, the entity would reduce the refundable advance and record a contribution for the amount forgiven. As of June 30, 2021, the \$34,735 is recorded as a refundable advance until forgiveness conditions are substantially met or explicitly waived. The entire loan was forgiven subsequent to year end.

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

**EDUCARE OF WEST DUPAGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2021**

<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	N/A	\$ - (1)	\$ 2,057,176
Total U.S. Department of Health and Human Services			<u>-</u>	<u>2,057,176</u>
<b>U.S. Department of Agriculture</b>				
Passed through Illinois State Board of Education				
Child and Adult Care Food Program	10.558	19022073P00	-	53,252
Total U.S. Department of Agriculture			<u>-</u>	<u>53,252</u>
<b>U.S. Department of Education</b>				
Passed through Illinois State Board of Education				
COVID-19 Governor's Emergency Education Relief Func	84.425C	2021-4998-EC	-	27,037
Total U.S. Department of Education			<u>-</u>	<u>27,037</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ -</u>	<u>\$ 2,137,465</u>

(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, 2021**

**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, 2021. 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 Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *2 CFR Part 230 – Cost Principles for Non-Profit Organizations (OMB Circular A-122)*, wherein certain types or expenditures are not allowed 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 has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 – Sub-Recipients**

Educare of West DuPage did not provide any Federal awards to sub-recipients during the year ended June 30, 2021.

**Note 4 – Other Matters**

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	None

**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, 2021, 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 February 23, 2022.

***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 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.

*Desmond & Ahern, Ltd*

February 23, 2022  
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, 2021. 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, 2021.

### ***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.

*Desmond & Ahern, Ltd*

February 23, 2022  
Chicago, IL

**EDUCARE OF WEST DUPAGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021**

**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**

CFDA Number

93.600

Name of Federal Program or Cluster

Head Start

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

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

**EDUCARE OF WEST DUPAGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021**

**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**

2020-001 Preparation of Generally Accepted Accounting Principles (GAAP) Financial Statements

*Condition:* We noted an absence of monitoring and knowledge in the preparation of financial statements that are fairly presented in conformity with generally accepted accounting principles (GAAP).

*Criteria:* This absence of fiscal monitoring controls and knowledge does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements in a timely manner.

*Cause:* This material weakness is due to a combination of the accounting department needing additional training and a lack of monitoring due to COVID-19 which may have identified the additional journal entries required to present GAAP financial statements.

*Effect:* Material adjusting entries were necessary to accounts including revenue, receivables, payables and expenses to present the financial statement and related footnotes in accordance with GAAP for the year ending June 30, 2020.

*Auditor's Recommendation* We recommend that someone independent of the report's preparation (who is knowledgeable of GAAP, including specific not for profit pronouncements) review the statements to ensure all transactions have been properly recorded.

*Current Status:* There were no journal entries over the materiality threshold during the 2021 fiscal year.

2020-002 Allowable Costs/Cost Principles

*Criteria:* Reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards, in accordance with *Cost Principles for Non-Profit Organizations (2 CFR Part 230.8)*. The reports must reflect an after-the-fact determination of the actual activity of each employee.

**EDUCARE OF WEST DUPAGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
June 30, 2021**

**Section IV – Federal Award Findings and Questioned Costs – Prior Year (cont.)**

*Condition:* The Organization provided time records that account for the number of hours worked by the selected employees and the departments employees are charged to, however, details for the time worked in each individual program were not representative of actual time recorded per activity.

*Cause:* The Organization asserts that time records are consistently maintained to support the allocation of staff time to different functions. However, the Organization experienced significant turnover within the accounting department during the fiscal year and as a result was unable to locate documentation as to measurable criteria used to allocate all employees' time. The Organization subsequently prepared a time study to ascertain that compensation costs charged to awards were reasonable and allocable.

*Effect:* Inadequate documentation could result in unallowable costs being charged to awards.

*Questioned Costs:* None

*Recommendation:* We recommend that quarterly recaps of the time sheets be done and that the time analysis be compared to the actual percent being allocated. If necessary, the projected allocation percentages, including full time equivalents, should be changed to reflect the actual time spent as required under 2 CFR 230. Also, the previous quarter should also be adjusted if the revised percentages would cause the financials to be materially misstated. We further recommend that all employees receive additional training on filling out time sheets and that supervisors receive written procedures on reviewing the time sheets before approving to ensure that they are properly completed.

*Current Status:* During 2021, time studies were completed throughout the 2021 fiscal year and allocations adjusted after-the-fact to reflect actual time. Employees also received additional training on filling out timesheets.