

EDUCARE OF WEST DUPAGE

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

For the Year Ended June 30, 2022

Educare of West DuPage

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Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Educare of West DuPage (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Educare of West DuPage and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Educare of West DuPage's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Educare of West DuPage's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Educare of West DuPage's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, 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 *Governmental Auditing Standards*, we have also issued a report dated February 27, 2023 on our consideration of Educare of West DuPage's internal control over financial reporting and 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 *Governmental 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 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

February 27, 2023
Chicago, IL

EDUCARE OF WEST DUPAGE
STATEMENT OF FINANCIAL POSITION
As of June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,658,775	\$ 2,177,933
Government receivables	2,204,398	1,653,659
Contributions receivable due within one year	21,250	200,000
Other receivables	-	8,585
Program service fees, net of allowance	2,303	14,449
Prepaid expenses	69,780	9,799
Total current assets	<u>3,956,506</u>	<u>4,064,425</u>
Property and Equipment		
Land	442,899	442,899
Building and improvements	7,934,290	7,943,849
Furniture and equipment	312,660	293,155
Website design	8,138	8,138
Construction in progress	189,028	-
	<u>8,887,015</u>	<u>8,688,041</u>
Less accumulated depreciation and amortization	<u>(3,445,875)</u>	<u>(3,033,628)</u>
Net property and equipment	<u>5,441,140</u>	<u>5,654,413</u>
Total Assets	<u><u>\$ 9,397,646</u></u>	<u><u>\$ 9,718,838</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 21,930	\$ 31,866
Accrued payroll and related benefits	215,057	303,060
Government advances	-	465,729
Refundable advance- PPP loan	-	34,735
Total current liabilities	<u>236,987</u>	<u>835,390</u>
Net Assets		
Without donor restrictions	9,015,599	8,532,978
With donor restrictions	145,060	350,470
Total net assets	<u>9,160,659</u>	<u>8,883,448</u>
Total Liabilities and Net Assets	<u><u>\$ 9,397,646</u></u>	<u><u>\$ 9,718,838</u></u>

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

**EDUCARE OF WEST DUPAGE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2022 (with summarized comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 2022	Total 2021
<u>Public Support and Revenue</u>				
Government grants	\$ 5,015,390	\$ -	\$ 5,015,390	\$ 4,550,179
Contributions - other	40,834	85,976	126,810	209,440
Tuition	21,173	-	21,173	-
Donated property	-	-	-	442,899
Interest income	1,503	-	1,503	1,460
PPP loan forgiveness	34,735	-	34,735	-
Insurance proceeds	91,363	-	91,363	-
Loss on disposal of asset	(44,874)	-	(44,874)	-
Net assets released from restrictions - satisfaction of time restrictions	200,000	(200,000)	-	-
satisfaction of program restrictions	91,386	(91,386)	-	-
Total Public Support and Revenue	<u>5,451,510</u>	<u>(205,410)</u>	<u>5,246,100</u>	<u>5,203,978</u>
<u>Expenses</u>				
Program services	4,189,170	-	4,189,170	4,121,856
Management and general	748,822	-	748,822	676,600
Fundraising	30,897	-	30,897	19,804
Total Expenses	<u>4,968,889</u>	<u>-</u>	<u>4,968,889</u>	<u>4,818,260</u>
Change in Net Assets	482,621	(205,410)	277,211	385,718
Net assets, beginning of year	<u>8,532,978</u>	<u>350,470</u>	<u>8,883,448</u>	<u>8,497,730</u>
Net assets, end of year	<u><u>\$ 9,015,599</u></u>	<u><u>\$ 145,060</u></u>	<u><u>\$ 9,160,659</u></u>	<u><u>\$ 8,883,448</u></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, 2022 (with summarized comparative totals for 2021)

	Program Services	Management and General	Fundraising	Total 2022	Total 2021
<u>Functional Expenses</u>					
Salaries and wages	\$ 2,516,440	\$ 352,533	\$ 15,097	\$ 2,884,070	\$ 2,757,400
Fringe benefits and related taxes	511,788	130,553	3,356	645,697	638,615
	<u>3,028,228</u>	<u>483,086</u>	<u>18,453</u>	<u>3,529,767</u>	<u>3,396,015</u>
Professional fees	215,975	111,497	444	327,916	313,291
Staff development and training	76,517	2,159	-	78,676	103,858
Parent services	7,382	-	-	7,382	57,508
Occupancy	144,629	35,470	693	180,792	136,189
Telephone and internet	15,130	2,670	65	17,865	25,228
Insurance	20,217	12,508	43	32,768	26,820
Repairs and maintenance	29,473	27,879	108	57,460	42,172
Equipment	16,640	1,723	2	18,365	69,330
Meal related costs	132,906	23	-	132,929	63,536
Classroom and educational supplies	34,075	325	-	34,400	75,744
Supplies - other	47,306	6,784	1,045	55,135	26,345
Printing and postage	998	128	1,934	3,060	502
Bank fees	-	1,174	-	1,174	1,110
Bad debt	-	20,010	-	20,010	-
Depreciation and amortization	406,019	33,904	2,241	442,164	435,225
Miscellaneous	13,675	9,482	5,869	29,026	45,387
Total Expenses	<u><u>\$ 4,189,170</u></u>	<u><u>\$ 748,822</u></u>	<u><u>\$ 30,897</u></u>	<u><u>\$ 4,968,889</u></u>	<u><u>\$ 4,818,260</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, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>		
Change in net assets	\$ 277,211	\$ 385,718
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	442,164	435,225
Loss on disposal of asset	44,874	-
Donated property	-	(442,899)
(Increase) decrease in		
Government receivables	(550,739)	(700,861)
Contributions receivable	178,750	247,398
Other receivables	8,585	(7,745)
Program service fees receivable, net	12,146	32,516
Prepaid expense	(59,981)	3,796
Increase (decrease) in		
Accounts payable	(9,936)	28,217
Accrued payroll and vacation	(88,003)	27,210
Government advances	(465,729)	351,663
Refundable advance- PPP loan	(34,735)	-
Net cash provided by (used in) operating activities	<u>(245,393)</u>	<u>360,238</u>
<u>Cash Flows Used in Investing Activities</u>		
Purchase of furniture and equipment	(273,765)	(13,937)
Insurance proceeds for fixed asset replacement	91,363	-
Net cash used in investing activities	<u>(273,765)</u>	<u>(13,937)</u>
Net increase (decrease) in cash and cash equivalents	(519,158)	346,301
Cash and cash equivalents, beginning of year	<u>2,177,933</u>	<u>1,831,632</u>
Cash and cash equivalents, end of year	<u>\$ 1,658,775</u>	<u>\$ 2,177,933</u>

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

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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, 2022.

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, 2022**

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, 2022, 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, 2022.

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 and Government 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. Government receivables consist of amounts the Organization has incurred expenditures for in compliance with specific contract or grant provisions. There was no allowance for uncollectible promises to give at June 30, 2022 as management believes all contributions will be collected.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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. The Organization deems no allowance necessary at June 30, 2022. 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, 2022, there was no donated gifts of land, buildings, or equipment.

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.

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 delivered to the customer. The Organization had no contracts during 2022 that were performance reporting contracts. There are no contract assets or liabilities.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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 no refundable advances recorded at June 30, 2022.

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, 2022, 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, 2022, Educare did not receive any in-kind donations.

Certain Vulnerabilities and Concentrations

The Organization’s total revenue for the year ended June 30, 2022 amounted to \$5,246,100. Of this amount, approximately 96% of its funding was from four government agencies. Furthermore, 100% of the government receivables are 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, 2021, 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 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

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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

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 27, 2023, 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, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at June 30, 2022	
Cash and cash equivalents	\$ 1,658,775
Government receivables	2,204,398
Contributions and other receivables - short term	23,553
Total financial assets and liquidity resources	<u>3,886,726</u>
Less net assets with donor purpose restrictions	<u>(145,060)</u>
Total financial assets available within one year	<u>\$ 3,741,666</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, 2022 the level of liquidity and reserves was managed within the policy requirements.

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.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 \$83,556 in employer contributions for the year ending June 30, 2022.

Note 4 – Related Party

During 2022, the Organization paid approximately \$127,000 to an LLC that works with school districts and non-profit organizations in all phases of research and evaluation that a board member and his wife own and have a 100% equity interest in.

Note 5 – 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, 2022 amounted to \$21,150.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2023	28,200
2024	28,200
2025	11,750
	<u>\$ 68,150</u>

Note 6 –Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2022:

Gustafon Family Foundation Challenge Grant	\$ 30,820
Red Nose Day Grant	51,546
Construct Coaching	18,951
Healing IL Fund	1,243
Kindergarten Readiness	42,500
	<u>\$ 145,060</u>

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

Note 7 – 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, 2022, the \$34,735 was recorded to income since the forgiveness conditions were substantially met or explicitly waived.

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

EDUCARE OF WEST DUPAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2022

<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>
U.S. Department of Health and Human Services				
Head Start	93.600	N/A	\$ - (1)	\$ 2,113,388
Total U.S. Department of Health and Human Services			<u>-</u>	<u>2,113,388</u>
U.S. Department of Agriculture				
Passed through Illinois State Board of Education				
Child and Adult Care Food Program	10.558	19022073P00	-	154,089
Total U.S. Department of Agriculture			<u>-</u>	<u>154,089</u>
U.S. Department of Education				
Passed through Illinois State Board of Education				
COVID-19 Education Stabilization Fund	84.425	2021-4998-EC	-	8,093
Total U.S. Department of Education			<u>-</u>	<u>8,093</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 2,275,570</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, 2022**

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, 2022. 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, 2022.

Note 4 – Other Matters

Amount of non-cash assistance	None
Amount of insurance	None
Amount of loans	None
Amount of loan guarantees	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, 2022, 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 27, 2023.

Report on 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a material weakness.

Report on 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*.

Educare of West DuPage’s Response to Findings

Educare of West DuPage’s response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Educare of West DuPage’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Delmonico & Ahern, Ltd

February 27, 2023

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

Opinion on Each Major Federal Program

We have audited Educare of West DuPage'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 Educare of West DuPage's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Educare of West DuPage and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Educare of West DuPage's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Educare of West DuPage's federal programs

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Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Educare of West DuPage's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Educare of West DuPage's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Educare of West DuPage's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Educare of West DuPage's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Educare of West DuPage's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 27, 2023
Chicago, IL

**EDUCARE OF WEST DUPAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? X yes 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? yes X no

**EDUCARE OF WEST DUPAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2022**

Section II – Financial Statement Findings

2022-001 Preparation of Generally Accepted Accounting Principles (GAAP) Financial Statements

Condition: Material adjusting entries were necessary to revenue and receivables and accounts to present the financial statement and related footnotes in accordance with GAAP for the year ending June 30, 2022.

Criteria: Management is responsible for establishing and maintaining internal controls to prepare financial information in accordance with generally accepted accounting principles (GAAP).

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

Effect: Due to the financial reporting items noted, management and those charged with governance may rely on financial information that is not in accordance with generally accepted accounting principles to manage budgets and make decisions.

Auditor's Recommendation: Detailed analyses to be performed at more frequent intervals to provide timely review of accounts receivable and applied payments to accounts receivables detect misstatements. Finance staff to analyze receivables, revenues, and application of payments for each program on a monthly basis. These analyses will be reviewed and presented to senior management. Quarterly and annual analyses will also be performed and presented. These analyses are to be designed to detect or prevent misstatements.

Section III – Federal Award Findings and Questioned Costs

None

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

None