

EDUCARE OF WEST DUPAGE

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

For the Year Ended June 30, 2025

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 statement of financial position as of June 30, 2025, 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, 2025, 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

Supplementary Information (cont.)

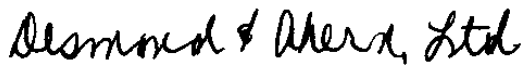
analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures 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 January 22, 2026 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 for the year ended June 30, 2024, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 23, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.



January 22, 2026
Chicago, IL

EDUCARE OF WEST DUPAGE
STATEMENT OF FINANCIAL POSITION
As of June 30, 2025 and 2024

	2025	2024
<u>Assets</u>		
Cash and cash equivalents	\$ 3,100,032	\$ 3,163,647
Government grants receivable	937,067	989,783
Contributions receivable	94,323	90,750
Program service fees receivable, net	281,137	145,868
Prepaid expenses	25,358	23,353
Total current assets	<u>4,437,917</u>	<u>4,413,401</u>
Property and Equipment		
Land	1,142,899	442,899
Land held-for-sale	350,000	-
Building and improvements	8,791,136	8,161,000
Furniture and equipment	456,794	358,664
Website design	25,938	15,625
	<u>10,766,767</u>	<u>8,978,188</u>
Less accumulated depreciation and amortization	<u>(4,692,637)</u>	<u>(4,266,627)</u>
Net property and equipment	<u>6,074,130</u>	<u>4,711,561</u>
Other Assets		
Right-of-use asset, operating lease	-	11,694
Total Assets	<u><u>\$ 10,512,047</u></u>	<u><u>\$ 9,136,656</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 128,348	\$ 66,813
Accrued payroll and related benefits	252,190	228,519
Government advances	24,978	-
Notes payable, current portion	15,268	-
Operating lease liability, current	-	11,694
Total current liabilities	<u>420,784</u>	<u>307,026</u>
Notes payable, net of current portion	<u>1,244,732</u>	<u>-</u>
Total liabilities	<u>1,665,516</u>	<u>307,026</u>
Net Assets		
Without donor restrictions	8,603,862	8,571,684
With donor restrictions	242,669	257,946
Total net assets	<u>8,846,531</u>	<u>8,829,630</u>
Total Liabilities and Net Assets	<u><u>\$ 10,512,047</u></u>	<u><u>\$ 9,136,656</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, 2025 (with summarized comparative totals for 2024)**

	Without Donor Restrictions	With Donor Restrictions	Total 2025	Total 2024
<u>Public Support and Revenue</u>				
Government grants	\$ 4,856,772	\$ -	\$ 4,856,772	\$ 4,547,065
Contributions	108,546	98,596	207,142	277,377
Program service fees	1,200,965	-	1,200,965	918,077
Interest income	71,471	-	71,471	68,840
Other income	24,297	-	24,297	-
Net assets released from restrictions - satisfaction of program restrictions	113,873	(113,873)	-	-
Total Public Support and Revenue	<u>6,375,924</u>	<u>(15,277)</u>	<u>6,360,647</u>	<u>5,811,359</u>
<u>Expenses</u>				
Program services	5,542,026	-	5,542,026	5,208,955
Management and general	776,482	-	776,482	766,691
Fundraising	25,238	-	25,238	19,981
Total Expenses	<u>6,343,746</u>	<u>-</u>	<u>6,343,746</u>	<u>5,995,627</u>
Change in Net Assets	32,178	(15,277)	16,901	(184,268)
Net assets, beginning of year	<u>8,571,684</u>	<u>257,946</u>	<u>8,829,630</u>	<u>9,013,898</u>
Net assets, end of year	<u>\$ 8,603,862</u>	<u>\$ 242,669</u>	<u>\$ 8,846,531</u>	<u>\$ 8,829,630</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, 2025 (with summarized comparative totals for 2024)

	Program Services	Management and General	Fundraising	Total 2025	Total 2024
<u>Functional Expenses</u>					
Salaries and wages	\$ 3,204,897	\$ 504,552	\$ 14,922	\$ 3,724,371	\$ 3,473,876
Fringe benefits and related taxes	743,410	94,180	3,489	841,079	779,994
	<u>3,948,307</u>	<u>598,732</u>	<u>18,411</u>	<u>4,565,450</u>	<u>4,253,870</u>
Professional fees	277,364	51,870	842	330,076	359,349
Staff development and training	54,323	3,318	-	57,641	40,220
Parent services	4,572	72	-	4,644	6,744
Occupancy	254,584	15,921	895	271,400	258,613
Telephone and internet	23,924	1,517	76	25,517	24,412
Insurance	45,137	2,091	207	47,435	44,114
Repairs and maintenance	64,166	10,770	246	75,182	77,624
Equipment	82,243	3,131	-	85,374	29,280
Meal related costs	244,347	-	-	244,347	214,716
Classroom and educational supplies	58,514	-	-	58,514	84,013
Supplies	46,421	1,302	133	47,856	37,957
Printing and postage	7,683	948	1,840	10,471	3,487
Bank fees	-	4,455	-	4,455	4,543
Bad debt	-	9,937	-	9,937	74,056
Interest	-	20,930	-	20,930	-
Depreciation and amortization	391,933	32,460	1,617	426,010	452,892
Miscellaneous	38,508	19,028	971	58,507	29,737
Total Expenses	<u>\$ 5,542,026</u>	<u>\$ 776,482</u>	<u>\$ 25,238</u>	<u>\$ 6,343,746</u>	<u>\$ 5,995,627</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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>Reconciliation of Change in Net Assets to Net Cash</u>		
<u>From Operating Activities</u>		
Change in net assets	\$ 16,901	\$ (184,268)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	426,010	452,892
(Increase) decrease in		
Receivables	(86,126)	(521,783)
Prepaid expense	(2,005)	18,528
Increase (decrease) in		
Accounts payable	61,535	21,794
Accrued payroll and vacation	23,671	13,137
Government advances	24,978	(319,492)
Net cash provided by (used in) operating activities	<u>464,964</u>	<u>(519,192)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of furniture and equipment	<u>(1,788,579)</u>	<u>(18,431)</u>
Net cash used in investing activities	<u>(1,788,579)</u>	<u>(18,431)</u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from notes payable	<u>1,260,000</u>	<u>-</u>
Net cash provided by financing activities	<u>1,260,000</u>	<u>-</u>
Net decrease in cash and cash equivalents	(63,615)	(537,623)
Cash and cash equivalents, beginning of year	<u>3,163,647</u>	<u>3,701,270</u>
Cash and cash equivalents, end of year	<u><u>\$ 3,100,032</u></u>	<u><u>\$ 3,163,647</u></u>
Supplemental Cash Flow Information		
Cash paid for interest	<u><u>\$ 20,930</u></u>	<u><u>\$ -</u></u>

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

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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, 2025.

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, 2025**

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, 2025, 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, 2025.

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 - 39 years
Furniture and equipment	3 - 10 years
Website design	5 years

Receivables and Allowance for Credit Losses

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. Contributions receivable consist of unconditional promises to give that have not yet been received. Government receivables consist of amounts the Organization has incurred expenditures for in compliance with specific contract or grant provisions. Program service fees consist of parent and state receivables consist of amounts due from parents as well as state grant amounts due for student enrollment.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

Receivables and Allowance for Credit Losses (cont.)

The Organization reviews its receivables on a periodic basis to estimate an Allowance for Credit Losses in accordance with ASC 326, *Current Expected Credit Losses (CECL)*. This allowance represents management’s estimate of expected credit losses over the life of the receivables, based on historical collection experience, current conditions, and reasonable and supportable forecasts about future economic conditions that may affect the collectability of outstanding balances. The allowance is reviewed and adjusted as necessary at each reporting date to reflect any changes in management’s expectations. There was a \$12,130 allowance for credit losses for parent and state receivables at June 30, 2025. Management believes all government and contribution receivables to be collectible.

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, 2025, there was no donated gifts of land, buildings, or equipment.

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 \$24,978 of government advances recorded at June 30, 2025.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

Contracts – Program Service Fees

Program service fees include parent fees and tuition as well as state funding for approved students for tuition that represents revenue earned from providing educational services to students. These fees are recognized as revenue over the period in which the related educational services are provided, consistent with the performance obligations outlined in contracts with parents or guardians and the state. The transaction price is determined based on the fee schedule established by the state and is allocated to the performance obligations based on the service delivery period. Parent fees are invoiced on the first of the month and are expected to be paid by the 15th of the month. State funding is submitted for reimbursement in the subsequent month of service. Revenue resulting from contracts amounted to \$1,200,965 for the year ended June 30, 2025 with \$281,137 receivable, net of the allowance for credit losses.

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, 2025, Educare did not receive any donated services.

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, 2025, Educare did not receive any in-kind donations.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2025 amounted to \$6,360,647. Of this amount, approximately 93% of its funding was from three government agencies. Furthermore, 100% of the government receivables are due from the same three agencies. 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, 2024, from which the summarized information was derived.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

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

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 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.

Leases

Educare determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (“ROU”) assets – operating leases and operating lease liability in the statement of financial positions. ROU assets represent the Educare’s right to use an underlying asset for the lease term and lease liabilities represent the Educare’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that Educare will exercise that option.

Lease expense for operating lease payments are recognized on a straight-line basis over the lease term. Educare has elected to recognize payments for short-term leases with a lease term of 12 months or less as an expense as incurred and these leases are not included as lease liabilities or right of use assets on the statement of financial position. Educare also used the practical expedient to not separately allocate lease and non-lease components.

When individual lease contracts do not provide information about the discount rate implicit in the lease, Educare has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities. The lease liability includes free rent and future lease incentives from the landlord. The value of a lease is reflected in the valuation if it is reasonably certain management will exercise an option to extend or terminate a lease.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The Organization has evaluated subsequent events through January 22, 2026, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 2 – Financial Assets and Liquidity Resources

As of June 30, 2025, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at June 30, 2025	
Cash and cash equivalents	\$ 3,100,032
Government receivables	937,067
Contributions and other receivables	387,590
Total financial assets and liquidity resources	<u>4,424,689</u>
Less amounts not available within one year	
Allowance for credit losses	(12,130)
Net assets with donor purpose restrictions	<u>(242,669)</u>
Total financial assets available within one year	<u>\$ 4,169,890</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, 2025 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.

Note 3 – Property and Equipment

At June 30, 2025, property and equipment consisted of the following:

Land	\$ 1,142,899
Land held-for-sale	350,000
Building and improvements	8,791,136
Furniture and equipment	456,794
Website design	25,938
	<u>10,766,767</u>
Less accumulated depreciation and amortization	<u>(4,692,637)</u>
Net property and equipment	<u>\$ 6,074,130</u>

Depreciation and amortization expense for the year ended June 30, 2025 was \$426,010.

**EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025**

Note 3 – Property and Equipment (cont.)

During fiscal year 2025, the Organization purchased two parcels of land as part of a larger real estate transaction. Management intends to sell the adjacent lot and has classified it as land held-for-sale. Land held-for-sale is carried at cost and is not depreciated.

In fiscal year 2025, the Organization purchased a building and the land on which it is located for use in program operations. The total cost allocated to the building was \$500,000 and the related land was recorded at \$700,000. Depreciation is recorded on a straight-line basis over an estimated useful life of 39 years for the building.

Note 4 – 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 \$108,043 in employer contributions for the year ending June 30, 2025.

Note 5 – Related Party

During the year ended June 30, 2025, the Organization paid approximately \$119,889 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 6 – Operating Leases

During 2017, the Organization entered into a 5-year lease agreement to rent a facility used for program services. The lease expired on November 30, 2024. Upon expiration, the Organization continued to occupy the space on a month-to-month basis under the same general terms.

Because the lease transitioned to month-to-month during fiscal year 2025, the ROU asset and related lease liability were fully amortized and derecognized as of November 30, 2024.

Rental expense for this lease, included in the Statement of Activities for the year ended June 30, 2025, was \$41,889 , consisting of:

Fixed lease costs	\$ 28,200
Variable lease cost (utilities)	13,689
Total lease cost	<u>\$ 41,889</u>

No operating lease right-of-use assets or operating lease liabilities were outstanding as of June 30, 2025.

EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025

Note 7 –Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30, 2025:

Gustafon Family Foundation Challenge Grant	\$ 28,596
Red Nose Day Grant	33,178
Science program	3,000
Workforce development	45,000
Leadership Policy and Advocacy	44,427
Mental health support	11,301
Kindergarten Readiness	77,167
	<u>\$ 242,669</u>

Note 8 –Long-Term Debt

In March 2025, the Organization entered into a mortgage note totaling \$1,050,000 in connection with the acquisition of a facility. The note requires monthly interest-only payments for the first six months, beginning April 7, 2025, based on a stated annual interest rate of 6.50%. Beginning October 7, 2025, the note transitions to 54 monthly principal and interest payments of \$7,151.

Following this period, beginning April 7, 2030, the loan converts to a variable-rate structure, with 59 monthly principal and interest payments calculated using an interest rate equal to a published index plus a fixed margin. A final principal and interest payment is due at maturity on March 7, 2035. The loan is secured by the related real property and associated collateral. As the loan remained in its interest-only period during fiscal year 2025, no principal payments were due or made prior to year-end.

In March 2025, the Organization also entered into a supplemental mortgage note totaling \$210,000 to finance additional costs associated with the facility acquisition. The note requires monthly interest-only payments for the first six months, beginning April 7, 2025, at a stated annual interest rate of 6.50%. Beginning October 7, 2025, the loan transitions to 29 monthly principal and interest payments of \$1,430, calculated using the same 6.50% interest rate.

A final principal and interest balloon payment of \$202,404 is due on March 7, 2028, at which time the loan matures. The note is secured by a subordinate mortgage on the related real property and associated collateral. As the loan remained in its interest-only period during fiscal year 2025, no principal payments were due or made before year-end.

**EDUCARE OF WEST DUPAGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2025**

Note 8 –Long-Term Debt (cont.)

The combined outstanding principal balance at June 30, 2025 was \$1,260,000. Future principal maturities for both loans combined for the years ending June 30 are as follows:

2026	\$	15,268
2027		21,564
2028		223,038
2029		20,509
2030		21,909
Thereafter		957,712
Total		<u>\$ 1,260,000</u>

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

EDUCARE OF WEST DUPAGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2025

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing 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)	\$ 2,543,561
Total Head Start Cluster			<u> </u>	<u>2,543,561</u>
Total U.S. Department of Health and Human Services			<u> -</u>	<u>2,543,561</u>
U.S. Department of Agriculture				
Passed through Illinois State Board of Education				
Child and Adult Care Food Program	10.558	19022073P00	<u> -</u>	<u>232,796</u>
Total U.S. Department of Agriculture			<u> -</u>	<u>232,796</u>
Total Expenditures of Federal Awards			<u><u> -</u></u>	<u><u>2,776,357</u></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, 2025

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, 2025. 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, 2025.

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, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 22, 2026.

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. 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.

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*.

Purpose of this Report

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



January 22, 2026
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, 2025. 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, 2025.

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.

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

Report on Internal Control over Compliance (cont.)

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 & Akers, Ltd

January 22, 2026
Chicago, IL

**EDUCARE OF WEST DUPAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2025**

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

Assistance Listing

Name of Federal Program or Cluster

Number

Head Start

93.600

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

Auditee qualified as low-risk auditee? X yes _____ no

**EDUCARE OF WEST DUPAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2025**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Financial Statement Findings– Prior Year

None

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

None