



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED JUNE 30, 2021

EDUCARE OF WASHINGTON, DC

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2020**

EDUCARE OF WASHINGTON, DC

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Educare of Washington, DC
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Educare of Washington, DC (Educare), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educare as of June 30, 2021, and the change 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.

Report on Summarized Comparative Information

We have previously audited Educare's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(20 - 21), 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 (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2021 on our consideration of Educare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Educare's internal control over financial reporting and compliance.



November 22, 2021

EDUCARE OF WASHINGTON, DC
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020

ASSETS	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,636,739	\$ 5,154,568
Accounts receivable	261,496	370,682
Pledges receivable	75,000	175,000
Grants receivable	2,496,699	596,082
Prepaid expenses	<u>149,440</u>	<u>66,398</u>
Total current assets	<u>7,619,374</u>	<u>6,362,730</u>
PROPERTY AND EQUIPMENT		
Capital lease building	12,700,000	12,700,000
Furniture and equipment	583,890	569,578
Leasehold improvements	2,270,546	220,342
Other	<u>15,000</u>	<u>15,000</u>
	15,569,436	13,504,920
Less: Accumulated depreciation and amortization	<u>(2,378,186)</u>	<u>(1,993,749)</u>
Net property and equipment	<u>13,191,250</u>	<u>11,511,171</u>
OTHER ASSETS		
Pledges receivable, net of current portion and discount	<u>-</u>	<u>72,595</u>
TOTAL ASSETS	<u>\$ 20,810,624</u>	<u>\$ 17,946,496</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Paycheck Protection Program note payable	\$ 16,047	\$ 47,173
Notes payable	91,733	-
Accounts payable and accrued liabilities	805,762	383,405
Accrued salaries and related benefits	<u>379,291</u>	<u>266,400</u>
Total current liabilities	<u>1,292,833</u>	<u>696,978</u>
LONG-TERM LIABILITIES		
Paycheck Protection Program note payable, net of current portion	129,583	75,927
Notes payable, net of current portion	845,199	-
Deferred rent	<u>7,684</u>	<u>-</u>
Total long-term liabilities	<u>982,466</u>	<u>75,927</u>
Total liabilities	<u>2,275,299</u>	<u>772,905</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	<u>2,397,041</u>	<u>1,421,031</u>
Board designated:		
Operating reserve	1,271,300	989,500
Building reserve	<u>1,233,900</u>	<u>1,048,400</u>
Total board designated	<u>2,505,200</u>	<u>2,037,900</u>
Invested in fixed assets	<u>13,191,250</u>	<u>11,511,171</u>
Total net assets without donor restrictions	18,093,491	14,970,102
With donor restrictions	<u>441,834</u>	<u>2,203,489</u>
Total net assets	<u>18,535,325</u>	<u>17,173,591</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 20,810,624</u>	<u>\$ 17,946,496</u>

See accompanying notes to financial statements.

EDUCARE OF WASHINGTON, DC

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Contributions and grants	\$ 2,717,472	\$ 1,515,308	\$ 4,232,780	\$ 5,472,659
Federal grants	10,420,807	-	10,420,807	4,831,069
In-kind contributions	1,406,692	-	1,406,692	581,013
Program income	-	-	-	10,028
Other revenue	91,156	-	91,156	50,888
Net assets released from donor restrictions	<u>3,276,963</u>	<u>(3,276,963)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>17,913,090</u>	<u>(1,761,655)</u>	<u>16,151,435</u>	<u>10,945,657</u>
EXPENSES				
Program Services	<u>14,028,373</u>	<u>-</u>	<u>14,028,373</u>	<u>8,517,413</u>
Supporting Services:				
Management and General	508,431	-	508,431	1,196,236
Fundraising/Development	<u>375,997</u>	<u>-</u>	<u>375,997</u>	<u>310,213</u>
Total supporting services	<u>884,428</u>	<u>-</u>	<u>884,428</u>	<u>1,506,449</u>
Total expenses	<u>14,912,801</u>	<u>-</u>	<u>14,912,801</u>	<u>10,023,862</u>
Change in net assets before other items	<u>3,000,289</u>	<u>(1,761,655)</u>	<u>1,238,634</u>	<u>921,795</u>
OTHER ITEMS				
Contribution due to unwind of NMTC	-	-	-	15,397,200
Extinguishment of debt	<u>123,100</u>	<u>-</u>	<u>123,100</u>	<u>-</u>
Total other items	<u>123,100</u>	<u>-</u>	<u>123,100</u>	<u>15,397,200</u>
Change in net assets	3,123,389	(1,761,655)	1,361,734	16,318,995
Net assets at beginning of year	<u>14,970,102</u>	<u>2,203,489</u>	<u>17,173,591</u>	<u>854,596</u>
NET ASSETS AT END OF YEAR	<u>\$ 18,093,491</u>	<u>\$ 441,834</u>	<u>\$ 18,535,325</u>	<u>\$ 17,173,591</u>

EDUCARE OF WASHINGTON, DC

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	2021			2020		
	Supporting Services			Total Expenses	Total Expenses	
	Program Services	Management and General	Fundraising/ Development			Total Supporting Services
Payroll expenses	\$ 6,648,470	\$ 74,869	\$ 267,581	\$ 342,450	\$ 6,990,920	\$ 5,205,151
Professional services and contracts	3,109,020	288,608	76,833	365,441	3,474,461	1,809,304
Occupancy charges	1,853,707	68,306	12,509	80,815	1,934,522	1,600,802
Child services and activities	794,844	-	-	-	794,844	702,294
Office expenses	783,659	3,578	7,278	10,856	794,515	296,764
Equipment	544,137	1,014	346	1,360	545,497	59,987
Business expenses	104,962	40,529	-	40,529	145,491	125,745
Training	96,911	8,405	799	9,204	106,115	91,473
Travel and meetings	39,110	20,731	7,962	28,693	67,803	120,250
Communications	53,553	2,391	2,689	5,080	58,633	12,092
TOTAL	\$ 14,028,373	\$ 508,431	\$ 375,997	\$ 884,428	\$ 14,912,801	\$ 10,023,862

EDUCARE OF WASHINGTON, DC

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2020**

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,361,734	\$ 16,318,995
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	384,437	291,614
Extinguishment of debt	(123,100)	-
Discount on long-term pledges receivable	-	2,405
Net deferred financing costs	-	402,639
Contribution due to unwind of NMTC	-	(15,397,200)
Decrease (increase) in:		
Accounts receivable	109,186	134,723
Pledges receivable	172,595	165,624
Grants receivable	(1,900,617)	278,939
Prepaid expenses	(83,042)	58,155
Increase in:		
Accounts payable and accrued liabilities	422,357	202,580
Accrued salaries and related benefits	112,891	129,319
Deferred rent abatement	<u>7,684</u>	<u>-</u>
Net cash provided by operating activities	<u>464,125</u>	<u>2,587,793</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(2,064,516)</u>	<u>(131,864)</u>
Net cash used by investing activities	<u>(2,064,516)</u>	<u>(131,864)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program note payable	145,630	123,100
Proceeds from note payables	<u>936,932</u>	<u>-</u>
Net cash provided by financing activities	<u>1,082,562</u>	<u>123,100</u>
Net (decrease) increase in cash and cash equivalents	(517,829)	2,579,029
Cash and cash equivalents at beginning of year	<u>5,154,568</u>	<u>2,575,539</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,636,739</u>	<u>\$ 5,154,568</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	<u>\$ 1,389</u>	<u>\$ 38,620</u>
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION:		
Unwound of Long Term Debt in Relation to New Market Tax Credit Transaction	<u>\$ -</u>	<u>\$ 15,397,200</u>

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Educare of Washington, DC (Educare) is a non-profit organization, founded in 2010, incorporated and located in Washington, D.C. Educare started operations in July 2012. Educare's mission is to serve the children and families of Washington, D.C. by engaging and empowering parents in their children's learning and by providing high-quality education through small class sizes and cutting-edge teaching methods. Since opening in 2012, Educare DC has increased its capacity significantly, from 160 children in Educare's custom-built, state-of-the-art early childhood center in Parkside, to 304 children across 5 additional partner sites in DC's Wards 7 and 8.

Educare is part of the larger Educare Learning Network (ELN), which is a partnership between the Ounce of Prevention Fund, the Buffet Early Childhood Fund, and other national philanthropies and public/private partners from 16 states across America. The 25 schools in the ELN are designed to prepare young children for school, nurture early learning, create a more effective early learning program, and drive change among policymakers regarding early childhood learning.

Educare has earned accreditation from the National Association for the Education of Young Children (NAEYC) – the nation's leading organization of early childhood professionals. Educare is one of 12% of early learning programs in DC to receive the High-Quality designation.

Programs -

CACFP-Food Reimbursement -

To ensure the students receive proper nutrition, Educare participates in the Child and Adult Care Food Program, which provides funding to Educare to supplement the costs of the food provided to the students as part of a balanced diet. Educare offers three meals a day plus a snack to the children based on their other program participation.

Early Head Start-Child Care Partnership -

Educare DC's Early Head Start-Child Care Partnership (EHS-CCP) program is funded through a five-year federal grant from the Administration for Children and Families (ACF) within the Department of Health and Human Services. Through this program, Educare DC partners with child care programs in D.C.'s Wards 7 and 8 to serve an additional 144 infants and toddlers and their families. The program enables Educare's child care partners to implement Early Head Start's high-quality standards in classrooms and to add new services including health, oral health, nutrition, mental health, and supports for children with special needs. The program also provides family engagement services, designed to help low-income families build positive relationships with their children and achieve self-sufficiency, as well as facility enhancements.

Early Head Start/Head Start -

Educare runs an Early Head Start (infant-toddler) and Head Start (pre-kindergarten) program for children ranging in age from 6 weeks to 5 years. The infant-toddler program, for children ages 6 weeks to 3 years, is designed to provide children with high-quality interactions and caring attention from their teachers. Each classroom has eight children and three teachers, who work closely with each child, supporting their social, emotional and cognitive development over three years.

EDUCARE OF WASHINGTON, DC

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Programs (continued) -

Early Head Start/Head Start (continued) -

The pre-kindergarten program uses a play-based curriculum to ensure the 3-, 4- and 5 year-old students are ready to learn and succeed in kindergarten and beyond. Teachers design learning units based on the children's interests, and Educare partners with community organizations to bring additional services to the classroom. Three teachers work with 16-20 children, allowing each child to receive individualized attention and instruction. The programs are funded in part by the Early Head Start and Head Start Federal programs.

Head Start Program Expansion in FY21 -

Educare was awarded \$6,493,924 in July 2020 through a five-year federal grant from the Administration for Children and Families (ACF) within the Department of Health and Human Services. Through this program, Educare will fully implement a 0-5 continuum of care, through the provision of Head Start (HS) comprehensive services for 24 prenatal women, 160 infants and toddlers and 60 pre-k children.

Pre-K Enhancement and Expansion Grant -

Educare is a recipient of the Pre-K Expansion and Enhancement Grant through the Office of the State Superintendent of Education (OSSE). This funding is allocated to community-based organizations providing Pre-K services pursuant to the Pre-K Enhancement and Expansion Amendment Act of 2008. In order to receive funding, community-based organizations must meet a variety of high-quality standards, such as operating full-day educational programs, employing qualified teachers and paying wages equivalent to what public school Pre-K teachers earn, and using curricula that are aligned with the D.C. Common Core.

At-Risk Funding -

Educare is the recipient of supplemental funding for at-risk Pre-K students, which is authorized by the Early Learning Equity Act of 2017 and administered by the Office of the State Superintendent (OSSE). In order to qualify for at-risk funding, children must be homeless, eligible for public assistance (TANF or SNAP), or in foster care. The funding is a supplement to the per student funding granted through the Pre-K Enhancement and Expansion program.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.

EDUCARE OF WASHINGTON, DC

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Basis of presentation (continued) -

- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Educare's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

New accounting pronouncement adopted -

During 2021, Educare adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way Educare recognized revenue; however, the presentation and disclosures of revenue have been enhanced. Educare has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Cash and cash equivalents -

Educare considers all cash, including restricted cash, and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Educare maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Accounts, pledges and grants receivable -

Accounts, pledges and grants receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions and grants revenue.

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Property and equipment -

Property and equipment in excess of \$2,500 are capitalized and stated at cost. Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally ten years.

The capitalized leased building and improvements are amortized over the life of the lease which is 65 years. The cost of maintenance and repairs is recorded as expenses are incurred. Depreciation and amortization expense for the year ended June 30, 2021 totaled \$384,437, and is included in occupancy charges in the accompanying Statement of Functional Expenses.

Impairment of long-lived assets -

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the assets is reduced, by a charge to Statement of Activities and Change in Net Assets, to its current fair value. There were no assets considered impaired for the year ended June 30, 2021.

Income taxes -

Educare is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Educare is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2021, Educare has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Contributions and grants -

The majority of Educare's activities are supported by contributions and grants from the U.S. Government and other foundations. These awards are for various activities performed by Educare. Contributions and grants are recognized in the appropriate category of net assets in the period received. Educare performs an analysis of the individual contribution or grant to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal under ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*.

For contributions and grants qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Contributions and grants qualifying as contributions that are unconditional and have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

EDUCARE OF WASHINGTON, DC

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Contributions and grants (continued) -

Contributions and grants qualifying as conditional contributions contain a right of return from obligation provision that limits Educare on how funds transferred should be spent. Additionally, a barrier is present that is related to the purpose of the agreement. Revenue is recognized when the condition or conditions on which they depend are substantially met. Most grant awards from the United States Government and foundations are for direct and indirect program costs. These transactions are nonreciprocal and classified as conditional and are therefore recognized as contributions when the revenue becomes unconditional. Educare recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. For contributions and grants treated as contributions, Educare had approximately \$2,150,000 in unrecognized conditional awards as of June 30, 2021.

In-kind contributions -

In-kind contributions consist of pro-bono professional services and donated rent. In-kind contributions are recorded at their fair market value as of the date of the contribution.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying Statement of Activities and Change in Net Assets and by their natural classification in the Statement of Functional Expenses. Costs incurred by a program service or supporting service are charged directly to that service. Other management and general administrative expenses are allocated based on modified total direct costs. Salary and other related payroll costs are allocated based on time spent.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact Educare's operations. The overall potential impact is unknown at this time.

New accounting pronouncements not yet adopted -

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities.

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

New accounting pronouncements not yet adopted (continued) -

The ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted. The amendment will not change the recognition and measurement requirements for those contributed nonfinancial assets.

ASU 2019-01, *Leases* (Topic 842) changes the accounting treatment for operating leases by requiring recognition of a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosure of key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non-public entities for fiscal years beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

Educare plans to adopt the new ASUs at the required implementation dates and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. CAPITAL LEASE OBLIGATION

In August 2012, Educare entered into a 65-year capital lease agreement with Bounce D.C., a related party, which expires on September 6, 2077, to rent property located at 640 Anacostia Avenue, NE, Washington, D.C. As part of the agreement, Educare, at the time of execution of the agreement, paid a one-time lump sum payment of \$12,700,000, which represented the full amount of rent due during the lease term. Because the term of the lease is more than 75% of the estimated useful life of the corresponding asset, the property is being depreciated using the straight-line method over the term of the lease. Because of the lump sum payment, there are no future payments due for the remainder of the lease.

As of June 30, 2021, the cost and related accumulated amortization of the leased asset were \$12,700,000 and \$1,709,624, respectively. Amortization of assets held under capital leases is included with depreciation and amortization expense.

3. LINE OF CREDIT

Educare has a \$500,000 bank line of credit which matures February 1, 2023. Amounts borrowed under this agreement bear interest at a variable rate floor of 3.1%. (3.1% at June 30, 2021). As of June 30, 2021, there was no outstanding balance on the line of credit. The line is secured by Educare's assets.

4. NOTES PAYABLE

On February 2, 2021, Educare entered into a promissory note with Truist Bank in the amount of \$570,000, bearing annual fixed interest at 3.99% with a maturity date of February 1, 2028. The note is collateralized by Educare's assets and is subject to covenants.

On May 13, 2021, Educare entered into a forgivable promissory note with Reinvestment Fund, Inc. in the amount of \$366,932.

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4. NOTES PAYABLE (Continued)

Upon satisfaction of the loan forgiveness conditions stated in the loan agreement, a portion of the outstanding principal balance of the loan up to 25% will be forgiven on an annual basis until the loan maturity date of March 13, 2025. The note is collateralized by a security interest agreement on all furniture, fixtures and equipment purchased with the loan funds and is subject to covenants.

Principal payments are due as follows:

<u>Year Ending June 30,</u>	
2022	\$ 91,733
2023	158,234
2024	296,312
2025	304,784
2026	<u>85,869</u>
	<u>\$ 936,932</u>

For the year ended June 30, 2021, interest expense was \$1,389.

5. PAYCHECK PROTECTION PROGRAM NOTE PAYABLE

On May 4, 2020, Educare received loan proceeds in the amount of \$123,100 under the Paycheck Protection Program. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note must be used for certain expenditures within a 24-week period to ultimately be forgiven by the Small Business Administration (SBA). During the year ended June 30, 2021, Educare expended and tracked the PPP funds for purposes outlined in the CARES Act guidance and met all conditions set forth for full forgiveness. On June 2, 2021, Educare received notification the total amount of the PPP funds were forgiven by the SBA. Accordingly, Educare recorded revenue from extinguishment of debt during the year ended June 30, 2021 in the Statement of Activities and Change in Net Assets.

On March 24, 2021, Educare received loan proceeds in the amount of \$145,630 under the Paycheck Protection Program. The promissory note bears interest at a rate of 1.00% per year and calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments until ten months after completion of the 24 week spending period. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the SBA in whole or in part. Educare intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. Educare intends to apply for forgiveness after completing the 24 week spending period. If forgiveness is granted, Educare will record revenue from debt forgiveness of debt during the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

<u>Year Ending June 30,</u>	
2022	\$ 16,047
2023	34,773
2024	35,123
2025	35,476
2026	<u>24,211</u>
	<u>\$ 145,630</u>

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

6. EMPLOYEE RETENTION CREDIT

The Employee Retention Credit (ERC) is a fully refundable tax credit for employers equal to 50% of qualified wages (including allocable qualified health plan expenses) that eligible employers pay their employees. The ERC applies to qualified wages paid after March 12, 2020, and before January 1, 2021. The maximum amount of qualified wages taken into account with respect to each employee for all calendar quarters is \$10,000 with a maximum credit of \$5,000 per employee.

During the year ended June 30, 2021, Educare expended and tracked the qualified wages for purposes outlined in the CARES Act guidance and believes it met all conditions set forth for full receipt of the credit. Accordingly, under guidance found in FASB ASC 958-605, Educare has recognized the ERC funding as a conditional grant by which all conditions have been met and recorded contribution revenue in the amount of \$212,560 during the year ended June 30, 2021 in the Statement of Activities and Change in Net Assets

7. BOARD DESIGNATED NET ASSETS

During the year ended June 30, 2020, Educare ended with a surplus, due in part to lower than budgeted spending in the initial months of its COVID-19 related facility closure, as well as receipt of purpose-restricted and COVID-relief private donations. Management is preparing for the potential impacts of the pandemic, including any financial downturn or volatility in charitable giving or government funding that may result from the economic ramifications of the pandemic. Management is also planning for the possibility of new demands on financial resources due to the increased cost of reopening safely and continuing a hybrid in-person and virtual teaching model.

In order to plan and manage for future needs, the Board of Directors have designated net assets for the following purposes:

Operating Reserve	\$ 1,271,300
Building Reserve	<u>1,233,900</u>
BOARD DESIGNATED NET ASSETS	<u>\$ 2,505,200</u>

The creation of these reserves will:

- Ensure the stability of the mission, programs, employment and ongoing operations of the organization.
- Buffer Educare from financial challenges that may be encountered in the future, including sudden reductions in public or private funding, turbulence in the economy overall, and critical unexpected and/or unbudgeted spending needs.
- Protect and maintain the agency’s single biggest asset, a \$12M building, which is currently eight years old and may need additional maintenance and improvements in the coming years.
- Ease any revenue seasonality or other cash-flow issues.

8. LEASE COMMITMENTS

Educare leases office space under a fifty five-month agreement, which originated in November 2020. Base rent is \$23,333 per year, increasing by a factor of 2% per year.

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

8. LEASE COMMITMENTS (Continued)

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statement of Financial Position.

The following is a schedule of the future minimum lease payments:

<u>Year Ending June 30,</u>	
2022	\$ 285,600
2023	291,312
2024	297,138
2025	<u>303,081</u>
	<u>\$ 1,177,131</u>

Rent expense for the year ended June 30, 2021 under this lease agreement was \$171,017. The deferred rent liability was \$7,684.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at June 30, 2021:

Advocacy for Low Income Children	\$ 25,000
Comprehensive Health	50,000
Covid Response	26,704
Early Educator Fellowship	72,166
Premium Pay	52,011
Red Nose	40,953
Time Restricted	<u>175,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 441,834</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Advocacy for Low Income Children	\$ 100,255
Covid Response	22,150
Early Educator Fellowship	88,924
Family Engagement	30,000
Hub/ELN	22,652
IDEA Project	1,500,000
Intensive Family Engagement	150,000
PRA	250,000
Premium Pay	147,989
Red Nose	39,993
Passage of Time	<u>925,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,276,963</u>

EDUCARE OF WASHINGTON, DC

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

10. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 4,636,739
Accounts receivable	261,496
Pledges receivable	75,000
Grants receivable	<u>2,496,699</u>
Subtotal financial assets available within one year	7,469,934
Less: Donor restricted funds	(316,834)
Less: Board-designated funds	<u>(2,505,200)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 4,647,900</u>

Educare is substantially supported by government grants and restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Educare must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Educare's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Educare has a line of credit agreement (as further discussed in Note 3) which allows for additional available borrowings up to \$500,000.

11. RETIREMENT PLAN

Educare provides retirement benefits to its employees through a 403(b) plan covering all full-time employees after 90 days of continued service. Educare contributed 2% of gross wages plus a 1% match. Contributions to the Plan during the year ended June 30, 2021 totaled \$98,351 and are included in payroll expenses in the Statement of Functional Expenses.

12. CONTINGENCY

Educare receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions 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)*.

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2021. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

13. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2021, Educare was the beneficiary of donated goods and services which allowed Educare to provide greater resources toward various programs.

EDUCARE OF WASHINGTON, DC
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

13. IN-KIND CONTRIBUTIONS (Continued)

To properly reflect total program expenses, the following donations have been included in revenue and expense for the year ended June 30, 2021.

Donated Accounting Services	\$ 14,100
Donated HR Services	25,800
Donated Legal Fees	154,568
Donated Childcare Services	685,077
Donated Rent	<u>527,147</u>
TOTAL	\$ <u>1,406,692</u>

The following programs have benefited from these contributed services and materials:

Program Services	\$ 1,368,592
Management and General	<u>38,100</u>
TOTAL	\$ <u>1,406,692</u>

14. SUBSEQUENT EVENTS

In preparing these financial statements, Educare has evaluated events and transactions for potential recognition or disclosure through November 22, 2021, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

EDUCARE OF WASHINGTON, DC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed-Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
U.S. Department of Health and Human Services (HHS)				
CCDF Cluster - The Child Care and Development Fund				
DC Office of the State Superintendent of Education - Child Care and Development Block Grant	93.575		\$ -	\$ 121,726
Washington Area Community Investment Fund - Child Care and Development Block Grant	93.575		-	35,806
Sub-total CCDF Cluster - The Child Care and Development Fund			<u>-</u>	<u>157,532</u>
Head Start Cluster				
Head Start/Early Head Start	93.600	N/A	368,669	6,707,676
COVID-19 - Head Start/Early Head Start	93.600	N/A	-	214,429
COVID-19 - Early Head Start	93.600	N/A	-	126,548
Early Head Start	93.600	N/A	-	3,163,262
Sub-total Head Start Cluster			<u>-</u>	<u>10,211,915</u>
Total U.S. Department of Health and Human Services (HHS)			<u>-</u>	<u>10,369,447</u>
U.S. Department of Agriculture (USDA)				
DC Office of the State Superintendent of Education - Child and Adult Care Food Program	10.558	CACFP #V-274	-	51,360
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 368,669</u>	<u>\$ 10,420,807</u>

EDUCARE OF WASHINGTON, DC

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of Educare under programs of the Federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Educare, it is not intended to and does not present the financial position, changes in net assets or cash flows of Educare.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Educare has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

EDUCARE OF WASHINGTON, DC

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

5). Type of auditor's report issued on compliance for major federal programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

7). Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start/Early Head Start

8). Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9). Auditee qualified as a low-risk auditee? Yes No

EDUCARE OF WASHINGTON, DC

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.

Section IV - Prior Year Findings with Current Year Status

There were no reportable findings.



CPAs & ADVISORS

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

Independent Auditor's Report

To the Board of Directors
Educare of Washington, DC
Washington, D.C.

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 Washington, DC (Educare) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Educare's basic financial statements, and have issued our report thereon dated November 22, 2021.

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) as a basis for designing audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Educare's internal control. Accordingly, we do not express an opinion on the effectiveness of Educare'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 Educare'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.

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

November 22, 2021



CPAs & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

To the Board of Directors
Educare of Washington, DC
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Educare of Washington, DC'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's major federal programs for the year ended June 30, 2021. Educare's major Federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Educare's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Educare's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Educare's compliance.

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Opinion on Each Major Federal Program

In our opinion, Educare complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Educare is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Educare's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Educare's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



November 22, 2021