

**HEAD START OF EASTERN
ORANGE COUNTY, INC.**

**Financial Statements, Required Reports
Under the Uniform Guidance
and Independent Auditor's Report**

April 30, 2022 and 2021

HEAD START OF EASTERN ORANGE COUNTY, INC.

April 30, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Head Start of Eastern Orange County, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Head Start of Eastern Orange County, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of April 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Head Start of Eastern Orange County, Inc. as of April 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 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.

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 the Organization'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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's April 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the 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 taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2022 on our consideration of the Organization'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 solely 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 the effectiveness of the entity's 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 the Organization's internal control over financial reporting and compliance.

Wojeski & Company, CPAs, P.C.

Albany, New York
November 1, 2022

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statements of Financial Position

	April 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 173,602	\$ 145,177
Grant and accounts receivable	150,220	205,217
Prepaid expenses and other current assets	<u>73,494</u>	<u>62,659</u>
TOTAL CURRENT ASSETS	<u>397,316</u>	<u>413,053</u>
PROPERTY AND EQUIPMENT		
Building	187,272	187,272
Leasehold improvements	868,755	779,636
Computer hardware and software	56,333	56,333
Equipment	<u>39,354</u>	<u>39,354</u>
	1,151,714	1,062,595
Less accumulated depreciation	<u>(916,904)</u>	<u>(898,844)</u>
	<u>234,810</u>	<u>163,751</u>
	<u>\$ 632,126</u>	<u>\$ 576,804</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 72,232	\$ 140,359
Accrued salaries and related items	74,133	72,992
Deferred grant revenue	<u>40,529</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	186,894	213,351
NET ASSETS, without donor restrictions	<u>445,232</u>	<u>363,453</u>
	<u>\$ 632,126</u>	<u>\$ 576,804</u>

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statements of Activities

	For the Year Ended April 30,	
	<u>2022</u>	<u>2021</u>
REVENUES AND SUPPORT		
Federal government - Head Start	\$ 2,615,785	\$ 2,711,248
Contributed materials and services	252,693	153,186
Universal Pre-K	213,950	216,150
Federal government - Child and Adult Care Food Program	128,053	26,456
Federal government - Child Care and Development Block Grant	67,971	-
Donations	50	26
Other	29	39
TOTAL REVENUES AND SUPPORT	<u>3,278,531</u>	<u>3,107,105</u>
EXPENSES		
Program services		
Early Childhood Services	2,562,006	2,548,258
Food Services	<u>205,168</u>	<u>149,361</u>
	2,767,174	2,697,619
Administration	<u>429,578</u>	<u>405,496</u>
TOTAL EXPENSES	<u>3,196,752</u>	<u>3,103,115</u>
CHANGE IN NET ASSETS	81,779	3,990
Net assets at beginning of year	<u>363,453</u>	<u>359,463</u>
NET ASSETS AT END OF YEAR	<u>\$ 445,232</u>	<u>\$ 363,453</u>

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statement of Functional Expenses

For the Year Ended April 30, 2022 (with comparative totals for the year ended April 30, 2021)

	Program Services			Support Services	2022 Total	2021 Total
	Early Childhood Services	Food Services	Total Program Services	Administration		
FUNCTIONAL EXPENSES						
Salaries and employee benefits	\$ 1,799,307	\$ 55,429	\$ 1,854,736	\$ 336,292	\$ 2,191,028	\$ 2,119,746
Contributed materials and services	252,693	-	252,693	-	252,693	153,186
Occupancy	108,913	12,445	121,358	6,736	128,094	129,322
Repairs and maintenance	98,829	11,217	110,046	8,890	118,936	147,268
Transportation	99,392	-	99,392	-	99,392	42,999
Program supplies	41,843	32,735	74,578	299	74,877	90,127
Children's food	-	67,473	67,473	-	67,473	23,970
Contracted professional services	22,695	18,005	40,700	24,696	65,396	58,098
Conferences, meetings and training	36,539	3,568	40,107	382	40,489	39,127
Office	28,551	890	29,441	2,931	32,372	171,933
Professional fees	-	-	-	32,257	32,257	27,476
Insurance	24,438	1,527	25,965	4,381	30,346	29,786
Telephone and internet	17,416	793	18,209	3,391	21,600	27,863
Depreciation	14,332	472	14,804	3,255	18,059	15,913
Dues and subscriptions	4,648	93	4,741	5,178	9,919	8,569
Travel and vehicle	29	-	29	104	133	(3,263)
Other	12,381	521	12,902	786	13,688	20,995
	<u>\$ 2,562,006</u>	<u>\$ 205,168</u>	<u>\$ 2,767,174</u>	<u>\$ 429,578</u>	<u>\$ 3,196,752</u>	<u>\$ 3,103,115</u>

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statements of Cash Flows

	For the Year Ended April 30,	
	<u>2022</u>	<u>2021</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 81,779	\$ 3,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,059	15,913
Changes in operating assets and liabilities:		
Grant and accounts receivable	54,997	45,356
Prepaid expenses and other current assets	(10,835)	14,982
Accounts payable and accrued expenses	(68,126)	(1,084)
Deferred grant revenue	40,529	-
Accrued salaries and related items	<u>1,141</u>	<u>11,334</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>117,544</u>	<u>90,491</u>
INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(89,119)</u>	<u>(35,888)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(89,119)</u>	<u>(35,888)</u>
NET INCREASE IN CASH	28,425	54,603
Cash at beginning of year	<u>145,177</u>	<u>90,574</u>
CASH AT END OF YEAR	<u>\$ 173,602</u>	<u>\$ 145,177</u>

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements

April 30, 2022 and 2021

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Head Start of Eastern Orange County, Inc. (the "Organization") was established and incorporated March 2002. The Organization's purpose is to establish, maintain and operate Head Start Centers in Eastern Orange County, New York and to provide a developmentally appropriate early education and care program on a non-discriminatory basis for children of low-income families. The Organization is committed to providing the highest quality program to meet the health, education, and social support needs of children and families.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting whereby all assets and liabilities are recorded during the period in which they were incurred.

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities*. Under these provisions net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to usage restrictions based on donor-imposed stipulations. This class also includes net assets previously restricted when restrictions have expired or been met.

Net assets with donor restrictions – Net assets subject to usage limitations based on donor-imposed restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may be required to be maintained in perpetuity. There were no net assets with donor restrictions at April 30, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grant Revenue Recognition

Substantially all of the Organization's revenue is derived from cost reimbursement contracts that provide for the recovery of direct costs. Grants and contracts awarded for program activities are recognized only to the extent of direct costs incurred or when such costs are eligible for reimbursement.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Revenue from Contracts with Customers

Revenue from promised goods or services are recognized when control is transferred to the customers in an amount that reflects the consideration that the Organization expects to be entitled to in exchange for those goods or services.

The Organization evaluates whether a contract should be accounted for as more than one performance obligation. This evaluation requires significant judgement and could change the amount of revenue recorded in a given period. Contracts are considered to be a single performance obligation if the promise to transfer individual goods or services are not distinct or separately identifiable from other promises in the contracts.

The transaction price is allocated to the separate performance obligations based on the best estimate of the relative standalone selling price.

Sources of revenue from contracts with customers include:

Universal Pre-K Revenue – comprised of revenue related to a contract with the Newburgh Enlarged City School District to provide a half day Universal Pre-K program. Revenue is recognized based on negotiated contractual amounts on a straight-line basis over the ten-month school year as the service is being provided.

Contributions

Contributions, including unconditional promises to give, are recorded in the period received. Contributions received are recorded as increases in net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported on the statement of activities as net assets released from restrictions. However, if a donor restriction is fulfilled in the same period in which the contribution is received, the Organization reports the support as an increase in net assets without donor restrictions.

Cash

Cash consists of a certificate of deposit and various demand deposits at local financial institutions. The Organization's cash balances in financial institutions may at times exceed the limits insured by the Federal Deposit Insurance Corporation (FDIC).

Grant and Accounts Receivable

Grant and accounts receivable are non-interest bearing and are recorded at their estimated collectable amounts. The Organization uses the allowance method to account for uncollectable receivables. Receivable balances are periodically reviewed for collectability based on past history and current economic conditions. The Organization considers all grant and account receivable balances to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Property and Equipment

Property and equipment is recorded at cost, or in the case of donations or bequests, at fair market value at the date of acquisition. Expenditures for additions, renewals or betterments are capitalized; expenditures for maintenance and repairs are charged to expenses as incurred. The Organization's policy is to capitalize additions costing more than \$5,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years. When units of property and equipment are retired or otherwise disposed of, their cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to change in net assets.

Long-Lived Asset Impairment

Long-lived assets to be held and used are tested for recoverability whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the excess of the asset's carrying amount over the fair value of the asset. During the years ended April 30, 2022 and 2021, no impairment loss was recorded for long-lived assets.

Contributed Materials and Services

A substantial number of volunteers have made significant contributions of their time to the Organization. The value of non-professional contributed time is not reflected in the financial statements. However, the Organization values donated goods and professional services based on the estimated fair market value of the goods and services provided. The fair market value of these goods and services totaled \$252,693 and \$153,186 for the years ended April 30, 2022 and 2021, respectively. The corresponding fair market value expense for contributed materials and services is also included in the financial statements.

Tax Status

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization does not conduct unrelated business activities and, therefore, has made no provision for income taxes in the accompanying financial statements.

The Organization has adopted the provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. Management evaluated the Organization's tax positions, including interest and penalties attributable thereto, and concluded that the Organization had taken no tax positions that required adjustment to its financial statements as of April 30, 2022 and 2021.

The Organization's information return filings are subject to audit by various taxing authorities. The Organization is no longer subject to examinations by taxing authorities for the years ending before April 30, 2019, and currently, there are no examinations in process nor has the Organization been informed of any pending examinations.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Functional Allocation of Expenses

The cost of providing the programs and services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting service receiving the benefit on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and occupancy related expenses, which are allocated on a square footage basis, as well as salaries and related expenses, which are allocated on the basis of estimated time and effort. Other expenses are allocated based on other meaningful measures, examples include: the number of computers, telephone lines or copies made.

Comparative Totals, Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class, and expenses not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended April 30, 2021, from which the summarized information was derived.

Subsequent Events

The Organization evaluates transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date on which the financial statements are available to be issued. The financial statements were available to be issued on November 1, 2022.

NOTE B--LIQUIDITY AND AVAILABILITY OF RESOURCES

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments. Occasionally, the Board designates a portion of any operating surplus to its liquidity reserve, which was \$33,734 and \$33,707 as of April 30, 2022 and 2021, respectively. As of April 30, 2022, there is an established board-designated fund where the governing board has the objective of setting funds aside to be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside of the typical life cycle of converting financial assets to cash or settling financial liabilities. In the event of an unanticipated liquidity need, the Organization could also draw upon \$50,000 of available line of credit (see Note D). The Organization's financial assets available within one year of the balance sheet date for general expenditures consist of the following at April 30:

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE B--LIQUIDITY AND AVAILABILITY OF RESOURCES--Continued

	2022	2021
Cash	\$ 173,602	\$ 145,177
Grant and accounts receivable	150,220	205,217
Total financial assets	323,822	350,394
Less amounts unavailable for general expenditures:		
Liquidity reserve	(33,734)	(33,707)
Financial assets available within one year	<u>\$ 290,088</u>	<u>\$ 316,687</u>

NOTE C--GRANT AND ACCOUNTS RECEIVABLE

Grant and accounts receivable are comprised of the following at April 30:

	2022	2021
Head Start grant	\$ 93,944	\$ 158,651
Universal Pre-K	45,100	39,050
Child and Adult Care Food Program grant	11,176	7,516
	<u>\$ 150,220</u>	<u>\$ 205,217</u>

NOTE D--LINE OF CREDIT

The Organization has an unsecured working capital line of credit agreement with a bank. The Organization may borrow up to \$50,000 with a floating interest rate of 1% over the prime rate as published in the *Wall Street Journal* (4.50% at April 30, 2022). The line is due upon demand. At April 30, 2022 and 2021, no amounts were borrowed against the line.

NOTE E--NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consists of the following at April 30:

	2022	2021
Undesignated net assets	\$ 411,498	\$ 329,746
Board designated net assets – liquidity reserve	33,734	33,707
	<u>\$ 445,232</u>	<u>\$ 363,453</u>

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE F--OPERATING LEASE

The Organization leases a facility (classroom space, parking lot and playground area) under a non-cancelable operating lease agreement that expired on August 31, 2007. The Organization has entered into an agreement to extend the current lease until the execution of a new lease agreement with the Archdiocese of New York. As of April 30, 2022, a new lease agreement has not been executed. The extension requires the Organization to pay rent of \$5 per square foot (\$68,000 per year), 80% of building utility charges and 1/3 of total property insurance coverage.

Total expense related to this agreement for the years ended April 30, 2022 and 2021 was approximately \$110,000 and \$101,000, respectively.

NOTE G--EMPLOYEE BENEFIT PLANS

The Organization provides retirement benefits in the form of a defined contribution plan (Plan) pursuant to Section 403(b) of the Internal Revenue Code. This Plan is available to all employees meeting certain eligibility requirements. Employees may elect to make voluntary contributions to the Plan. Annually, the Organization determines the discretionary amount they will contribute for the current year for all eligible employees. The Organization's contribution to the Plan for the years ended April 30, 2022 and 2021 was \$50,072 and \$89,726, respectively.

NOTE H--REVENUE CONCENTRATION

Approximately 80% and 87% of the Organization's total support was received through a Head Start grant from the U.S. Department of Health and Human Services ("DHHS") for the years ended April 30, 2022 and 2021, respectively. At April 30, 2022 and 2021, amounts due from DHHS accounted for 63% and 77%, respectively, of total grant and accounts receivable.

NOTE I--COMMITMENTS AND CONTINGENCIES

Grant Programs

The Organization participates in various grant programs which are subject to financial and compliance audits by the grantors or their representatives. Accordingly, the Organization's compliance with the applicable grant and contract requirements may be established at some future date. The amount of expenditures or funding which may be disallowed by the granting agencies cannot be determined at this time although management, based upon prior experience, expects such amounts, if any, to be immaterial.

REQUIRED REPORTS UNDER THE UNIFORM GUIDANCE

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended April 30, 2022

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal ALN Number</u>	<u>Agency or Pass-through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
<i>Head Start Cluster</i>			
Head Start	93.600	02CH010869-03-00	\$ 2,541,661
Head Start - COVID-19	93.600	02HE000051-01	<u>74,124</u>
<i>Total Head Start Cluster</i>			<u>2,615,785</u>
<i>Child Care and Development Fund Cluster</i>			
Passed through the New York State Office of Children and Family Services			
Child Care and Development Block Grant - COVID-19	93.575	A-11279	<u>67,971</u>
<i>Total Child Care and Development Fund Cluster</i>			<u>67,971</u>
Total U.S. Department of Health and Human Services			<u>2,683,756</u>
<u>U.S. Department of Agriculture</u>			
Passed through New York State Health Department:			
Child and Adult Care Food Program	10.558	2438-0001	<u>128,053</u>
Total U.S. Department of Agriculture			<u>128,053</u>
Total Expenditures of Federal Awards			<u>\$ 2,811,809</u>

See accompanying notes to schedule of expenditures of federal awards.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended April 30, 2022

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Head Start of Eastern Orange County, Inc. (a not-for-profit corporation) (the "Organization") under programs of the federal government for the year ended April 30, 2022. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the applicable cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 230, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identification numbers are presented where available.

Relationship to Basic Financial Statements

Federal award revenues are reported in the basic financial statements as federal government revenue. The basic financial statements are presented using the accrual basis of accounting.

NOTE C--INDIRECT COST RATES

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D--MATCHING CONTRIBUTIONS

Required matching contributions for program costs related to the Head Start program were made by the Organization. The matching contributions totaled approximately \$655,000 for the program year May 1, 2021 to April 30, 2022. Included in that amount was approximately \$189,000 in volunteer services that are not recorded in the basic financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Schedule of Expenditures of Federal Awards--Continued

NOTE E--NONCASH ASSISTANCE

There were no federal awards expended in the form of noncash assistance by the Organization during the year ended April 30, 2022, and accordingly, no amounts were reported on the Schedule.

NOTE F--SUBRECIPIENTS

The Organization provided no federal awards to subrecipients during the year ended April 30, 2022, and accordingly, no amounts were reported on the Schedule.

NOTE G--REPORTING

The final SF-425 report for the budget period ending April 30, 2022 was accurate and agreed with the Organization's financial records.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Summary Schedule of Prior Audit Findings

Year Ended April 30, 2022

FINDINGS--FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS--FEDERAL AWARD PROGRAMS AUDIT

None.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Head Start of Eastern Orange County, Inc.

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 Head Start of Eastern Orange County, Inc. (a nonprofit organization) (the "Organization"), which comprise the statement of financial position as of April 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wojeski & Company, CPAs, P.C.

Albany, New York
November 1, 2022



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Head Start of Eastern Orange County, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Head Start of Eastern Orange County, Inc.'s (the “Organization”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended April 30, 2022. The Organization'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, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended April 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization 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 the Organization’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 the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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 the Organization'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 judgement made by a reasonable user of the report on compliance about the Organization'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 the Organization'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 the Organization'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 the Organization'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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in

the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Wojeski & Company, CPAs, P.C.

Albany, New York
November 1, 2022

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Findings and Questioned Costs

Year Ended April 30, 2022

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None reported

Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major federal programs:

<u>ALN Number:</u> 93.600	<u>Program Title:</u> Head Start Cluster
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Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Major Federal Programs

None.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Findings and Questioned Costs--Continued

Year Ended April 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS--Continued

Non-Major Federal Programs with Known Questioned Costs in Excess of \$25,000

2022-001--Allowable Costs/Cost Principles

Federal Agency: U.S. Department of Health and Human Services

Federal Program: ALN 93.575 - Child Care and Development Block Grant - Passed through New York State Office of Children and Family Services.

Grant/Passthrough Number: A-11279

Grant Period: Year ended April 30, 2022

Condition: The Organization expended Child Care Stabilization Grant funds on the resurfacing of a parking lot.

Criteria: In accordance with Child Care and Development Block Grant regulations (45 CFR 95.56(b)(1)) no funds shall be expended for the purchase or improvement of land, or for the purchase, construction, or permanent improvement of any building or facility. 45 CFR 98.2 defines "facility" to include real property used for a childcare program.

Cause: The Organization relied on preliminary information provided by the grantor in its decision to use the grant funds to increase accessibility to the childcare center by resurfacing the parking lot. The federal program was not initially identified by the grantor or verified by the Organization prior to the Organization expending the funds.

Context: The condition was identified through other audit procedures undertaken during the audit of the financial statements and was not identified as part of a statistically valid sample. The condition was not identified in other audit testing and appears to be an isolated incident.

Effect: The Organization was not in compliance with federal allowable cost principles and the related costs may need to be returned.

Questioned Costs: \$66,830

Repeat Finding: No

Recommendation: Procedures should be put in place to ensure that the Organization has confirmed the source of grants funds, as well as any limitation on allowable costs, prior to expending the funds.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Findings and Questioned Costs--Continued

Year Ended April 30, 2022

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS--Continued

2022-001--Allowable Costs/Cost Principles--Continued

Management's Response: At the time of our decision, we be believed this cost to be allowable. This based on a webinar by New York State Head Start Collaboration office on the Stabilization Grant on 9/13/2021. During this webinar the question was asked about a parking lot, and it was indicated that we need to get 3 quotes and ensure prevailing wages are paid. At the time the frequently asked question from the state dated 7/20/2021 did not directly address resurfacing a parking lot. This was done to fill several potholes for children and building safety. The parking lot was done in November of 2021. On 4/19/22 the New York States frequently asked question were updated to specifically noting that resurfacing a parking lot was not an allowable use of funds.

While we believe our decision was based on information that indicated the cost was allowable at the time of the decision we have since updated our policies and procedures to strengthen them. The Executive Director Janett Rodriguez (jrodriguez@hseoc.org) and Finance Director Sam Breyer (sbreyer@hseoc.org) are responsible for getting board approval during the November 2022 meeting and for the implementation of the following adjustments to our policies and procedure.

1. HSEOC has updated our policy FIS-30-0106 Procurement procedures to include
 - a. HSEOC will get in writing where practical for funding not under covered under 45 CFR part 75.
 - b. HSEOC will also get conformation from the nontraditional funding sources.
2. HSEOC training plan has been updated to include training for additional nontraditional funding sources for the Executive Director, Finance Director, and any Service Area Manager that may manage the funds when these funds are awarded.
3. Filling out of a purchase order process has been updated to include funding source that are not traditional to allow to allowability as a check point.