HEAD START OF EASTERN ORANGE COUNTY, INC.

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

April 30, 2024 and 2023

HEAD START OF EASTERN ORANGE COUNTY, INC.

April 30, 2024 and 2023

Financial Statements and Independent Auditor's Report:

***Government Auditing Standards* Report:**

Uniform Guidance Reports and Schedules:

WOJESKI & COMPANY CPAs, P.C.
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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, 2024, 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 the Organization as of April 30, 2024, 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, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended April 30, 2023, 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 October 16, 2024 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 Organization'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
October 16, 2024

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statements of Financial Position

	For the Year Ended April 30, 2024	2023
ASSETS		
CURRENT ASSETS		
Cash	$ 222,143	$ 142,938
Grants receivable	167,607	126,465
Accounts receivable	47,970	80,762
Prepaid expenses and other current assets	93,908	57,447
TOTAL CURRENT ASSETS	531,628	407,612
PROPERTY AND EQUIPMENT		
Building	187,272	187,272
Leasehold improvements	754,798	868,755
Computer hardware and software	35,886	56,333
Equipment	258,237	297,591
	1,236,193	1,409,951
Less accumulated depreciation	(820,632)	(944,607)
	415,561	465,344
	$ 947,189	$ 872,956
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 207,879	$ 141,497
Accrued salaries and related items	93,348	72,370
TOTAL CURRENT LIABILITIES	301,227	213,867
NET ASSETS, without donor restrictions	645,962	659,089
	$ 947,189	$ 872,956

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statements of Activities

	For the Year Ended April 30, 2024	2023
REVENUES AND SUPPORT		
Federal government - Head Start	$ 2,820,102	$ 2,877,398
Universal Pre-K	420,845	249,612
Contributed nonfinancial assets	347,565	307,297
Federal government - Child and Adult Care Food Program	149,972	133,932
Donations	200	172
Federal government - Child Care and Development Block Grant	89,520	79,129
Other	416	2,322
TOTAL REVENUES AND SUPPORT	3,828,620	3,649,862
EXPENSES		
Program services		
Early Childhood Services	3,047,306	2,760,986
Food Services	299,804	237,357
	3,347,110	2,998,343
Support services		
Administration	494,637	437,662
TOTAL EXPENSES	3,841,747	3,436,005
CHANGE IN NET ASSETS	(13,127)	213,857
Net assets at beginning of year	659,089	445,232
NET ASSETS AT END OF YEAR	$ 645,962	$ 659,089

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statement of Functional Expenses

For the Year Ended April 30, 2024 (with comparative totals for the year ended April 30, 2023)

	Program Services			Support Services		
	Early Childhood Services	Food Services	Total Program Services	Administration	2024 Total	2023 Total
FUNCTIONAL EXPENSES						
Salaries and employee benefits	$ 2,133,345	$ 99,127	$ 2,232,472	$ 391,957	$ 2,624,429	$ 2,259,303
Contributed materials and services	347,565	-	347,565	-	347,565	307,298
Occupancy	128,791	7,672	136,463	5,883	142,346	144,448
Repairs and maintenance	105,934	12,146	118,080	6,073	124,153	120,698
Children's food	-	111,364	111,364	-	111,364	90,080
Transportation	105,061	-	105,061	-	105,061	109,513
Program supplies	32,449	44,668	77,117	-	77,117	85,072
Contracted professional services	26,380	20,062	46,442	12,999	59,441	65,062
Depreciation	46,055	473	46,528	3,255	49,783	27,703
Office	46,487	1,012	47,499	1,289	48,788	61,555
Professional fees	-	-	-	38,439	38,439	31,698
Insurance	29,594	1,849	31,443	4,317	35,760	32,714
Travel and vehicle	10,331	-	10,331	16,436	26,767	40,002
Conferences, meetings and training	14,920	517	15,437	8,538	23,975	27,750
Telephone and internet	17,525	799	18,324	3,807	22,131	21,977
Dues and subscriptions	1,730	115	1,845	1,072	2,917	4,787
Other	1,139	-	1,139	572	1,711	6,345
	$ 3,047,306	$ 299,804	$ 3,347,110	$ 494,637	$ 3,841,747	$ 3,436,005

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statements of Cash Flows

	For the Year Ended April 30, 2024	2023
OPERATING ACTIVITIES		
Change in net assets	$ (13,127)	$ 213,857
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,783	27,703
Changes in operating assets and liabilities:		
Grants receivable	(41,142)	(21,345)
Accounts receivable	32,792	(35,662)
Prepaid expenses and other current assets	(36,461)	16,047
Accounts payable and accrued expenses	66,382	69,265
Accrued salaries and related items	20,978	(1,763)
Deferred grant revenue	-	(40,529)
NET CASH PROVIDED BY OPERATING ACTIVITIES	79,205	227,573
INVESTING ACTIVITIES		
Purchase of property and equipment	-	(258,237)
NET CASH USED IN INVESTING ACTIVITIES	-	(258,237)
NET INCREASE (DECREASE) IN CASH	79,205	(30,664)
Cash at beginning of year	142,938	173,602
CASH AT END OF YEAR	$ 222,143	$ 142,938

See accompanying notes to financial statements.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements

April 30, 2024 and 2023

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.

<u>Basis of Presentation</u>
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 are 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, 2024 and 2023.

<u>Use of Estimates</u>
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.

<u>Grant Revenue Recognition</u>
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.

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 Universal Pre-K program. Revenue is recognized based on negotiated contractual amounts 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.

Contributed Nonfinancial Assets

The Organization receives contributions in a form other than cash and other financial assets. These contributions represent goods and/or services that create or enhance nonfinancial assets or are professional services that require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Contributed nonfinancial assets are recorded as revenue at their estimated fair value on the date of donation, with a corresponding asset or expense depending on the nature of the contribution.

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

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).

Grants Receivable

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

Accounts Receivable

Accounts receivable represent the Organization’s unconditional right to received consideration arising from the performance under contracts with customers, and are non-interest bearing. Accounts receivable are recorded at their invoiced amounts, less an allowance for credit losses. Management’s estimation of the allowance for credit losses is derived from a review of the Organization’s historical losses based on the aging of the receivables. The estimate is adjusted for management’s assessment of current economic conditions, reasonable and supportable forecasts regarding future events, the financial stability of its customer’s and any other factors deemed relevant by the Organization.

Accounts receivable are written off and charged against the allowance for credit losses when the Organization determines that it is probable that the receivable will not be recovered. If any recoveries are made from amounts previously written off, the recoveries will be recognized in income or offset against credit loss expense in the year of recovery.

The total amount of write-offs was immaterial to the financial statements as a whole for the years ended April 30, 2024 and 2023. The allowance for credit losses was $0 for both the years ending April 30, 2024 and 2023.

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.

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

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, 2024 and 2023, no impairment loss was recorded for long-lived assets.

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, 2024 and 2023.

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, 2021, and currently, there are no examinations in process nor has the Organization been informed of any pending examinations.

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, 2023, from which the summarized information was derived.

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

New Accounting Pronouncements

On May 1, 2023, the Organization adopted FASB ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses on certain financial instruments that are measured at amortized cost, such as accounts receivable. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

The Organization adopted the standard effective May 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new disclosures only.

Reclassifications

Certain reclassifications have been made to the April 30, 2023 financial statements to conform to the classification used in April 30, 2024 financial statements. These reclassifications had no effect on the change in net assets or net assets.

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 October 16, 2024.

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. This board-designated reserve fund provides funds that may 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 addition, the Organization has a line of credit in the amount of $50,000 (see Note D) which it can draw upon in the event of an unanticipated liquidity need. The Organization's financial assets available within one year of the balance sheet date for general expenditures consist of the following at April 30:

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

	2024	2023
Cash	$ 222,143	$ 142,938
Grants receivable	167,607	126,465
Accounts receivable	47,970	80,762
Total financial assets	437,720	350,165
Less amounts unavailable for general expenditures:		
Liquidity reserve	(34,178)	(33,763)
Financial assets available within one year	$ 403,542	$ 316,402

NOTE C--GRANT AND ACCOUNTS RECEIVABLE

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

	2024	2023
Grants receivable		
Head Start grant	$ 150,473	$ 113,510
Child and Adult Care Food Program grant	17,134	12,955
	167,607	126,465
Accounts receivable		
Universal Pre-K	47,970	80,762
	$ 215,577	$ 207,227

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* (9.50% at April 30, 2024). The line is due upon demand. At April 30, 2024 and 2023, 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:

	2024	2023
Undesignated net assets	$ 611,784	$ 625,326
Board designated net assets – liquidity reserve	34,178	33,763
	$ 645,962	$ 659,089

NOTE F--CONTRIBUTED NONFINANCIAL ASSETS

During the years ended April 30, 2024 and 2023, contributions of nonfinancial assets that have been received by of the Organization include the following:

	2024	2023
Contributed rent	$ 111,413	$ 109,170
Disability Services	164,895	89,714
Other	71,257	108,413
Total contributions of nonfinancial assets	$ 347,565	$ 307,297

The corresponding expense is recorded in the financial statements and reported as contributed materials and services on the accompanying schedule of functional expenses.

Qualitative information related to the utilization of contributed nonfinancial assets, description of any donor-imposed restrictions, and valuation techniques and inputs are as follows. Information is consistent for both years ended April 30, 2024 and 2023, unless otherwise noted.

Nonfinancial Asset	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Contributed rent	All Programs	None	Estimated value represents the difference between the fair market rent based on a third-party appraisal and the actual lease payments.
Disability services	Early Childhood Services	None	Services are valued based on the number of sessions provided at the New York State approved reimbursement rate for the related services.
Other	All Programs	None	Estimated value based on donor provided values or publicly available price information for comparable services.

NOTE G--OPERATING LEASE

The Organization leases a facility (classroom space, parking lot and playground area) under an operating lease agreement that expired on August 31, 2007. The Organization has entered into an agreement to extend the lease until the execution of a new lease agreement with the Archdiocese of New York. As of April 30, 2024, a new lease agreement has not been executed, and accordingly, the lease costs are recorded on a month-to-month basis.

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 lease costs included in “Occupancy expense” in the statement of functional expenses for the years ending April 30, 2024 and 2023 were as follows:

	2024	2023
Fixed operating lease payments (month-to-month)	$ 68,000	$ 68,000
Variable lease payments (utilities and insurance)	50,087	52,330
	$ 118,087	$ 120,330

NOTE H--REVENUE CONCENTRATION

Approximately 74% and 79% 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, 2024 and 2023, respectively. The amount due from DHHS accounted for approximately 90% of grants receivable for each of the years ending April 30, 2024 and 2023.

NOTE I--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, 2024 and 2023 was $162,532 and $79,826, respectively.

NOTE J--COMMITMENTS AND CONTINGENCIES

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.

GOVERNMENT AUDITING STANDARDS REPORT

WOJESKI & COMPANY CPAs, P.C.
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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, 2024, 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 October 16, 2024.

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
October 16, 2024

UNIFORM GUIDANCE REPORTS AND SCHEDULES

WOJESKI & COMPANY CPAs, P.C.
159 Wolf Road, Albany, New York 12205 | Phone 518-477-1102 | Fax 518-477-1302 | www.wojeskico.com

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, 2024. 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, 2024.

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.

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
October 16, 2024

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended April 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Federal ALN Number	Agency or Pass-through Number	Federal Expenditures
U.S. Department of Health and Human Services			
Head Start Cluster			
Head Start	93.600	02CH010869-05-02	$ 2,820,102
Total Head Start Cluster			2,820,102
Child Care and Development Fund Cluster			
Passed through the New York State Office of Children and Family Services			
Child Care and Development Block Grant - COVID-19	93.575	A-33673	89,520
Total Child Care and Development Fund Cluster			89,520
Total U.S. Department of Health and Human Services			2,909,622
U.S. Department of Agriculture			
Passed through New York State Health Department:			
Child and Adult Care Food Program	10.558	2438-0001	149,972
Total U.S. Department of Agriculture			149,972
Total Expenditures of Federal Awards			$ 3,059,594

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, 2024

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, 2024. 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

<u>Basis of Accounting</u>
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.

<u>Relationship to Basic Financial Statements</u>
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 $955,000 for the program year May 1, 2023 to April 30, 2024. Included in that amount was approximately $187,000 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, 2024, 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, 2024, and accordingly, no amounts were reported on the Schedule.

NOTE G--REPORTING

The final SF-425 report for the budget period ending April 30, 2024 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, 2024

FINDINGS--FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD PROGRAM AUDIT

None.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Findings and Questioned Costs

Year Ended April 30, 2024

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	X	No
• Significant deficiencies identified?	____	Yes	X	None reported
Noncompliance material to the financial statements noted?	____	Yes	X	No

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	____	Yes	X	No
• Significant deficiencies identified?	____	Yes	X	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	X	No

Identification of major federal programs:

ALN Number:	Program Title:
93.600	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000			
Auditee qualified as low-risk auditee?	X	Yes	____	No

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.