



Certified Public Accountants, LLP

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**



**FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Development Institute Head Start

Report on the Financial Statements

We have audited the accompanying financial statements of Community Development Institute Head Start (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2017, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Development Institute Head Start as of June 30, 2017, 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Report on Summarized Comparative Information

We have previously audited Community Development Institute Head Start's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 16, 2016. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, as required by the Louisiana Legislature R.S. 24:513(A)(3), as amended by Act 706 of the 2014 Regular Session and Act 462 of the 2015 Regular Session, on page 11 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2017, on our consideration of Community Development Institute Head Start'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 Community Development Institute Head Start'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 Community Development Institute Head Start's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 18, 2017

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With comparative totals at June 30, 2016

	2017	2016
ASSETS		
Cash and cash equivalents (Note 2)	\$ 933,003	\$ 1,141,902
Accounts receivable	2,872,056	3,614,057
Prepaid expenses	20,387	24,133
TOTAL ASSETS	\$ 3,825,446	\$ 4,780,092
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 50,000	\$ 44,191
Accrued liabilities (Note 3)	2,146,642	2,924,052
Line of credit (Note 4)	-	-
TOTAL LIABILITIES	2,196,642	2,968,243
NET ASSETS		
Unrestricted	1,628,804	1,811,849
TOTAL NET ASSETS	1,628,804	1,811,849
TOTAL LIABILITIES AND NET ASSETS	\$ 3,825,446	\$ 4,780,092

The accompanying notes are an integral part of these financial statements.

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

STATEMENT OF ACTIVITIES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
REVENUE		
Fees from government agencies (Note 6)	\$ 62,128,508	\$ 103,893,041
In-kind income (Notes 8 and 9)	5,120,717	6,902,312
Parent fees	5,973	4,652
TOTAL REVENUE	67,255,198	110,800,005
EXPENSES		
Program services	59,827,365	99,068,652
Management and general	7,610,878	12,608,331
TOTAL EXPENSES	67,438,243	111,676,983
CHANGE IN NET ASSETS	(183,045)	(876,978)
NET ASSETS, BEGINNING OF YEAR	1,811,849	2,688,827
NET ASSETS, END OF YEAR	\$ 1,628,804	\$ 1,811,849

The accompanying notes are an integral part of these financial statements.

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>	
			2017	2016
Salaries	\$ 26,341,626	\$ 3,351,023	\$ 29,692,649	\$ 44,159,618
Employee benefits	4,517,449	574,683	5,092,132	6,309,308
Payroll taxes	2,888,568	367,466	3,256,034	4,984,057
Total personnel costs	<u>33,747,643</u>	<u>4,293,172</u>	<u>38,040,815</u>	<u>55,452,983</u>
In-kind expenses (Notes 8 and 9)	4,542,809	577,908	5,120,717	6,902,312
Repairs and maintenance	3,734,926	475,135	4,210,061	5,487,291
Other	3,553,511	452,057	4,005,568	6,225,698
Supplies	2,553,703	324,867	2,878,570	4,237,331
Food	2,293,277	291,737	2,585,014	3,934,427
Construction	1,496,762	190,409	1,687,171	1,039,016
Consultants	1,313,522	167,098	1,480,620	1,811,965
Contractual services	1,074,876	136,739	1,211,615	1,181,759
Occupancy	1,061,597	135,050	1,196,647	17,469,403
Transportation	980,062	124,678	1,104,740	969,111
Training	966,640	122,970	1,089,610	1,035,313
Utilities	876,905	111,555	988,460	1,984,032
Insurance	813,346	103,469	916,815	1,266,749
Telephone	466,120	59,297	525,417	761,377
Publications	117,653	14,967	132,620	65,777
Equipment	99,911	12,710	112,621	977,450
Child services	60,781	7,732	68,513	727,257
Furniture	45,991	5,851	51,842	77,406
Printing	27,330	3,477	30,807	70,326
TOTAL 2017 FUNCTIONAL EXPENSES	<u><u>\$ 59,827,365</u></u>	<u><u>\$ 7,610,878</u></u>	<u><u>\$ 67,438,243</u></u>	
TOTAL 2016 FUNCTIONAL EXPENSES	<u><u>\$ 99,068,652</u></u>	<u><u>\$ 12,608,331</u></u>		<u><u>\$ 111,676,983</u></u>

The accompanying notes are an integral part of these financial statements.

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

STATEMENT OF CASH FLOWS

For the year ended June 30, 2017

With comparative totals for the year ended June 30, 2016

	2017	2016
CASH FLOWS (TO) FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (183,045)	\$ (876,978)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	742,001	3,753,716
Prepaid expenses	3,746	45,919
Increase (decrease) in operating liabilities:		
Accounts payable	5,809	8,381
Accrued liabilities	(777,410)	(2,369,168)
	(208,899)	561,870
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(208,899)	561,870
NET (DECREASE) INCREASE IN CASH	(208,899)	561,870
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,141,902	580,032
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 933,003	\$ 1,141,902

The accompanying notes are an integral part of these financial statements.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

NOTES TO FINANCIAL STATEMENTS

1. **Organization**

Community Development Institute Head Start (“CDI-HS”) is a private, nonprofit corporation with headquarters in Denver, Colorado. CDI-HS works in partnership with an affiliated nonprofit corporation, Community Development Institute (“CDI”), with headquarters in Denver, Colorado, as the recipient of grants for operation of the local Head Start and Early Head Start programs under the National Interim Management Contract funded by the Office of Head Start. CDI-HS assumes operational responsibility for Head Start and Early Head Start programs when the existing grantee is no longer able to administer the program. CDI-HS works with the community to ensure that Head Start services continue uninterrupted for children and families. During the interim period, CDI-HS provides a strong infrastructure for fiscal integrity, staff development, and improved program services.

2. **Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of CDI-HS are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and performing administrative functions.

Temporarily Restricted. CDI-HS reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions. CDI-HS has no temporarily restricted net assets at June 30, 2017.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit CDI-HS to expend all of the income (or other economic benefits) derived from the donated assets. CDI-HS has no permanently restricted net assets at June 30, 2017.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Cash and Cash Equivalents

CDI-HS considers all short-term investments with an original maturity date of three months or less to be cash and cash equivalents.

Accounts Receivable

The accounts receivable balance outstanding at June 30, 2017 consists of governmental contract receivables due from state and local granting agencies. Therefore, no allowance for doubtful accounts has been provided.

Concentration of Credit Risks

CDI-HS places its cash and temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. CDI-HS has not incurred losses related to these investments.

The receivable balance outstanding at June 30, 2017 consists of government contract receivables due from state and local granting agencies. Concentration of credit risks with respect to trade receivables is limited, as the majority of CDI-HS' receivables consist of earned fees from contracts awarded by governmental agencies.

Approximately 92% of CDI-HS' total revenue is derived from governmental agencies.

Donated Materials, Facilities, and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. For the year ended June 30, 2017, CDI-HS received \$5,120,717 in donated materials, facilities, and services (see Notes 8 and 9).

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

CDI-HS is required to measure donated materials and services at fair value (see Note 9).

continued

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Income Taxes

CDI-HS is exempt from taxation under Internal Revenue Code Section 501(c)(3).

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by CDI-HS in its federal exempt organization tax return are more likely than not to be sustained upon examination. CDI-HS' returns respectfully are subject to examination by federal authorities, generally for three years after they are filed.

Functional Allocation of Expenses

Costs of providing CDI-HS' programs and other activities have been presented in the Statement of Functional Expenses. Shared costs are allocated among program and support services by a method that best measures the relative degree of benefit.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America, even though the accounts of CDI-HS are maintained in accordance with principles of net asset accounting. Accordingly, such information should be read in conjunction with CDI-HS' financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 18, 2017, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

NOTES TO FINANCIAL STATEMENTS

3. **Accrued Liabilities**

Accrued liabilities at June 30, 2017 consist of the following:

Accrued expenses and payroll liabilities – programs and delegates	\$1,840,236
Accrued salaries	195,389
Accrued vacation	16,510
Accrued payroll taxes and workers' compensation insurance	<u>94,507</u>
	<u>\$2,146,642</u>

4. **Lines of Credit**

CDI-HS has a line of credit with a bank, in the amount of \$250,000, bearing interest at a variable rate which is due May 23, 2018. The interest rate at June 30, 2017 was 4.25%. The bank has a first priority security interest in all of CDI-HS' assets. There was no outstanding balance at June 30, 2017.

CDI-HS has a revolving line of credit with CDI in the amount of \$500,000, bearing interest at a variable rate which is currently at 3.75%. There was no outstanding balance at June 30, 2017.

5. **Commitments and Contingencies**

Obligations Under Operating Leases

CDI-HS leases office space and equipment under operating leases with various terms. Since the programs will be under interim management unknown period of time, CDI-HS does not sign any leases or contracts for a period exceeding twelve months.

Rent expense for the year ended June 30, 2017 was \$1,185,879, which includes rent expense for programs under operational responsibility.

Contracts

CDI-HS' grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CDI-HS has no provisions for the possible disallowance of program costs on its financial statements.

Litigation

CDI-HS is a defendant in various claims and lawsuits arising from the normal course of business. Management intends to defend the agency vigorously in these matters. It is not possible at this time to predict the probable outcome or the extent of CDI-HS' liability, if any.

continued

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

NOTES TO FINANCIAL STATEMENTS

6. Fees from Government Agencies

Fees from government agencies for the year ended June 30, 2017 consist of the following:

Head Start programs	\$57,738,542
Food program	3,629,100
State/local funding – Non-federal revenue	<u>760,866</u>
	<u>\$62,128,508</u>

7. Related Party Transactions

CDI-HS is affiliated with CDI. They share common Board members and common upper management, but CDI does not possess the ability to require that the majority of the members of CDI-HS be appointed by CDI.

During the year ended June 30, 2017, CDI-HS paid CDI the following:

Fiscal administrative services for Head Start grantees	<u>\$3,524,062</u>
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8. In-kind Revenue and Expense

Head Start programs are required to provide matching non-federal funds for the operation of programs. This match applies to regular Head Start and Early Head Start funds. Non-federal shares include donated cash and in-kind contributions. Types of in-kind contributions may include donated parent and community volunteer time, discounted services, discounted equipment, space, or transportation. In-kind contributions benefit the program directly and are reflected in the Statement of Functional Expenses (see Note 9 for information on the recognized value of the in-kind contributions).

9. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed services	\$ -	\$2,643,452	\$ -	\$2,643,452
Contributed facilities		2,148,347		2,148,347
Contributed materials		<u>328,918</u>		<u>328,918</u>
Fair value at June 30, 2017	<u>\$ -</u>	<u>\$5,120,717</u>	<u>\$ -</u>	<u>\$5,120,717</u>

The fair value of contributed services, facilities, and materials has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO
AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

*As required by the Louisiana Legislature R.S. 24:513(A)(3),
as amended by Act 706 of the 2014 Regular Session and Act 462 of the 2015 Regular Session*

For the year ended June 30, 2017

Agency Head Name: Mark Elliot, Chief Executive Officer

Purpose	Amount
Salary	\$ 158,797
Benefits - insurance	26,367
Benefits - retirement	23,820
Benefits - other (describe)	-
Benefits - other (describe)	-
Benefits - other (describe)	-
Car allowance	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Housing	-
Unvouched expenses (example: travel advances, etc.)	-
Special meals	-
Other	-
	<u>\$ 208,984</u>

Note: The listed expenses above are paid by a related organization, Community Development Institute, and are charged to a separate federal contract.

See independent auditors' report.



Certified Public Accountants, LLP

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**



SINGLE AUDIT REPORTS

JUNE 30, 2017

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**Independent Auditors' 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
Community Development Institute Head Start

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 Community Development Institute Head Start (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2017, 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 December 18, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Development Institute Head Start's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Community Development Institute Head Start' internal control. Accordingly, we do not express an opinion on the effectiveness of Community Development Institute Head Start's internal control.

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

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

**Independent Auditors' 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***
continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Community Development Institute Head Start's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harrington Group

Pasadena, California
December 18, 2017

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal and Non-federal Awards in Accordance with the Uniform Guidance**

To the Board of Directors
Community Development Institute Head Start

Report on Compliance for Each Major Federal Program

We have audited Community Development Institute Head Start compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Community Development Institute Head Start's major federal programs for the year ended June 30, 2017. Community Development Institute Head Start's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for major federal programs. However, our audit does not provide a legal determination of Community Development Institute Head Start's compliance.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal and Non-federal Awards in Accordance with the Uniform Guidance**

continued

Opinion on Each Major Federal Program

In our opinion, Community Development Institute Head Start complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures
of Federal and Non-federal Awards in Accordance with the Uniform Guidance**

continued

**Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform
Guidance**

We have audited the financial statements of Community Development Institute Head Start as of and for the year ended June 30, 2017, and have issued our report thereon dated December 18, 2017, which contained an unmodified opinion on those financial statements. 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 and non-federal awards is presented for the purpose of additional analysis as required by 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) 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, schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California

December 18, 2017

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2017

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Government Revenue			Program Expenditure	Pass-through to Sub-recipients
					Federal	Non-federal	Total		
Federal Awards									
U.S. Department of Health and Human Services ("DHHS");									
Directly from DHHS, Head Start Cluster:									
Head Start (Brevard County #6)	90CH0062/06	93.600	08/01/2015 - 07/31/2016	\$ 1,093,008	\$ 122,440	\$ -	\$ 122,440	\$ 122,440	\$ -
Head Start (Brevard County, FL #7)	90CH0062/07	93.600	08/01/2016 - 07/31/2017	91,085	65,600		65,600	65,600	
Head Start (Cabarrus County, NC #1)	90CH010469/01	93.600	06/01/2017 - 05/31/2018	628,896	82,280		82,280	82,280	
Head Start (CASE Counties Alabama #1)	90CH010500/01	93.600	06/21/2017 - 06/20/2018	2,721,728	1,312		1,312	1,312	
Head Start (Central Northeast PR #4)	90CH0093/04	93.600	11/01/2015 - 10/31/2016	5,665,487	332,502		332,502	332,502	
Head Start (City of Newark, NJ #1)	90CH0114/01	93.600	07/01/2014 - 06/30/2015	14,843,000	(20,932)		(20,932)	(20,932)	
Head Start (City of Newark, NJ #2)	90CH0114/02	93.600	07/01/2015 - 06/30/2016	13,541,677	(374,764)		(374,764)	(374,764)	
Head Start (City of Newark, NJ #3)	90CH0114/03	93.600	07/01/2016 - 06/30/2017	1,153,738	1,152,738		1,152,738	1,152,738	
Head Start (East Virginia #1)	90CH010458/01	93.600	12/01/2016 - 11/30/2017	831,133	533,675		533,675	533,675	
Head Start (Harrison County, MS #1)	90CH010318/01	93.600	12/17/2015 - 12/16/2016	9,458,646	4,512,990		4,512,990	4,512,990	
Head Start (Harrison County, MS #2)	90CH010318/02	93.600	12/17/2016 - 12/16/2017	8,160,035	4,643,674		4,643,674	4,643,674	
Head Start (Hualapai Tribe #1)	90CH010157/01	93.600	07/01/2015 - 06/30/2016	905,920	88,584		88,584	88,584	
Head Start (Hualapai Tribe #2)	90CH010157/02	93.600	07/01/2016 - 06/30/2017	761,044	757,073		757,073	757,073	
Head Start (Kansas River Valley #2)	90CH0119/02	93.600	07/01/2015 - 06/30/2016	1,480,851	50,910		50,910	50,910	
Head Start (Kansas River Valley #3)	90CH0119/03	93.600	07/01/2016 - 06/30/2017	1,425,576	948,906		948,906	948,906	
Head Start (Midland County #1)	90CH19986/01	93.600	06/01/2015 - 05/31/2016	2,135,687	(33,572)		(33,572)	(33,572)	
Head Start (Midland County #2)	90CH19986/02	93.600	06/01/2016 - 05/31/2017	3,428,179	2,373,165		2,373,165	2,373,165	
Head Start (Midland County #3)	90CH19986/03	93.600	06/01/2017 - 05/31/2018	1,086,777	55,765		55,765	55,765	
Head Start (Mid-Region Mississippi #1)	90CH010300/01	93.600	11/16/2015 - 11/15/2016	11,442,017	3,554,421		3,554,421	3,554,421	
Head Start (Mid-Region Mississippi #2)	90CH010300/02	93.600	11/16/2016 - 11/15/2017	7,325,597	5,036,932		5,036,932	5,036,932	
Head Start (North Texas #1)	90CH010440/01	93.600	07/01/2016 - 04/30/2017	8,317,664	7,582,529		7,582,529	7,582,529	
Head Start (North Texas #2)	90CH010440/02	93.600	05/01/2017 - 04/30/2018	4,963,033	1,224,495		1,224,495	1,224,495	
Head Start (North/West Colorado Migra #1)	90CH010461/01	93.600	04/15/2017 - 04/14/2018	882,257	303,403		303,403	303,403	
Head Start (Northeast Puerto Rico #8)	90CH0038/08	93.600	05/01/2015 - 04/30/2016	9,798,233	3,905		3,905	3,905	
Head Start (Northeast Puerto Rico #9)	90CH0038/09	93.600	05/01/2016 - 04/30/2017	2,618,731	312,626		312,626	312,626	
Head Start (Pitt, Marin, Beaufort Co #1)	90CH19979/01	93.600	06/01/2015 - 05/31/2016	4,680,259	57,190		57,190	57,190	
Head Start (Pitt, Marin, Beaufort Co #2)	90CH19979/02	93.600	06/01/2016 - 05/31/2017	1,020,065	360,722		360,722	360,722	
Head Start (Prince George's County MD #1)	90CH010450/01	93.600	09/01/2016 - 08/31/2017	7,701,526	995,033		995,033	995,033	
Head Start (Rains & Franklin Counties #1)	90CH010203/01	93.600	07/29/2015 - 07/28/2016	786,421	(2,402)		(2,402)	(2,402)	
Head Start (Rains & Franklin Counties #2)	90CH010203/02	93.600	07/29/2016 - 07/28/2017	800,338	330,091		330,091	330,091	
Head Start (Rockaway Beach #1)	90CH010165/01	93.600	07/01/2015 - 06/30/2016	2,460,168	73,082		73,082	73,082	
Head Start (Rockaway Beach #2)	90CH010165/02	93.600	07/01/2016 - 06/30/2017	4,692,172	3,016,025		3,016,025	3,016,025	
Head Start (San Sebastian y Moca #4)	90CH0092/04	93.600	10/01/2015 - 09/30/2016	607,534	10,709		10,709	10,709	
Head Start (Somerset County, NJ #2)	90CH0117/02	93.600	07/01/2015 - 06/30/2016	6,940,144	(50,333)		(50,333)	(50,333)	
Head Start (Somerset County, NJ #3)	90CH0117/03	93.600	07/01/2016 - 06/30/2017	246,605	148,918		148,918	148,918	
Head Start (South Central Kansas #6)	90CH0071/06	93.600	03/01/2016 - 02/28/2017	771,901	511,027		511,027	511,027	
Head Start (South Central Kansas #7)	90CH0071/07	93.600	03/01/2017 - 02/28/2018	815,041	208,965		208,965	208,965	
Head Start (South Norwalk, CT #1)	90CH010302/01	93.600	11/23/2015 - 11/22/2016	1,589,872	527,246		527,246	527,246	
Head Start (South Norwalk, CT #2)	90CH010302/02	93.600	11/23/2016 - 11/22/2017	1,605,497	974,227		974,227	974,227	
Head Start (Southwest Arkansas #4)	90CH0095/04	93.600	12/15/2015 - 12/14/2016	1,377,999	614,169		614,169	614,169	
Head Start (Southwest Arkansas #5)	90CH0095/05	93.600	12/15/2016 - 12/14/2017	229,666	229,666		229,666	229,666	
Head Start (St. Landry Parish, LA #1)	90CH010073/01	93.600	07/01/2015 - 06/30/2016	7,554,598	(103,122)		(103,122)	(103,122)	
Head Start (St. Landry Parish, LA #2)	90CH010073/02	93.600	07/01/2016 - 06/30/2017	7,730,697	7,809,940		7,809,940	7,809,940	
Head Start (Suburban Cook County, IL #2)	90CH0118/02	93.600	07/01/2015 - 06/30/2016	4,321,552	(799)		(799)	(799)	
Head Start (Talladega, Clay & Randolph #1)	90CH010340/01	93.600	06/01/2016 - 05/31/2017	2,461,892	1,896,543		1,896,543	1,896,543	
Head Start (Talladega, Clay & Randolph #2)	90CH010340/02	93.600	06/01/2017 - 05/31/2018	935,378	147,070		147,070	147,070	
Head Start (Tecumseh, OK #4)	90CH0087/04	93.600	09/01/2015 - 08/31/2016	461,290	62,164		62,164	62,164	
Head Start (Tecumseh, OK #5)	90CH0087/05	93.600	09/01/2016 - 08/31/2017	480,927	438,209		438,209	438,209	
Head Start (Toa Baja, PR #1)	90CH010459/01	93.600	12/01/2016 - 11/30/2017	907,163	594,964		594,964	594,964	
Head Start (Waterbury and Naugatuck #1)	90CH0116/01	93.600	07/01/2014 - 06/30/2015	4,249,516	(30,649)		(30,649)	(30,649)	
Head Start (Waterbury and Naugatuck #2)	90CH0116/02	93.600	07/01/2015 - 06/30/2016	708,252	-		-	-	
Head Start (Western and Central, AL #1)	90CH10026/01	93.600	07/01/2015 - 06/30/2016	5,755,621	314,404		314,404	314,404	
Head Start (Western and Central, AL #2)	90CH10026/03	93.600	07/01/2017 - 06/30/2018		3,974,743		3,974,743	3,974,743	
Sub-total directly from DHHS - Head Start Cluster				186,652,113	56,418,459	-	56,418,459	56,418,459	-

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2017
continued

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Government Revenue			Program Expenditure	Pass-through to Sub-recipients
					Federal	Non-federal	Total		
Federal Awards									
Directly from HHS, Programs for Disaster Relief Appropriations Act - Non Construction:									
Head Start (Rockaway Beach, NY - Sandy - Construction I #1)	02SD0016/01	93.095	5/1/15 - 4/30/17	1,100,000	7,668		7,668	7,668	
Head Start (Rockaway Beach, NY - Sandy - Construction II #1)	02SD0033/01	93.095	9/1/15 - 8/31/17	1,497,684	1,444,061		1,444,061	1,444,061	
Head Start (Rockaway Beach, NY - Sandy - Building Purchase #1)	02SD0020/01	93.095	9/1/15 - 8/31/17	9,150,000	(36,051)		(36,051)	(36,051)	
Sub-total directly from DHHS - Programs for Disaster Relief Appropriations Act, Non Construction				11,747,684	1,415,678		1,415,678	1,415,678	-
Total DHHS				198,399,797	57,834,137	-	57,834,137	57,834,137	-
U.S. Department of Agriculture ("USDA"):									
Child and Adult Care Food Program:									
Pass-through Florida Department of Health, Bureau of Child Care Food Programs	S-2457	10.558			2,133		2,133	2,133	
Pass-through Virginia Department of Health, Division of Community Nutrition	10474	10.558			41,131		41,131	41,131	
Pass-through Mississippi Department of Education, Office of Child Nutrition	V0002049430	10.558			428,037		428,037	428,037	
	V0002049430	10.558			610,052		610,052	610,052	
Pass-through State of Arizona Department of Education	08-19-03	10.558			31,391		31,391	31,391	
Pass-through Kansas State Department of Education, Child Nutrition & Wellness	P0605	10.558			53,980		53,980	53,980	
Pass-through Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			43,602		43,602	43,602	
Pass-through Mississippi Department of Education, Office of Child Nutrition	V0002049430	10.558			115,584		115,584	115,584	
	V0002049430	10.558			374,905		374,905	374,905	
Pass-through Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			350,923		350,923	350,923	
	02116	10.558			58,475		58,475	58,475	
Pass-through Colorado Department of Public Health & Environment	GAE FAAA 2017	10.558			446		446	446	
Pass-through Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			24,536		24,536	24,536	
Pass-through New York State Department of Health, Division of Nutrition	6462	10.558					-	-	
	6462	10.558			60,968		60,968	60,968	
Pass-through Kansas State Department of Education, Child Nutrition & Wellness	P0605	10.558			26,799		26,799	26,799	
	P0605	10.558			10,729		10,729	10,729	
Pass-through Connecticut State Department of Education, Bureau of Health/Nutrition, Family Serv	497AOC	10.558			30,556		30,556	30,556	
	497AOC	10.558			101,011		101,011	101,011	
Pass-through Arkansas Division of Child Care & Early Childhood Education, Special Nutrition Proj	Q0030	10.558			39,285		39,285	39,285	
	Q0030	10.558			8,042		8,042	8,042	
Pass-through Louisiana Department of Education, Division of Nutrition Support	21-38	10.558			609,540		609,540	609,540	
Pass-through State of Alabama, Department of Education	AUJ-0000	10.558			195,283		195,283	195,283	
Pass-through Oklahoma State Department of Education, Child Nutrition Program	DC 63-016	10.558			4,056		4,056	4,056	
	DC 63-016	10.558			18,784		18,784	18,784	
Pass-through Gobierno de Puerto Rico, Department de Education	CCC-208	10.558			17,780		17,780	17,780	

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2017
continued

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Government Revenue			Program Expenditure	Pass-through to Sub-recipients
					Federal	Non-federal	Total		
Federal Awards									
Pass-through State of Alabama, Department of Education	AUJ-0000	10.558			371,072		371,072	371,072	
Total USDA					-	3,629,100	3,629,100	3,629,100	-
Total Federal Awards				198,399,797	61,463,237	-	61,463,237	61,463,237	-
Non-federal Awards									
City of Newark, NJ - Abbott BOE						232,386	232,386	232,386	
North Texas - United Way Funding						26,642	26,642	26,642	
Rockaway Beach, NY - Pre-Kindergarten						190,062	190,062	190,062	
South Norwalk, CT - State Grant Fund						141,915	141,915	141,915	
South Norwalk, CT - State Head Start Enhancement						127,830	127,830	127,830	
Waterbury and Naugatuck, CT - State Grant Fund						495	495	495	
Waterbury and Naugatuck, CT - Wrap Around Program						55	55	55	
Waterbury and Naugatuck, CT - School Readiness						99	99	99	
Western and Central Alabama - School Readiness						48,590	48,590	48,590	
Total Non-federal Awards				-	-	768,074	768,074	768,074	-
Total Federal and Non-federal Awards				\$ 198,399,797	\$ 61,463,237	\$ 768,074	\$ 62,231,311	\$ 62,231,311	\$ -

See independent auditors' report and notes to Schedule of Expenditures of Federal and Non-federal Awards.

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Community Development Institute Head Start (CDI-HS), under the programs of the federal government, state, and local agencies, for the year ended June 30, 2017. The Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirement for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CDI-HS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of CDI-HS.

2. Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or are limited as to reimbursement. CDI-HS has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Pass-through to Sub-recipients

CDI-HS did not pass-through federal funding to any sub-recipients during the fiscal year ended June 30, 2017.

4. Other Information

CDI-HS did not receive federal insurance, loans or non-cash assistance during the year ended June 30, 2017.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START
Schedule of Findings and Questioned Costs
For the year ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$1,843,897

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:

Head Start Program 93.600

Section II – Financial Statement Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.