

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START
AND
COMMUNITY DEVELOPMENT
INSTITUTE**

**CONSOLIDATED FINANCIAL STATEMENTS
and
SUPPLEMENTARY INFORMATION**

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Development Institute Head Start
and Community Development Institute

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Community Development Institute Head Start and Community Development Institute (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of June 30, 2019, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community Development Institute Head Start and Community Development Institute as of June 30, 2019, 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.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Statement of Financial Position, Consolidating Statement of Activities and 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 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 20, 2019, on our consideration of Community Development Institute Head Start and Community Development Institute'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 Community Development Institute Head Start and Community Development Institute'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 and Community Development Institute's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California
December 20, 2019

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2019

ASSETS	
Cash and cash equivalents (Note 2)	\$ 18,168,936
Accounts receivable	11,587,703
Prepaid expenses	<u>547,990</u>
TOTAL ASSETS	<u><u>\$ 30,304,629</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 117,127
Accrued liabilities (Note 4)	10,849,365
Line of credit (Note 5)	<u>-</u>
TOTAL LIABILITIES	<u>10,966,492</u>
NET ASSETS	
Without donor restrictions	<u>19,338,137</u>
TOTAL NET ASSETS	<u>19,338,137</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 30,304,629</u></u>

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

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

REVENUE WITHOUT DONOR RESTRICTIONS	
Fees from government agencies (Note 7)	\$ 190,401,013
In-kind income (Notes 10 and 11)	9,585,651
Other	1,530,084
Parent fees	5,352
Service fees	-
	<hr/>
TOTAL REVENUE WITHOUT DONOR RESTRICTIONS	201,522,100
	<hr/>
EXPENSES	
Program services	171,089,187
Management and general	23,334,346
	<hr/>
TOTAL EXPENSES	194,423,533
	<hr/>
CHANGE IN NET ASSETS	7,098,567
NET ASSETS, BEGINNING OF YEAR	12,239,570
	<hr/>
NET ASSETS, END OF YEAR	\$ 19,338,137
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The accompanying notes are an integral part of these consolidated financial statements.

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>
Salaries	\$ 76,433,040	\$ 10,280,228	\$ 86,713,268
Employee benefits	15,203,971	2,019,515	17,223,486
Payroll taxes	8,111,223	1,087,026	9,198,249
Total personnel costs	<u>99,748,234</u>	<u>13,386,769</u>	<u>113,135,003</u>
Construction	8,885,726	1,179,696	10,065,422
In-kind expenses (Notes 10 and 11)	8,462,185	1,123,466	9,585,651
Supplies	7,541,300	978,697	8,519,997
Occupancy	6,159,681	810,673	6,970,354
Food	5,291,806	702,554	5,994,360
Repairs and maintenance	5,258,882	698,186	5,957,068
Consultants	4,317,996	554,614	4,872,610
Utilities	3,360,444	446,147	3,806,591
Travel	3,174,738	275,706	3,450,444
Contractual services	2,877,628	375,727	3,253,355
Insurance	2,731,482	361,198	3,092,680
Equipment	2,625,917	348,627	2,974,544
Child services	2,351,760	312,227	2,663,987
Other	1,665,630	906,730	2,572,360
Training	2,212,769	293,789	2,506,558
Transportation	2,164,025	287,303	2,451,328
Telephone	1,383,917	181,213	1,565,130
Information technology	333,621	39,641	373,262
Publications	273,444	36,304	309,748
Furniture	192,762	25,090	217,852
Printing	<u>75,240</u>	<u>9,989</u>	<u>85,229</u>
TOTAL 2019 FUNCTIONAL EXPENSES	<u>\$ 171,089,187</u>	<u>\$ 23,334,346</u>	<u>\$ 194,423,533</u>

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

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 7,098,567
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	(7,368,287)
Prepaid expenses	(76,580)
Increase (decrease) in operating liabilities:	
Accounts payable	9,212
Accrued liabilities	6,436,362
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,099,274
	<hr/>
NET INCREASE IN CASH	6,099,274
	<hr/>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	12,069,662
	<hr/>
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 18,168,936
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The accompanying notes are an integral part of these consolidated financial statements.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START AND COMMUNITY DEVELOPMENT INSTITUTE

NOTES TO CONSOLIDATED 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, 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.

Community Development Institute (“CDI”) is a private, non-profit corporation, engaged in educational services organizational development, leadership development and training. CDI is the contractor for the National Interim Management Program funded by Office of Head Start (OHS) in Washington, DC, to provide uninterrupted, quality Head Start and Early Head Start services to communities whose Head Start or Early Head Start programs have been de-funded by the Federal Government. CDI’s primary focus is on raising the level of program performance in interim management, addressing program health and safety issues, management systems, fiscal operations, and program quality.

Financial Accounting Standards Board Accounting Standards provides guidance for the reporting and disclosure of financially interrelated not-for-profit organization. Based upon the nature of the relationship between CDI-HS and CDI consolidated financial statements are present. The two organizations together collectively referred to as the Organization in these consolidated financial statements.

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:

Principle of Consolidation

In accordance with generally accepted accounting principles, the consolidated financial statements include the accounts of CDI-HS and CDI. CDI has both an economic interest and common control of CDI-HS. All inter-organization transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting to include the two legal entities.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START AND COMMUNITY DEVELOPMENT INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

With Donor Restrictions. Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

The Organization 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, 2019 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

The Organization 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. The Organization has not incurred losses related to these investments.

The receivable balance outstanding at June 30, 2019 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 the Organization's receivables consist of earned fees from contracts awarded by governmental agencies.

Approximately 94% of the Organization's total revenue is derived from governmental agencies.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START AND COMMUNITY DEVELOPMENT INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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, 2019, the Organization received \$9,585,651 in donated materials, facilities, and services (see Notes 10 and 11).

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

The Organization is required to measure donated materials and services at fair value. The specific techniques used to measure fair value for these consolidated financial statement elements are described in the notes below that relate to each element (see Note 11).

Income Taxes

The Organization 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 the Organization in their federal exempt organization tax return are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three years, respectfully, after they are filed.

Functional Allocation of Expenses

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

COMMUNITY DEVELOPMENT INSTITUTE HEAD START AND COMMUNITY DEVELOPMENT INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Use of Estimates

The preparation of consolidated 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.

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. The Organization's consolidated financial statements for the year ended June 30, 2019 are presented in accordance with ASU 2016-14.

Comparative Totals

The consolidated 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. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2019, from which the summarized information was derived.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START AND COMMUNITY DEVELOPMENT INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

CDI-HS monitors liquidity required to meet its operating needs and other contractual commitments for Head Start programs under interim management.

CDI-HS has \$12,435,141 of financial assets available as of the consolidated statement of position date. CDI-HS draws funds from the federal payment management system on a weekly basis to cover Head Start program reimbursable costs. The draw of federal funds covers program expenses on an on-going basis.

CDI has \$17,321,498 of financial assets available as of the consolidated statement of position date. This amount will cover contract expenses for six months. CDI submits an invoice for direct labor hours and other direct reimbursable expenses on a monthly basis to the Office of Head Start.

As of June 30, 2019, the following financial assets could readily be made available within one year of the consolidated statement of financial position date to meet its operational cash flow needs:

Cash and cash equivalents	\$18,168,936
Accounts receivable	<u>11,587,703</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$29,756,639</u>

4. Accrued Liabilities

Accrued liabilities at June 30, 2019 consist of the following:

Accrued expenses and payroll liabilities – programs and delegates	\$ 9,028,893
Accrued payroll taxes and workers' compensation insurance	989,447
Deferred compensation plan (see Note 9)	550,986
Other	<u>280,039</u>
	<u>\$10,849,365</u>

5. Lines of Credit

The Organization has a line of credit with a bank, in the amount of \$750,000, bearing interest at a variable rate which is due May 22, 2020. The interest rate at June 30, 2019 was 5.50%. The bank has a first priority security interest in all of the Organization's assets. There was no outstanding balance at June 30, 2019.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START AND COMMUNITY DEVELOPMENT INSTITUTE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Commitments and Contingencies

Obligations Under Operating Leases

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

Rent expense for the year ended June 30, 2019 was \$6,970,354, of which \$6,159,681 was rent expense for programs under operational responsibility.

The Organization's 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, the Organization has no provisions for the possible disallowance of program costs on its consolidated financial statements.

The Organization leases office space and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2020	\$ 588,432
2021	600,240
2022	612,028
2023	<u>623,852</u>
	<u>\$2,424,552</u>

Rent expense under operating leases for the year ended June 30, 2019 was \$810,673.

Contracts

The Organization's 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, the Organization has no provisions for the possible disallowance of program costs on its consolidated financial statements.

Litigation

The Organization 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 the Organization's liability, if any.

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. Fees from Government Agencies

Fees from government agencies for the year ended June 30, 2019 consist of the following:

Head Start programs	\$166,990,350
National Interim Management (NIM Contract)	14,896,794
Food program	6,913,517
State/local funding – Non-federal revenue	<u>1,600,352</u>
	<u>\$190,401,013</u>

8. Employee Benefit Plan

The Organization contributes to Individual Employee Simplified Employee Pension (“SEP”) plan. The Organization contributes 15% of each employee’s gross salary. Employer contributions to the SEP accounts for the year ended June 30, 2019 were \$1,442,755.

9. Deferred Compensation Plan

In January 2015, the Organization’s Board of Directors approved a Deferred Compensation Plan, which compensates directors for their service. The intention of offering the plan is to attract and retain qualified directors and provide a fair compensation for their service on the Board. Under the plan, a participant accrues a benefit credit for each five full years of service. No benefit credit accrues for periods of less than five years of service.

For fiscal year ended June 30, 2019, the Organization has earmarked \$550,986 and has recognized a liability for this amount (see Note 4). In October 2019, subsequent to fiscal year end, the Organization’s Board Members froze the plan so that no additional deferred compensation accrues under the plan on and after October 1, 2019.

10. 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 Consolidated Statement of Functional Expenses (see Note 11 for information on the recognized value of the in-kind contributions).

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. Fair Value Measurements

The table below presents transactions measured at fair value on a non-recurring basis during the year ended June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed facilities	\$ -	\$2,955,031	\$ -	\$2,955,031
Contributed services		3,043,461		3,043,461
Contributed materials		3,587,159		3,587,159
Fair value at June 30, 2019	<u>\$ -</u>	<u>\$9,585,651</u>	<u>\$ -</u>	<u>\$9,585,651</u>

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

12. Related Party Transaction

During the year ended June 30, 2019, the administrative services levied by CDI to CDI-HS was \$12,932,658.

13. Subsequent Event

The Organization's Board Members froze the Plan so that no additional deferred compensation accrues under the plan on and after October 1, 2019.

Management has evaluated subsequent events through December 20, 2019, the date which the consolidated financial statements were available for issue. No other events or transactions have occurred during this period that appear to require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Community Development Institute Head Start	Community Development Institute	Total	Eliminations	Consolidated
Assets					
Cash and cash equivalents (Note 2)	\$ 2,372,794	\$ 15,796,142	\$ 18,168,936	\$ -	\$ 18,168,936
Accounts receivable	10,062,347	1,525,356	11,587,703		11,587,703
Prepaid expenses	142,836	405,154	547,990		547,990
Total assets	\$ 12,577,977	\$ 17,726,652	\$ 30,304,629	\$ -	\$ 30,304,629
Liabilities and net assets					
Liabilities					
Accounts payable	\$ 53,294	\$ 63,833	\$ 117,127	\$ -	\$ 117,127
Accrued liabilities (Note 4)	9,028,893	1,820,472	10,849,365		10,849,365
Line of credit (Note 5)			-		-
Total liabilities	9,082,187	1,884,305	10,966,492	-	10,966,492
Net assets					
Without donor restrictions	3,495,790	15,842,347	19,338,137		19,338,137
Total net assets	3,495,790	15,842,347	19,338,137	-	19,338,137
Total liabilities and net assets	\$ 12,577,977	\$ 17,726,652	\$ 30,304,629	\$ -	\$ 30,304,629

See independent auditors' report

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

CONSOLIDATING STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

	Community Development Institute Head Start	Community Development Institute	Total	Eliminations	Consolidated
Revenue and support without donor restrictions					
Fees from government agencies (Note 7)	\$ 175,504,219	\$ 14,896,794	\$ 190,401,013	\$ -	\$ 190,401,013
In-kind income (Notes 10 and 11)	9,585,651		9,585,651		9,585,651
Other	1,019,425	510,659	1,530,084		1,530,084
Parent fees	5,352		5,352		5,352
Service fees		12,932,658	12,932,658	(12,932,658)	-
Total revenue and support without donor restrictions	186,114,647	28,340,111	214,454,758	(12,932,658)	201,522,100
Expenses					
Program services	163,734,537	20,287,308	184,021,845	(12,932,658)	171,089,187
Management and general	20,661,903	2,672,443	23,334,346		23,334,346
Total expenses	184,396,440	22,959,751	207,356,191	(12,932,658)	194,423,533
Change in net assets	1,718,207	5,380,360	7,098,567	-	7,098,567
Net assets, beginning of year	1,777,583	10,461,987	12,239,570	-	12,239,570
Net assets, end of year	\$ 3,495,790	\$ 15,842,347	\$ 19,338,137	\$ -	\$ 19,338,137

See independent auditors' report

**COMMUNITY DEVELOPMENT INSTITUTE HEAD START
AND COMMUNITY DEVELOPMENT INSTITUTE**

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, 2019

Agency Head Name: Mark Elliot, Chief Executive Officer

Purpose	Amount
Salary	\$ 167,236
Benefits - insurance	26,546
Benefits - retirement	24,133
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>\$ 217,915</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.



**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SINGLE AUDIT REPORTS

JUNE 30, 2019

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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 consolidated financial statements of Community Development Institute Head Start (a nonprofit organization), which comprise the Consolidated Statement of Financial Position as of June 30, 2019, and the related Consolidated Statements of Activities, Functional Expenses, and Cash Flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated December 20, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item **2019-001**.

Community Development Institute Head Start's Response to Finding

Community Development Institute Head Start's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Development Institute Head Start's response was not subjected to the auditing procedures applied in the audit of the consolidated financial statements and, accordingly, we express no opinion on it.

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 20, 2019

**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, 2019. 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.

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, 2019.

**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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item **2019-001**. Our opinion on each major federal program is not modified with respect to this matter.

Community Development Institute Head Start's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Community Development Institute Head Start's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

**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

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.

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

We have audited the consolidated financial statements of Community Development Institute Head Start as of and for the year ended June 30, 2019, and have issued our report thereon dated December 20, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards is presented for purposes 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and non-federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Harrington Group

Pasadena, California
December 20, 2019

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2019

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Government Revenue		Program Expenditures	Pass-through to Sub-recipients
					Federal	Non-federal		
Federal Awards								
U.S. Department of Health and Human Services ("DHHS"):								
Directly from DHHS, Head Start:								
Head Start (Cabarrus County, NC #02)	90CH010469/02	93.600	6/1/2018 - 5/31/2019	\$ 1,573,086	\$ 1,469,944	\$ -	\$ 1,469,944	\$ -
Head Start (Cabarrus County, NC #03)	90CH010469/03	93.600	6/1/2019 - 5/31/2020	108,556	28,380		28,380	
Head Start (Cape Cod, MA #01)	90CH010874/01	93.600	4/1/2019 - 12/31/2019	1,612,119	144,673		144,673	
Head Start (Chilton, Autauga, Shelby, and Elmore Counties, AL #01)	90CH010500/01	93.600	7/26/2017 - 7/25/2018	11,458,846	3,956		3,956	
Head Start (Chilton, Autauga, Shelby, and Elmore Counties, AL #02)	90CH010500/02	93.600	6/21/2018 - 6/20/2019	12,499,587	5,870,909		5,870,909	
Head Start (Chilton, Autauga, Shelby, and Elmore Counties, AL #03)	90CH010500/03	93.600	6/24/2019 - 6/20/2020	5,744,099	1,465,075		1,465,075	
Head Start (Dekalb and Rockdale Counties, GA #01)	90CH010504/01	93.600	7/25/2017 - 4/30/2018	10,267,381	506		506	
Head Start (Dekalb and Rockdale Counties, GA #02)	90CH010504/02	93.600	5/1/2018 - 4/30/2019	16,125,939	9,312,380		9,312,380	
Head Start (Dekalb and Rockdale Counties, GA #03)	90CH010504/03	93.600	5/1/2019 - 4/30/2020	16,884,754	1,825,363		1,825,363	
Head Start (East Virginia #02)	90CH10458/02	93.600	12/1/2017 - 11/30/2018	2,076,694	434,609		434,609	
Head Start (East Virginia #03)	90CH10458/03	93.600	12/1/2018 - 11/30/2019	2,003,391	1,246,975		1,246,975	
Head Start (Frederick and Clarke Counties, VA #01)	90CH010692/01	93.600	9/1/2018 - 2/28/2019	508,101	508,101		508,101	
Head Start (Frederick and Clarke Counties, VA #02)	90CH010692/02	93.600	3/1/2019 - 2/29/2020	2,140,272	369,339		369,339	
Head Start (Geary County, KS #01)	90CH010565/01	93.600	6/1/2018 - 9/14/2018	144,185	55,109		55,109	
Head Start (Harrison County, MS #03)	90CH010318/03	93.600	12/17/2017 - 12/16/2018	17,505,415	4,050,627		4,050,627	
Head Start (Harrison County, MS #04)	90CH010318/04	93.600	12/17/2018 - 12/16/2019	13,911,052	6,278,038		6,278,038	
Head Start (Hartford & Middlesex Counties, CT #01)	90CH010683/01	93.600	8/15/2018 - 12/31/2018	3,505,837	3,309,801		3,309,801	
Head Start (Hartford & Middlesex Counties, CT #02)	90CH010683/02	93.600	1/1/2019 - 12/31/2020	10,130,032	5,122,006		5,122,006	
Head Start (Hendricks, Morgan, and Owen Counties, IN #01)	90CH011064/01	93.600	6/1/2019 - 2/29/2020	1,723,879	27,341		27,341	
Head Start (Hualapai Tribe #03)	90CH010157/03	93.600	7/1/2017 - 7/31/2018	641,541	50,380		50,380	
Head Start (Kittitas County, WA #01)	90CH010834/01	93.600	2/1/2019 - 12/31/2019	3,523,102	2,391,171		2,391,171	
Head Start (Lafayette, Iberia, and St. Martin Parishes, LA #01)	90CH010505/01	93.600	7/26/2017 - 7/25/2018	12,692,365	913,344		913,344	
Head Start (Lafayette, Iberia, and St. Martin Parishes, LA #02)	90CH010505/02	93.600	7/26/2018 - 7/25/2019	12,940,817	10,353,724		10,353,724	
Head Start (Lafayette, Iberia, and St. Martin Parishes, LA #03)	90CH010505/03	93.600	7/26/2019 - 7/25/2020	12,427,731	257,278		257,278	
Head Start (Martin County, FL #01)	90CH010513/01	93.600	9/25/2017 - 9/24/2018	483,446	8,791		8,791	
Head Start (Martin County, FL #02)	90CH010513/02	93.600	9/25/2018 - 9/24/2019	495,721	348,751		348,751	
Head Start (Midland County, TX #03)	90CH9986/03	93.600	6/1/2017 - 5/31/2018	2,710,401	119,257		119,257	
Head Start (Midland County, TX #04)	90CH9986/04	93.600	6/1/2018 - 5/31/2019	2,252,963	1,656,680		1,656,680	
Head Start (Mid-Region Mississippi #03)	90CH010300/03	93.600	11/16/2017 - 11/15/2018	10,249,431	3,347,594		3,347,594	
Head Start (Mid-Region Mississippi #04)	90CH010300/04	93.600	11/16/2018 - 11/15/2019	2,455,681	2,333,978		2,333,978	
Head Start (Milwaukee County, WI #01)	90CH010518/01	93.600	12/1/2017 - 10/31/2018	5,612,195	1,666,439		1,666,439	
Head Start (Milwaukee County, WI #02)	90CH010518/02	93.600	11/1/2018 - 10/31/2019	5,196,457	2,858,365		2,858,365	
Head Start (Multi-State Migrant Seasonal #01)	90CH010533/01	93.600	5/1/2018 - 1/31/2019	43,917,674	30,970,067		30,970,067	
Head Start (Multi-State Migrant Seasonal #02)	90CH010533/02	93.600	2/1/2019 - 1/31/2020	64,286,049	21,369,874		21,369,874	
Head Start (North Texas #02)	90CH010440/02	93.600	5/1/2017 - 4/30/2018	12,552,015	15,712		15,712	
Head Start (North Texas #03)	90CH010440/03	93.600	5/1/2018 - 4/30/2019	13,235,386	10,506,744		10,506,744	
Head Start (North Texas #04)	90CH010440/04	93.600	5/1/2019 - 4/30/2020	1,425,536	879,634		879,634	
Head Start (North/West Colorado Migrant Seasonal #01)	90CH010461/01	93.600	4/15/2017 - 4/14/2018	2,216,705	186,256		186,256	
Head Start (North/West Colorado Migrant Seasonal #02)	90CH010461/02	93.600	4/15/2018 - 4/14/2019	1,951,407	1,297,241		1,297,241	
Head Start (North/West Colorado Migrant Seasonal #03)	90CH010461/03	93.600	4/15/2019 - 4/14/2020	1,779,437	252,086		252,086	
Head Start (Outer Wayne County, MI #01)	90CH010597/01	93.600	8/1/2018 - 4/30/2019	5,132,029	3,950,974		3,950,974	
Head Start (Outer Wayne County, MI #02)	90CH010597/02	93.600	5/1/2019 - 4/30/2020	1,775,318	544,877		544,877	
Head Start (Prince George's County, MD #02)	90CH010450/02	93.600	9/1/2017 - 8/31/2018	3,264,613	357,367		357,367	
Head Start (Rockaway Beach, NY #03)	90CH010165/03	93.600	7/1/2017 - 6/30/2018	3,532,710	51,491		51,491	
Head Start (Rockaway Beach, NY #04)	90CH010165/04	93.600	7/1/2018 - 6/30/2019	3,584,704	3,237,623		3,237,623	
Head Start (Rockaway Beach, NY #05)	90CH010165/05	93.600	7/1/2019 - 6/30/2020	3,570,705	224,307		224,307	
Head Start (Santa Clara County, CA #01)	90CH011173/01	93.600	6/1/2019 - 12/31/2019	728,360	2,370		2,370	
Head Start (South and West Philadelphia, PA #01)	90CH010595/01	93.600	7/1/2018 - 10/31/2018	2,330,760	1,599,166		1,599,166	
Head Start (South and West Philadelphia, PA #02)	90CH010595/02	93.600	11/1/2018 - 10/31/2019	6,233,854	3,294,521		3,294,521	
Head Start (South Central Kansas #08)	90CH0071/08	93.600	3/1/2018 - 2/28/2019	1,057,659	645,882		645,882	
Head Start (South Central Kansas #09)	90CH0071/09	93.600	3/1/2019 - 2/28/2020	352,911	283,974		283,974	
Head Start (South Norwalk, CT #03)	90CH010302/03	93.600	11/23/2017 - 11/22/2018	1,105,522	(19,426)		(19,426)	
Head Start (Southeast Arkansas #01)	90CH010899/01	93.600	4/1/2019 - 3/31/2020	2,390,252	127,173		127,173	
Head Start (St. Landry Parish, LA #03)	90CH010073/03	93.600	7/1/2017 - 6/30/2018	8,145,971	91,220		91,220	
Head Start (St. Landry Parish, LA #04)	90CH010073/04	93.600	7/1/2018 - 6/30/2019	1,286,145	1,285,913		1,285,913	
Head Start (Starr and Zapata Counties, TX #01)	90CH010534/01	93.600	5/1/2018 - 1/31/2019	5,933,570	4,959,395		4,959,395	
Head Start (Starr and Zapata Counties, TX #02)	90CH010534/02	93.600	2/1/2019 - 1/31/2020	7,671,034	3,162,117		3,162,117	
Head Start (Talladega, Clay, and Randolph Counties, AL #02)	90CH010534/02	93.600	6/1/2017 - 5/31/2018	3,021,111	(47,767)		(47,767)	

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2019
continued

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Government Revenue		Program Expenditures	Pass-through to Sub-recipients
					Federal	Non-federal		
Head Start (Talladega, Clay, and Randolph Counties, AL #03)	90CH010340/03	93.600	6/1/2018 - 1/31/2020	3,813,935	2,412,936		2,412,936	
Head Start (Taylor County, FL #02)	90CH010506/02	93.600	1/1/2018 - 12/31/2018	2,358,771	319,387		319,387	
Head Start (Taylor County, FL #03)	90CH010506/03	93.600	1/1/2019 - 12/31/2019	1,713,637	816,798		816,798	
Head Start (Toa Baja, PR #02)	90CH010459/02	93.600	12/1/2017 - 11/30/2018	1,255,033	586,432		586,432	
Head Start (Toa Baja, PR #03)	90CH010459/03	93.600	12/1/2018 - 11/30/2019	1,124,145	742,697		742,697	
Head Start (West Central Missouri #01)	90CH011089/01	93.600	6/1/2019 - 5/31/2020	3,982,411	263,808		263,808	
Head Start (Western and Central Alabama #02)	90CH10026/02	93.600	7/1/2016 - 6/30/2017	5,071,036	(57,320)		(57,320)	
Head Start (Western and Central Alabama #03)	90CH10026/03	93.600	7/1/2017 - 6/30/2018	3,087,223	265,106		265,106	
Head Start (Western Georgia #01)	90CH010727/01	93.600	11/1/2018 - 11/30/2019	8,090,985	4,583,153		4,583,153	
Total DHHS				434,583,689	166,990,672	-	166,990,672	-
U.S. Department of Agriculture ("USDA"):								
Child and Adult Care Food Program:								
Pass-through, State of Alabama, Department of Education	AUJ-0000	10.558			369,004		369,004	
Pass-through, State of Alabama, Department of Education	AUJ-0000	10.558			1,580		1,580	
Pass-through, State of Alabama, Department of Education	AUJ-0000	10.558			89,775		89,775	
Pass-through, Colorado Department of Public Health & Environment	0010316	10.558			22,703		22,703	
Pass-through, Colorado Department of Public Health & Environment	0010316	10.558			560		560	
Pass-through, Connecticut State Department of Education, Bureau of Health/Nutrition, Family Services & Adult Education	497AOC	10.558			70,261		70,261	
Pass-through, Connecticut State Department of Education, Bureau of Health/Nutrition, Family Services & Adult Education	497AOC	10.558			192,310		192,310	
Pass-through, Connecticut State Department of Education, Bureau of Health/Nutrition, Family Services & Adult Education	497AOC	10.558			1,189		1,189	
Pass-through, Florida Department of Health, Bureau of Child Care Food Programs	S-2457	10.558			3,968		3,968	
Pass-through, Florida Department of Health, Bureau of Child Care Food Programs	S-2457	10.558			14,794		14,794	
Pass-through, Florida Department of Health, Bureau of Child Care Food Programs	S-2457	10.558			21,318		21,318	
Pass-through, Georgia Department of Early Care and Learning	15167	10.558			540,195		540,195	
Pass-through, Georgia Department of Early Care and Learning	15167	10.558			74,140		74,140	
Pass-through, Georgia Department of Early Care and Learning	15167	10.558			180,761		180,761	
Pass-through, Iowa Department of Education	488012	10.558			2,412		2,412	
Pass-through, Indiana Department of Education, Division of School and Community Nutrition Program	1930220	10.558			12,913		12,913	
Pass-through, Indiana Department of Education, Division of School and Community Nutrition Program	1930220	10.558			2,945		2,945	
Pass-through, Kansas State Department of Education, Child Nutrition & Wellness	P0605	10.558			31,048		31,048	
Pass-through, Kansas State Department of Education, Child Nutrition & Wellness	P0605	10.558			14,005		14,005	
Pass-through, Louisiana Department of Education, Division of Nutrition Support	21-38	10.558			781,986		781,986	
Pass-through, Louisiana Department of Education, Division of Nutrition Support	21-38	10.558			35,044		35,044	
Pass-through, State of Michigan Office of School Support	73SPX0006	10.558			59,194		59,194	
Pass-through, State of Michigan Office of School Support	73SPX0006	10.558			17,094		17,094	
Pass-through, Mississippi Department of Education, Office of Child Nutrition	V0002049430	10.558			344,742		344,742	
Pass-through, Mississippi Department of Education, Office of Child Nutrition	V0002049430	10.558			557,650		557,650	
Pass-through, Mississippi Department of Education, Office of Child Nutrition	V0002049430	10.558			210,682		210,682	
Pass-through, Mississippi Department of Education, Office of Child Nutrition	V0002049430	10.558			100,989		100,989	
Pass-through, North Carolina Department of Health and Human Services	9492	10.558			108,533		108,533	
Pass-through, New Mexico Children, Youth and Families Department, Family Nutrition Bureau	0788	10.558			4,670		4,670	
Pass-through, New Mexico Children, Youth and Families Department, Family Nutrition Bureau	0788	10.558			10,431		10,431	

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2019
continued

Federal Grantor Agency/Pass-Through Grantor/Program Title	Contract Number	Federal CFDA Number	Contract Term	Program Award	Government Revenue		Program Expenditures	Pass-through to Sub-recipients	
					Federal	Non-federal			
Pass-through, Nevada Department of Agriculture, Food and Nutrition Division	1395	10.558			4,563		4,563		
Pass-through, Nevada Department of Agriculture, Food and Nutrition Division	1395	10.558			666		666		
Pass-through, New York State Department of Health, Division of Nutrition	6462	10.558			27		27		
Pass-through, New York State Department of Health, Division of Nutrition	6462	10.558			89,176		89,176		
Pass-through, Ohio Department of Education, Office of Integrated Student Supports	014250	10.558			63,244		63,244		
Pass-through, Ohio Department of Education, Office of Integrated Student Supports	014250	10.558			23,633		23,633		
Pass-through, Oklahoma State Department of Education, Child Nutrition Programs	DC- 08-163	10.558			3,324		3,324		
Pass-through, Oklahoma State Department of Education, Child Nutrition Programs	DC- 08-163	10.558			1,529		1,529		
Pass-through, Pennsylvania Treasury Department, Commonwealth of Pennsylvania	300-34-000-1	10.558			21,284		21,284		
Pass-through, Pennsylvania Treasury Department, Commonwealth of Pennsylvania	300-34-000-1	10.558			88,554		88,554		
Pass-through, Gobierno de Puerto Rico, Departamento de Educacion	CCC-208	10.558			13,723		13,723		
Pass-through, Gobierno de Puerto Rico, Departamento de Educacion	CCC-208	10.558			60,194		60,194		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			339,931		339,931		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			288,751		288,751		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			297,467		297,467		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			217,719		217,719		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			91,013		91,013		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			590,124		590,124		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			82,124		82,124		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			331,335		331,335		
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10.558			271,286		271,286		
Pass-through, Virginia Department of Health, Division of Community Nutrition	10474	10.558			19,590		19,590		
Pass-through, Virginia Department of Health, Division of Community Nutrition	10474	10.558			47,632		47,632		
Pass-through, Virginia Department of Health, Division of Community Nutrition	10474	10.558			36,510		36,510		
Pass-through, Virginia Department of Health, Division of Community Nutrition	10474	10.558			30,505		30,505		
Pass-through, Washington Office of Superintendent of Public Instruction	39031512	10.558			22,718		22,718		
Total USDA					-	6,913,518	-	6,913,518	-
Total Federal Awards					434,583,689	173,904,190	-	173,904,190	-
Non-federal Awards									
Cabarrus County, NC - Early Childhood Music Education						1,698		1,698	
Chilton, Autauga, Shelby, and Elmore Counties, AL - Pre-Kindergarten						135,000		135,000	
Dekalb and Rockdale Counties, GA - MIECHV						170,509		170,509	
Dekalb and Rockdale Counties, GA - Pre-Kindergarten						371,297		371,297	
Hartford and Middlesex Counties, CT - Head Start LINK						70,960		70,960	
Hartford and Middlesex Counties, CT - Head Start Enhancement						224,788		224,788	
Hartford and Middlesex Counties, CT - Head Start Services						325,985		325,985	
Martin County, FL - CSCMC - Children's Services Council						23,088		23,088	
Milwaukee County, WI - Milwaukee Co. Childcare/EBT						49,689		49,689	
North Texas - United Way						19,000		19,000	
Rockaway Beach, NY - Pre-Kindergarten						208,338		208,338	
Total Non-federal Awards					-	1,600,352	-	1,600,352	-
Total Federal and Non-federal Awards					\$ 434,583,689	\$ 173,904,190	\$ 1,600,352	\$ 175,504,542	\$ -

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019. 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 Requirements 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 year ended June 30, 2019.

4. **Other Information**

CDI-HS did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2019.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

Schedule of Findings and Questioned Costs

For the year ended June 30, 2019

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? Yes

Dollar threshold used to distinguish between Type A and Type B programs: \$5,217,126

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:
Head Start 93.600

U.S. Department of Agriculture:
Child and Adult Care Food Program 10.558

Section II – Financial Statement Findings

Finding 2019-001 – See description of finding in section III that also relates to federal awards.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

Schedule of Findings and Questioned Costs

For the year ended June 30, 2019

continued

Section III – Federal Award Findings and Questioned Costs

Finding 2019-001 – Board Independence

Condition: The Board of Directors of CDI-HS is not independent of management.

Criteria: Section 200.303 Internal Controls – The non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in Federal Government” issued by the Comptroller of Sponsoring Organizations of the Treadway Commission (“COSO”). The COSO Internal Control Integrated Framework states that the Board of Directors should be independent of management and exercise oversight of the development and performance of internal control.

Cause: The Board of Directors of CDI-HS is comprised of the same Directors as the Board of Directors of CD. CDI’s Board of Directors is comprised entirely of members of the senior management team of CDI. CDI controls the Board of Directors of CDI-HS and has an economic interest in CDI-HS. Accordingly, CDI has effective control over the day to day operations of CDI-HS and there is a lack of independence between management and the Board of Directors.

Effect: The governance structure of CDI-HS is inconsistent with the COSO Internal Control Integrated Framework and, accordingly, is not optimized to provide reasonable assurance that CDI HS is managing its Federal awards in compliance with federal statutes, regulations, and the terms and conditions of its federal awards.

Recommendations: We recommend that CDI and CDI-HS ensure that the majority of voting board members are independent of CDI and CDI-HS.

Views of Responsible Officials: CDI-HS has made a change to the structure of the Board of Directors, with the majority of members being outside individuals, independent of CDI-HS. In addition, the CDI-HS Board members are different than the members of the CDI Board. As of October 2019, there is no longer complete commonality of membership between the boards. CDI-HS believes that with the implementation of this change, there is independence between management and the board.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.