

HARRINGTON GROUP

CERTIFIED PUBLIC ACCOUNTANTS, LLP

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

FINANCIAL STATEMENTS and SUPPLEMENTARY INFORMATION

JUNE 30, 2018

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CERTIFIED PUBLIC ACCOUNTANTS, LLP

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 18, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 21, 2018, 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 21, 2018

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	2018	2017
ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,618,702	\$ 933,003
Accounts receivable	2,981,251	2,872,056
Prepaid expenses	34,437	20,387
TOTAL ASSETS	\$ 4,634,390	\$ 3,825,446
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 51,534	\$ 50,000
Accrued liabilities (Note 3)	2,805,273	2,146,642
TOTAL LIABILITIES	2,856,807	2,196,642
NET ASSETS		
Unrestricted	1,777,583	1,628,804
TOTAL NET ASSETS	1,777,583	1,628,804
TOTAL LIABILITIES AND NET ASSETS	\$ 4,634,390	\$ 3,825,446

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, 2018

With comparative totals for the year ended June 30, 2017

	2018	2017
REVENUE		
Fees from government agencies (Note 6)	\$ 93,683,854	\$ 62,128,508
In-kind income (Notes 8 and 9)	5,919,503	5,120,717
Parent fees	23,889	5,973
TOTAL REVENUE	99,627,246	67,255,198
EXPENSES		
Program services	88,059,104	59,827,365
Management and general	11,419,363	7,610,878
TOTAL EXPENSES	99,478,467	67,438,243
CHANGE IN NET ASSETS	148,779	(183,045)
NET ASSETS, BEGINNING OF YEAR	1,628,804	1,811,849
NET ASSETS, END OF YEAR	\$ 1,777,583	\$ 1,628,804

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, 2018

With comparative totals for the year ended June 30, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Total Expenses</u>	
			2018	2017
Salaries	\$ 38,256,340	\$ 4,981,878	\$ 43,238,218	\$ 29,692,649
Employee benefits	6,557,175	853,899	7,411,074	5,092,132
Payroll taxes	3,950,535	514,453	4,464,988	3,256,034
Total personnel costs	<u>48,764,050</u>	<u>6,350,230</u>	<u>55,114,280</u>	<u>38,040,815</u>
Construction	6,404,599	834,030	7,238,629	1,687,171
Other	5,961,983	720,911	6,682,894	4,005,568
In-kind expenses (Notes 8 and 9)	5,230,852	688,651	5,919,503	5,120,717
Supplies	3,130,477	407,662	3,538,139	2,878,570
Food	2,939,879	382,842	3,322,721	2,585,014
Repairs and maintenance	2,736,650	356,376	3,093,026	4,210,061
Occupancy	2,103,100	273,873	2,376,973	1,196,647
Consultants	1,914,102	249,261	2,163,363	1,480,620
Insurance	1,563,542	203,610	1,767,152	916,815
Utilities	1,530,960	199,367	1,730,327	988,460
Training	1,489,270	193,938	1,683,208	1,089,610
Contractual services	1,120,813	145,956	1,266,769	1,211,615
Transportation	1,002,722	130,578	1,133,300	1,104,740
Equipment	814,532	106,071	920,603	112,621
Telephone	634,511	82,628	717,139	525,417
Child services	506,080	65,904	571,984	68,513
Publications	131,388	17,110	148,498	132,620
Furniture	40,155	5,229	45,384	51,842
Printing	39,439	5,136	44,575	30,807
TOTAL 2018 FUNCTIONAL EXPENSES	<u>\$ 88,059,104</u>	<u>\$ 11,419,363</u>	<u>\$ 99,478,467</u>	
TOTAL 2017 FUNCTIONAL EXPENSES	<u>\$ 59,827,365</u>	<u>\$ 7,610,878</u>		<u>\$ 67,438,243</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, 2018

With comparative totals for the year ended June 30, 2017

	2018	2017
CASH FLOWS FROM (TO) OPERATING ACTIVITIES:		
Change in net assets	\$ 148,779	\$ (183,045)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in operating assets:		
Accounts receivable	(109,195)	742,001
Prepaid expenses	(14,050)	3,746
Increase (decrease) in operating liabilities:		
Accounts payable	1,534	5,809
Accrued liabilities	658,631	(777,410)
	685,699	(208,899)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	685,699	(208,899)
NET INCREASE (DECREASE) IN CASH	685,699	(208,899)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	933,003	1,141,902
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,618,702	\$ 933,003

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 restrictions. CDI-HS has no temporarily restricted net assets at June 30, 2018.

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, 2018.

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, 2018 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, 2018 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 94% 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, 2018, CDI-HS received \$5,919,503 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, 2017, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through December 21, 2018, 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, 2018 consist of the following:

Accrued expenses and payroll liabilities – programs and delegates	\$2,257,531
Accrued salaries	295,062
Accrued vacation	149,063
Accrued payroll taxes and workers' compensation insurance	<u>103,617</u>
	<u>\$2,805,273</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 22, 2019. The interest rate at June 30, 2018 was 5.00%. The bank has a first priority security interest in all of CDI-HS' assets. There was no outstanding balance at June 30, 2018.

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 5.00%. There was no outstanding balance at June 30, 2018.

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, 2018 was \$2,376,973, 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, 2018 consist of the following:

Head Start programs	\$88,438,933
Food program	4,333,349
State/local funding – Non-federal revenue	<u>911,572</u>
	<u>\$93,683,854</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, 2018, CDI-HS paid CDI the following:

Fiscal administrative services for Head Start grantees	<u>\$5,852,308</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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed facilities	\$ -	\$2,816,009	\$ -	\$2,816,009
Contributed services		2,034,865		2,034,865
Contributed materials		<u>1,068,629</u>		<u>1,068,629</u>
Fair value at June 30, 2018	<u>\$ -</u>	<u>\$5,919,503</u>	<u>\$ -</u>	<u>\$5,919,503</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).

SUPPLEMENTARY INFORMATION

**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, 2018

Agency Head Name: Mark Elliot, Chief Executive Officer

Purpose	Amount
Salary	\$ 160,884
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	-
	\$ 211,563

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.

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CERTIFIED PUBLIC ACCOUNTANTS, LLP

COMMUNITY DEVELOPMENT INSTITUTE HEAD START

SINGLE AUDIT REPORTS

JUNE 30, 2018

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HARRINGTON GROUP

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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, 2018, 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 21, 2018.

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's 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.

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*.

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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***
continued

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 21, 2018

HARRINGTON GROUP

CERTIFIED PUBLIC ACCOUNTANTS, LLP

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, 2018. 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, 2018.

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, 2018, and have issued our report thereon dated December 21, 2018, 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 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 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 21, 2018

**COMMUNITY DEVELOPMENT
INSTITUTE HEAD START**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2018**

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	Total		
Federal Awards									
U S Department of Health and Human Services ("DHHS")									
Directly from DHHS, Head Start Cluster									
Head Start (Brevard County, FL #7)	90CH0062/07	93 600	08/01/2016 - 07/31/2017	\$ 91,085	\$ (81)	\$ -	\$ (81)	\$ (81)	\$ -
Head Start (Cabarrus County, NC #1)	90CH010469/01	93 600	06/01/2017 - 05/31/2018	1,769,565	1,050,544		1,050,544	1,050,544	
Head Start (Cabarrus County, NC #2)	90CH010469/02	93 600	06/01/2017 - 05/31/2018	1,573,086	82,104		82,104	82,104	
Head Start (Chilton, Autauga, Shelby, and Elmore Counties, AL #1)	90CH010500/01	93 600	06/21/2017 - 06/20/2018	11,458,846	4,401,163		4,401,163	4,401,163	
Head Start (Chilton, Autauga, Shelby, and Elmore Counties, AL #2)	90CH010500/02	93 600	06/21/2018 - 06/20/2019	5,645,696	91,524		91,524	91,524	
Head Start (City of Newark, NJ #3)	90CH0114/03	93 600	07/01/2016 - 06/30/2017	1,153,738	1,000		1,000	1,000	
Head Start (DeKalb and Rockdale Counties, GA #1)	90CH010504/01	93 600	07/25/2017 - 04/30/2018	10,267,381	7,232,046		7,232,046	7,232,046	
Head Start (DeKalb and Rockdale Counties, GA #2)	90CH010504/02	93 600	05/01/2018 - 04/30/2019	16,125,939	1,390,851		1,390,851	1,390,851	
Head Start (East Virginia #1)	90CH010458/01	93 600	12/01/2016 - 11/30/2017	1,787,414	440,437		440,437	440,437	
Head Start (East Virginia #2)	90CH010458/02	93 600	12/01/2017 - 11/30/2018	2,076,694	641,437		641,437	641,437	
Head Start (Geary County, KS #1)	90CH010565/01	93 600	06/01/2018 - 09/14/2018	144,185	5,500		5,500	5,500	
Head Start (Harrison County, MS #2)	90CH010318/02	93 600	12/17/2016 - 12/16/2017	9,672,315	4,721,597		4,721,597	4,721,597	
Head Start (Harrison County, MS #3)	90CH010318/03	93 600	12/17/2017 - 12/16/2018	17,505,415	4,736,984		4,736,984	4,736,984	
Head Start (Hualapai Tribe #2)	90CH010157/02	93 600	07/01/2016 - 06/30/2017	761,044	(574)		(574)	(574)	
Head Start (Hualapai Tribe #3)	90CH010157/03	93 600	07/01/2017 - 06/30/2018	641,541	591,161		591,161	591,161	
Head Start (Kansas River Valley #3)	90CH0119/03	93 600	07/01/2016 - 06/30/2017	1,425,576	(143)		(143)	(143)	
Head Start (Lafayette, Ibena, and St. Martin Parishes, LA #1)	90CH010505/01	93 600	07/26/2017 - 07/25/2018	12,692,365	11,291,222		11,291,222	11,291,222	
Head Start (Martin County, FL #1)	90CH010513/01	93 600	09/25/2017 - 09/24/2018	483,446	474,655		474,655	474,655	
Head Start (Midland County #2)	90CH9986/02	93 600	06/01/2016 - 05/31/2017	3,428,197	749,662		749,662	749,662	
Head Start (Midland County #3)	90CH9986/03	93 600	06/01/2017 - 05/31/2018	2,710,401	2,058,140		2,058,140	2,058,140	
Head Start (Midland County #4)	90CH9986/04	93 600	06/01/2018 - 05/31/2019	2,252,963	86,442		86,442	86,442	
Head Start (Mid-Region Mississippi #2)	90CH010300/02	93 600	11/16/2016 - 11/15/2017	10,457,633	4,015,788		4,015,788	4,015,788	
Head Start (Mid-Region Mississippi #3)	90CH010300/03	93 600	11/16/2017 - 11/15/2018	10,249,431	5,382,418		5,382,418	5,382,418	
Head Start (Milwaukee County, WI #1)	90CH010518/01	93 600	12/01/2017 - 10/31/2018	5,612,195	2,406,805		2,406,805	2,406,805	
Head Start (Multi-State Admin Office #1)	90CH010533/01	93 600	05/01/2018 - 01/31/2019	43,917,674	772,905		772,905	772,905	
Head Start (North Texas #1)	90CH010440/01	93 600	07/01/2016 - 04/30/2017	8,317,664	449,739		449,739	449,739	
Head Start (North Texas #2)	90CH010440/02	93 600	05/01/2017 - 04/30/2018	12,552,015	7,662,884		7,662,884	7,662,884	
Head Start (North Texas #3)	90CH010440/03	93 600	05/01/2018 - 04/30/2019	13,235,386	1,821,247		1,821,247	1,821,247	
Head Start (North/West Colorado Migra Seasonal #1)	90CH010461/01	93 600	04/15/2017 - 04/14/2018	2,216,705	1,349,971		1,349,971	1,349,971	
Head Start (North/West Colorado Migra Seasonal #2)	90CH010461/02	93 600	04/15/2018 - 04/14/2019	1,951,407	452,063		452,063	452,063	
Head Start (Multi-State Migrant Seasonal #1)	90CH010533/01	93 600	05/01/2018 - 01/31/2019	43,917,674	1,195,048		1,195,048	1,195,048	
Head Start (Prince George's County MD #1)	90CH010450/01	93 600	09/01/2016 - 08/31/2017	7,701,526	406,031		406,031	406,031	
Head Start (Prince George's County MD #2)	90CH010450/02	93 600	09/01/2017 - 08/31/2018	3,264,613	1,615,295		1,615,295	1,615,295	
Head Start (Rains and Franklin Counties #2)	90CH010203/02	93 600	07/29/2016 - 07/28/2017	800,338	(3,325)		(3,325)	(3,325)	
Head Start (Rockaway Beach #2)	90CH010165/02	93 600	07/01/2016 - 06/30/2017	4,692,172	528,367		528,367	528,367	
Head Start (Rockaway Beach #3)	90CH010165/03	93 600	07/01/2017 - 06/30/2018	3,532,710	2,473,034		2,473,034	2,473,034	
Head Start (Somerset County, NJ #3)	90CH0117/03	93 600	07/01/2016 - 06/30/2017	246,605	(3,415)		(3,415)	(3,415)	
Head Start (South Central Kansas #7)	90CH0071/07	93 600	03/01/2017 - 02/28/2018	822,263	613,298		613,298	613,298	
Head Start (South Central Kansas #8)	90CH0071/08	93 600	03/01/2017 - 02/28/2018	1,057,659	228,756		228,756	228,756	
Head Start (South Norwalk, CT #2)	90CH010302/02	93 600	11/23/2016 - 11/22/2017	1,605,497	402,312		402,312	402,312	
Head Start (South Norwalk, CT #3)	90CH010302/03	93 600	11/23/2017 - 11/22/2018	1,105,522	910,050		910,050	910,050	
Head Start (St. Landry Parish, LA #2)	90CH010073/02	93 600	07/01/2016 - 06/30/2017	7,730,697	(79,243)		(79,243)	(79,243)	
Head Start (St. Landry Parish, LA #3)	90CH010073/03	93 600	07/01/2017 - 06/30/2018	8,145,971	7,753,428		7,753,428	7,753,428	
Head Start (Starr and Zapata Counties, TX #1)	90CH010534/01	93 600	05/01/2018 - 01/31/2019	5,933,570	173,114		173,114	173,114	
Head Start (Talladega, Clay & Randolph #2)	90CH010340/02	93 600	06/01/2017 - 05/31/2018	3,021,111	2,454,477		2,454,477	2,454,477	
Head Start (Talladega, Clay & Randolph #3)	90CH010340/03	93 600	06/01/2018 - 05/31/2019	1,720,013	156,643		156,643	156,643	
Head Start (Taylor County, FL #1)	90CH010506/01	93 600	07/28/2017 - 12/31/2017	1,144,944	338,788		338,788	338,788	
Head Start (Taylor County, FL #2)	90CH010506/02	93 600	01/01/2018 - 12/31/2018	2,358,771	322,940		322,940	322,940	
Head Start (Tecumseh, OK #5)	90CH0087/05	93 600	09/01/2016 - 08/31/2017	480,927	32,016		32,016	32,016	
Head Start (Toa Baja, PR #1)	90CH010459/01	93 600	12/01/2016 - 11/30/2017	1,207,670	458,486		458,486	458,486	
Head Start (Toa Baja, PR #2)	90CH010459/02	93 600	12/01/2017 - 11/30/2018	1,255,033	668,601		668,601	668,601	
Head Start (Western and Central, AL #2)	90CH10026/02	93 600	07/01/2016 - 06/30/2017	5,071,036	848,771		848,771	848,771	
Head Start (Western and Central, AL #3)	90CH10026/03	93 600	07/01/2017 - 06/30/2018	3,087,223	2,574,178		2,574,178	2,574,178	
Sub-total, directly from DHHS - Head Start Cluster				322,080,547	88,427,141	-	88,427,141	88,427,141	-

COMMUNITY DEVELOPMENT
INSTITUTE HEAD START

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2018
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	Total		
Directly from HHS, Programs for Disaster Relief Appropriations Act - Non Construction									
Head Start (Rockaway Beach, NY - Sandy - Construction II #1)	02SD0033/01	93 095	09/01/2015 - 08/31/2017	1,497,684	(2,095)	(2,095)	(2,095)		
Head Start (Rockaway Beach, NY - Sandy - Building Purchase #1)	02SD0020/01	93 095	09/01/2015 - 08/31/2017	9,150,000	48,863	48,863	48,863		
Sub-total, directly from DHHS - Programs for Disaster Relief Appropriations Act, Non Construction				<u>10,647,684</u>	<u>46,768</u>	<u>46,768</u>	<u>46,768</u>		<u>-</u>
Total DHHS				<u>332,728,231</u>	<u>88,473,909</u>	<u>-</u>	<u>88,473,909</u>	<u>88,473,909</u>	<u>-</u>
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			9,280		9,280	9,280	
	S-2457	10 558			22,393		22,393	22,393	
Pass-through, Virginia Department of Health, Division of Community Nutrition	10474	10 558			24,638		24,638	24,638	
	10474	10 558			46,339		46,339	46,339	
Pass-through, Mississippi Department of Education, Office of Child Nutrition	V0002049430	10 558			397,568		397,568	397,568	
	V0002049430	10 558			575,444		575,444	575,444	
Pass-through, State of Arizona Department of Education	08-19-03	10 558			33,286		33,286	33,286	
Pass-through, Kansas State Department of Education, Child Nutrition & Wellness	P0605	10 558			30,405		30,405	30,405	
	P0605	10 558			13,167		13,167	13,167	
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10 558			67,562		67,562	67,562	
Pass-through, Mississippi Department of Education, Office of Child Nutrition	V0002049430	10 558			193,519		193,519	193,519	
	V0002049430	10 558			384,370		384,370	384,370	
Pass-through, Texas Department of Agriculture, Food & Nutrition Division	02116	10 558			391,430		391,430	391,430	
	02116	10 558			77,007		77,007	77,007	
Pass-through, Colorado Department of Public Health & Environment	GAE FAAA 2017	10 558			24,073		24,073	24,073	
	GAE FAAA 2017	10 558			1,218		1,218	1,218	
Pass-through, New York State Department of Health, Division of Nutrition	6462	10 558			74,769		74,769	74,769	
Pass-through, Georgia Department of Early Care and Learning	15167	10 558			350,200		350,200	350,200	
	15167	10 558			64,953		64,953	64,953	
Pass-through, Connecticut State Department of Education, Bureau of Health/Nutrition, Family Services & Adult Education	497AOC	10 558			28,008		28,008	28,008	
	497AOC	10 558			100,924		100,924	100,924	
Pass-through, Louisiana Department of Education, Division of Nutrition Support	21-38	10 558			451,595		451,595	451,595	
Pass-through, Louisiana Department of Education, Division of Nutrition Support	21-38	10 558			100		100	100	
	21-38	10 558			479,663		479,663	479,663	
Pass-through, State of Alabama, Department of Education	AUJ-0000	10 558			263,608		263,608	263,608	
	AUJ-0000	10 558			12,535		12,535	12,535	
Pass-through, Gobierno de Puerto Rico, Department de Educacion	CCC-208	10 558			11,512		11,512	11,512	
	CCC-208	10 558			34,901		34,901	34,901	

COMMUNITY DEVELOPMENT
INSTITUTE HEAD START

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS
For the year ended June 30, 2018
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	Total		
Pass-through, State of Alabama, Department of Education	AUJ-0000	10 558			168,882		168,882	168,882	
Total USDA				-	4,333,349	-	4,333,349	4,333,349	-
Total Federal Awards				332,728,231	92,807,258	-	92,807,258	92,807,258	-
Non-federal Awards									
Chilton, Autauga, Shelby, and Elmore Counties, AL - Pre-Kindergarten						135,000	135,000	135,000	
Dekalb and Rockdale Counties, GA - MIECHV - Dekalb & Rockdale						9,341	9,341	9,341	
Dekalb and Rockdale Counties, GA - Pre-Kindergarten						310,347	310,347	310,347	
Martin County, FL - Wrap Around Program						33,950	33,950	33,950	
Milwaukee County, WI - Milwaukee Co Childcare/EET						17,150	17,150	17,150	
North Texas - United Way Funding						20,310	20,310	20,310	
Rockaway Beach, NY - Pre-Kindergarten						138,149	138,149	138,149	
South Norwalk, CT - State Grant Fund						149,424	149,424	149,424	
South Norwalk, CT - State Head Start Enhancement						97,901	97,901	97,901	
Total Non-federal Awards				-	-	911,572	911,572	911,572	-
Total Federal and Non-federal Awards				\$ 332,728,231	\$ 92,807,258	\$ 911,572	\$ 93,718,830	\$ 93,718,830	\$ -

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, 2018

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, 2018. 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, 2018.

4. Other Information

CDI-HS did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2018.

COMMUNITY DEVELOPMENT INSTITUTE HEAD START
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

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: \$2,784,218

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.