

JEFFERSON-CLARION HEAD START, INC.

Brookville, Pennsylvania

DUNS 155408743

FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

Jefferson-Clarion Head Start, Inc.
Brookville, PA 15825

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Jefferson-Clarion Head Start, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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.

Auditor's 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 from 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 auditor's 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.

MEMBER:

*American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants*

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 Jefferson-Clarion Head Start, Inc. as of June 30, 2015, 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 Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 January 29, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Organization's internal control over financial reporting and compliance.

Mauthe, Yutzey, Gabler & Troxell LLC

Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
January 29, 2016

JEFFERSON-CLARION HEAD START, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2015

ASSETS

Current Assets:

Cash in bank	\$ 125,002.90
Grants receivable	<u>225,978.13</u>

Total Current Assets 350,981.03

Property and Equipment (at cost) 895,869.89

Less: Accumulated depreciation (578,697.73)

317,172.16

Total Assets \$ 668,153.19

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts payable	\$ 160,752.87
Accrued wages and fringes payable	130,030.67
Unearned grants	35,993.68
Note payable - line of credit	<u>24,203.81</u>

Total Liabilities 350,981.03

Net Assets:

Unrestricted 317,172.16

Total Liabilities and Net Assets \$ 668,153.19

The accompanying notes are an integral part of the financial statements

JEFFERSON-CLARION HEAD START, INC.

STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2015

Support and Revenue:

Grants	\$ 4,573,096.38
In-kind contributions	<u>674,251.14</u>
Total Support and Revenue	<u>5,247,347.52</u>

Expenses:

Program Services:

Head Start	2,581,245.60
Early Head Start	1,033,434.16
PA Pre-K Counts Program	804,042.04
Maternal, Infant & Early Childhood Home Visiting Grant	337,720.80
Family Literacy Program	273,831.00
Child and Adult Care Food Program	123,619.50
Classroom Support Aides IU6 Grant	37,900.00
Keystones To Opportunity	89,118.35
Keystone Stars	16,000.00
Local Funds	<u>4,234.61</u>

Total Program Services	<u>5,301,146.06</u>
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Change in Net Assets	(53,798.54)
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Net Assets, beginning of period	<u>370,970.70</u>
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Net Assets, end of period	<u><u>\$ 317,172.16</u></u>
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The accompanying notes are an integral part of the financial statements

JEFFERSON-CLARION HEAD START, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended June 30, 2015

	<u>Head Start</u>	<u>Early Head Start</u>	<u>PA Pre-K Counts Program</u>	<u>Maternal, Infant & Early Childhood Home Visiting Grant</u>	<u>Family Literacy Program</u>	<u>Child and Adult Care Food Program</u>	<u>Classroom Support Aides IU6 Grant</u>	<u>Keystones To Opportunity</u>	<u>Keystone Stars</u>	<u>Local Funds</u>	<u>Total</u>
Salaries and wages	\$1,012,823.69	\$ 400,455.97	\$318,778.44	\$ 189,684.90	\$144,629.51	\$ -	\$ 31,696.64	\$ 6,929.51	\$ -	\$ -	2,104,998.66
Fringe benefits	379,782.27	169,228.19	114,343.35	71,334.93	52,024.18	-	6,203.36	1,232.90	-	-	794,149.18
Total Salaries and Related Expenses	1,392,605.96	569,684.16	433,121.79	261,019.83	196,653.69	-	37,900.00	8,162.41	-	-	2,899,147.84
Consultant and professional fees	21,695.38	9,191.30	7,382.96	5,474.93	1,807.05	-	-	-	-	-	45,551.62
Supplies	99,908.14	102,369.20	32,187.31	16,883.56	14,502.93	-	-	49,186.22	15,502.00	2,300.57	332,839.93
Equipment and vehicles	303.50	-	-	-	-	-	-	-	-	-	303.50
In-Kind	489,214.40	185,036.74	-	-	-	-	-	-	-	-	674,251.14
Occupancy	143,613.54	42,834.15	27,206.08	22,829.29	30,368.55	-	-	-	498.00	-	267,349.61
Insurance	10,660.20	9,267.00	3,612.20	2,902.80	2,871.00	-	-	-	-	-	29,313.20
Training and technical assistance	27,369.00	19,728.00	8,009.33	1,814.87	1,304.93	-	-	433.64	-	-	58,659.77
Maintenance and vehicle operation	10,208.69	13,396.92	-	923.51	3,234.57	-	-	-	-	-	27,763.69
Local travel	12,808.22	7,544.55	3,492.05	6,045.51	4,289.70	-	-	-	-	-	34,180.03
Out-of-district travel	331.62	2.44	-	24.81	-	-	-	-	-	-	358.87
Postage	4,430.38	424.24	1,313.89	226.14	199.68	-	-	-	-	-	6,594.33
Telephone	22,646.79	14,882.32	8,313.03	7,924.42	6,465.74	-	-	-	-	-	60,232.30
Repairs and maintenance	8,261.52	1,824.64	1,236.87	2,835.87	2,778.82	-	-	-	-	-	16,937.72
Advertising, printing and publications	12,652.63	9,123.55	3,002.68	2,576.58	1,929.33	-	-	-	-	-	29,284.77
Payroll processing	5,033.70	1,875.31	1,511.90	871.76	698.89	-	-	-	-	-	9,991.56
Food and related expenses	24,150.25	738.07	3,175.28	242.65	396.68	123,619.50	-	-	-	-	152,322.43
Parent activities	6,548.15	535.61	505.20	612.52	-	-	-	-	-	717.77	8,919.25
Literacy and parent resources	-	1,231.31	-	-	5,437.85	-	-	-	-	534.77	7,203.93
Field trips	396.64	-	297.45	-	-	-	-	-	-	-	694.09
Contracted services	265,335.97	2,233.85	3,198.15	782.76	-	-	-	31,336.08	-	-	302,886.81
Memberships	2,393.72	1,008.27	335.97	2,265.19	47.51	-	-	-	-	-	6,050.66
Depreciation	20,677.20	40,502.53	1,522.04	1,463.80	844.08	-	-	-	-	-	65,009.65
Interest	-	-	6.86	-	-	-	-	-	-	681.50	688.36
Sub-contract services	-	-	264,611.00	-	-	-	-	-	-	-	264,611.00
Total Expenses	<u>\$2,581,245.60</u>	<u>\$1,033,434.16</u>	<u>\$804,042.04</u>	<u>\$ 337,720.80</u>	<u>\$273,831.00</u>	<u>\$ 123,619.50</u>	<u>\$ 37,900.00</u>	<u>\$89,118.35</u>	<u>\$16,000.00</u>	<u>\$ 4,234.61</u>	<u>\$ 5,301,146.06</u>

The accompanying notes are an integral part of the financial statements

JEFFERSON-CLARION HEAD START, INC.

STATEMENT OF CASH FLOWS

For The Year Ended June 30, 2015

Cash Flows from Operating Activities:

Change in net assets \$ (53,798.54)

Adjustments to reconcile change in net assets
to net cash provided (used) for operating activities

Depreciation 65,009.65

(Increase) Decrease in Operating Assets

Grants receivable (27,257.40)

Increase (Decrease) in Operating Liabilities

Accounts payable (24,933.23)

Accrued wages and fringes payable 52,481.96

Unearned grants 11,848.43

Net Cash Provided (Used) by Operating Activities 23,350.87

Cash Flows from Financing Activities:

Proceeds from line of credit 207,509.40

Principal payments on line of credit (202,196.00)

Acquisition of fixed assets (11,211.11)

Net Cash Provided (Used) by Financing Activities (5,897.71)

Net Increase (Decrease) in Cash and Cash Equivalents 17,453.16

Cash and Cash Equivalents - June 30, 2014 107,549.74

Cash and Cash Equivalents - June 30, 2015 \$ 125,002.90

Supplemental Disclosure:

Cash paid during the year for interest \$ 688.36

The accompanying notes are an integral part of the financial statements

JEFFERSON-CLARION HEAD START, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

Note 1 - Summary of Significant Accounting Policies

The summary of significant accounting policies of Jefferson-Clarion Head Start, Inc. (Organization) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the Organization's financial statements.

Programs and Activities

Jefferson-Clarion Head Start, Inc., a nonprofit organization, was incorporated July 19, 1982, to provide educational, social and related health services to children and their families with the authority to contract with appropriate governmental or private agencies to provide these services in Pennsylvania's Jefferson and Clarion counties.

The Organization operates a Head Start Program, the objectives of which are to provide comprehensive health, educational, nutritional, social and other services primarily to economically disadvantaged preschool children so that the children will attain overall social competence. Parents also participate in various decision making processes related to the operation of the program. The Head Start Program is funded by the U.S. Department of Health and Human Services.

The Organization operates a Family Literacy Program and the PA Pre-K Counts Program. The primary objective of the Family Literacy Program is to stop the intergenerational cycle of under education and poverty by increasing the basic academic and literacy skills of eligible parents and their children. PA Pre-K Counts is an initiative created by the Commonwealth of Pennsylvania and private foundations to build and strengthen pre-kindergarten partnerships in communities so that each community can create a self-sustaining system for providing high quality early learning experiences to children in all settings. The Family Literacy Program and the PA Pre-K Counts Program are funded by the PA Department of Education.

The Organization operates an Early Head Start Program funded by the U.S. Department of Health and Human Services. The objectives of the program are to promote healthy prenatal outcomes for pregnant women, to enhance the development of very young children, and to promote healthy family functioning.

The Organization operates a Maternal, Infant, and Early Childhood Home Visiting Program funded by the PA Department of Human Services. The objectives of the program are to provide services to low-income families with children birth to three years of age and expectant women in Clarion and Jefferson Counties, Pennsylvania, who are eligible for Early Head Start.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, grants receivable, accounts payable, deferred revenue, accrued liabilities, and note payable-line of credit. The recorded values of cash and cash equivalents, grants receivable, accounts payable, deferred revenue and accrued liabilities approximate their fair values based on their short-term nature. The recorded value of the note payable-line of credit approximates the fair value, as interest approximates market rates.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

The Organization reports gifts of cash and other assets as 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 purpose 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.

The Organization reports gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are considered to be all unrestricted highly liquid investments with maturities of three months or less at the time of acquisition.

Income Tax Basis

The Organization is a nonprofit organization exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is reflected in the financial statements. The Organization's information returns are subject to examination, generally for three years after the filing date.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Compensated Absences

Organization employees are entitled to annual leave and paid sick days, depending on job classification and length of service. No liability has been recorded in the accompanying financial statements for accrued days off. The Organization's policy is to recognize the cost of compensated absences when actually paid to employees. Annual leave is accrued semi-annually (July 1st and January 1st). Employees are encouraged to take annual leave on a regular basis to reduce the risk of losing annual leave in event of resignation or lay off. Sick leave is accrued at 3.75 hours per pay to a maximum of 300 hours for full-time employees. Part-time employees accrue sick leave when scheduled to work at least 30 hours per week. Upon resignation or lay off, a full-time employee may be reimbursed for up to five (5) days of accrued annual leave, however, no reimbursement is made to employees for unused sick leave.

Property and Equipment

Property and equipment are stated at cost and consist of assets with estimated useful lives greater than one year and costing \$5,000 or more.

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method for financial reporting purposes. The estimated useful lives by major category are as follows:

	<u>Range of Lives</u>
Buses and vehicles	10 years
Program and office equipment	7 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income, except for assets traded. Expenditures for maintenance and repairs are charged to income as incurred; replacements are capitalized.

Subsequent Events

Management has evaluated subsequent events through January 29, 2016, the date the financial statements were available.

Total Columns

Total columns are presented to facilitate financial analysis. Data in these columns do not present assets, liabilities and net assets, results of operations and changes in fund balances in conformity with generally accepted accounting principles; nor is such data comparable to a consolidation.

Note 2 - Deposits

The following is a summary of cash deposits which are insured by the Federal Deposit Insurance Corporation, collateralized with securities held by the financial institution's trust department in the Organization's name, or were neither insured nor collateralized, or were collateralized in accordance with Act 72 which permits the financial institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the institution's name.

The Organization's funds were deposited in checking and interest bearing accounts with First Commonwealth Bank, Brookville, PA. Separate accounts are maintained if contract provisions require that certain funds be segregated by funding source. Deposits are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

Analysis of depository balances at June 30, 2015, follows.

<u>Account Title</u>	<u>Balance Per Depository</u>
Head Start Checking	\$ 29,312.91
Payroll Account	23,701.29
Non Federal Account	11,239.20
Even Start/PA Pre-K Counts Checking	<u>81,382.60</u>
	<u>\$ 145,636.00</u>

Note 3 - Grants Receivable

The Organization, under agreement with regulatory agencies at the federal and state levels of government, is receiving grants to aid in the operation of its programs.

Operating assistance grants receivable at June 30, 2015, consist of:

<u>Program</u>	<u>Contract #</u>	<u>Amount</u>
Federal Amounts		
U.S. Department of Health and Human Services		
Head Start	03CH3377/02	\$ 78,610.69
Early Head Start	03CH3377/02	92,000.65
PA Department of Public Welfare		
Maternal, Infant & Early Childhood		
Visiting Grant	4100056837	20,157.13
	4100061359	21,875.00
U.S. Department of Agriculture		
Child and Adult Care Food Program	300-33-151-0	13,229.16
Non Federal Amounts		<u>105.50</u>
Total Grants Receivable		<u>\$ 225,978.13</u>

Note 4 - Property and Equipment

A summary of Property and Equipment at June 30, 2015, by major classification follows.

Buses and vehicles	\$ 738,535.50
Program and office equipment	<u>157,334.39</u>
Total	895,869.89
Less: Accumulated depreciation	<u>(578,697.73)</u>
Net Book Value	<u>\$ 317,172.16</u>

Depreciation expense for the year ended June 30, 2015, totaled \$65,009.65.

Note 5 - Unearned Grants

Unearned grants at June 30, 2015, consist of:

<u>Program</u>	<u>Contract #</u>	<u>Amount</u>
Nonfederal Amounts		
PA Family Literacy	054-12-0008	11,167.08
Local Funds	N/A	<u>24,826.60</u>
Total Unearned Grants		<u>\$ 35,993.68</u>

Note 6 - Operating Lease

The Organization has a lease agreement for office space with the Borough of Brookville effective August 1, 2013, for a five (5) year term, ending July 31, 2018. The terms of the lease are contingent upon continuation of current levels of total grant funding. Lease payments for office space with the Borough of Brookville for the year ended June 30, 2015, totaled \$105,300.84. Prior to each five (5) year renewal period, negotiations shall occur to determine any rental rate increases or adjustments. If an agreement is not reached, either party can terminate the lease upon ninety (90) days notice to the other party. If the Organization wishes to voluntarily terminate the lease agreement prior to the end of a lease term, they are required to give notice and payment of six (6) months rent at the rental rate in effect at the time of the present lease.

Future annual lease payments for the office space lease are as follows:

2016	\$ 107,406.84
2017	109,554.96
2018	<u>111,472.20</u>
Total	<u>\$ 328,434.00</u>

Effective September 1, 2014, the Organization entered into a three-year lease agreement for Family Literacy office space with Applewood Center in Clarion, PA. Lease payments for office space with Applewood Center for the year ended June 30, 2015, totaled \$10,694.80.

The Organization entered into several lease agreements for the PA Pre-K Counts Program. These lease agreements were effective through August 31, 2015, and are renewable annually if the Organization provides sufficient written notice to the providers prior to the start of the next school year. Rental/utility agreement payments for PA Pre-K Counts Program facility usage for the year ended June 30, 2015, totaled \$18,890.86.

As disclosed in Note 7 below, the Organization has entered into rental/utility agreements with landlords to aid in the operation of various Head Start and Early Head Start centers. The agreements expire at various times throughout the Organization's fiscal year, and are renewed annually. Rental/utility agreement payments for the year ended June 30, 2015, totaled \$87,080.53 for Head Start and \$22,971.36 for Early Head Start. The Organization also operated the Maternal, Infant, & Early Childhood Home Visiting Program utilizing Early Head Start Centers as necessary. Rental payments for this program (MIECHV and MIECHV II) for the year ended June 30, 2015, totaled \$14,057.16.

Note 7 - Donated Use of Space and Services – Head Start/Early Head Start In-Kind

The Organization has available for its use, Head Start centers, meeting rooms and office space located throughout Jefferson and Clarion counties. The Organization has entered into rental/utility agreements with the landlords for the use and operation of the facilities.

The Organization's policy for recording Head Start and Early Head Start In-Kind contributions follows.

In-Kind Services are based on the actual number of hours of donated time received using a rate of \$7.88 per hour, plus applicable fringe of 40.00%.

In-Kind Space Costs are based on \$2.00 per home visit and on square footage rental value costs for classroom space, excluding utilities.

In-Kind Consultants and Supplies are based on the actual costs that would have been charged had the service or supplies been purchased.

Note 8 - Thrift Plan

The Organization sponsors a thrift plan that covers substantially all full-time salaried and hourly paid employees. The Organization contributes to the plan, 7% of each employee's gross wage and matches an additional 25% of the first 1% of the employee's gross wage, if the employee makes a voluntary contribution to the plan. The Organization's contributions to the plan for the year ended June 30, 2015, totaled \$121,502.43.

Note 9 - Line of Credit

At June 30, 2015, the Organization had an unsecured line of credit from First Commonwealth Bank, Brookville, PA for short-term borrowings in the amount of \$500,000. The interest rate on this agreement is subject to change from time to time, based on changes in an independent index, which is the highest prime rate quoted in the Wall Street Journal. The effective interest rate at June 30, 2015, was 5.25%.

For the year ended June 30, 2015, the Organization had borrowed \$207,509.40 on its line of credit, and repaid principal amounts totaling \$202,196.00. The Organization incurred \$688.36 of interest expense associated with the borrowings on the line of credit. The balance outstanding as of June 30, 2015, was \$24,203.81.

Note 10 - Support from Governmental Units

The Organization receives support from the State of Pennsylvania and the Federal government. A significant reduction in the level of this support, if this were to occur, would have a significant effect on the Organization's programs and activities.

Note 11 - Contingencies

The Organization participates in both state and federal assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The Organization is potentially liable for expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

SUPPLEMENTAL INFORMATION

JEFFERSON-CLARION HEAD START, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Award Amount</u>	<u>Total Received for Year</u>	<u>Cash/Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Transfers</u>	<u>Cash/Accrued or (Deferred) Revenue at June 30, 2015</u>
<u>Department of Health and Health Services (DHHS)</u>									
Direct Program									
Head Start	93.600	O3CH3377/01	1,938,787.00	\$ 82,904.51	\$ 82,904.51	\$ - 0 -	\$ - 0 -	\$ - 0 -	\$ - 0 -
Early Head Start	93.600	O3CH3377/01	767,260.00	57,008.57	57,008.57	- 0 -	- 0 -	- 0 -	- 0 -
Head Start	93.600	O3CH3377/02	2,071,354.00	1,992,743.31	- 0 -	2,071,354.00	2,071,354.00	- 0 -	78,610.69
Early Head Start	93.600	O3CH3377/02	819,106.00	727,105.35	- 0 -	819,106.00	819,106.00	- 0 -	92,000.65
Total Head Start & Early Head Start				2,859,761.74	139,913.08	2,890,460.00	2,890,460.00	- 0 -	170,611.34
Northwest Regional Key									
Keystone Stars	93.575	N/A	N/A	9,280.00	- 0 -	9,280.00	9,280.00	- 0 -	- 0 -
PA Department of Human Services									
Maternal, Infant & Early Childhood Home Visiting	93.505	4100056837	161,257.00	20,157.12	20,157.12	- 0 -	- 0 -	- 0 -	- 0 -
Maternal, Infant & Early Childhood Home Visiting	93.505	4100056837	161,257.00	141,099.87	- 0 -	161,257.00	161,257.00	- 0 -	20,157.13
Maternal, Infant & Early Childhood Home Visiting	93.505	4100061359	175,000.00	21,875.00	21,875.00	- 0 -	- 0 -	- 0 -	- 0 -

The accompanying notes are an integral part of the financial statements

JEFFERSON-CLARION HEAD START, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2015

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program Award Amount</u>	<u>Total Received for Year</u>	<u>Cash/Accrued or (Deferred) Revenue at July 1, 2014</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Transfers</u>	<u>Cash/Accrued or (Deferred) Revenue at June 30, 2015</u>
Maternal, Infant & Early Childhood Home Visiting	93.505	4100061359	175,000.00	<u>153,125.00</u>	<u>- 0 -</u>	<u>175,000.00</u>	<u>175,000.00</u>	<u>- 0 -</u>	<u>21,875.00</u>
Total PA Department of Human Services				<u>336,256.99</u>	<u>42,032.12</u>	<u>336,257.00</u>	<u>336,257.00</u>	<u>- 0 -</u>	<u>42,032.13</u>
Total Department of Health and Human Services				<u>3,205,298.73</u>	<u>181,945.20</u>	<u>3,235,997.00</u>	<u>3,235,997.00</u>	<u>- 0 -</u>	<u>212,643.47</u>
<u>Department of Education</u>									
Keystones To Opportunity	84.371	N/A	N/A	<u>84,641.02</u>	<u>2,467.59</u>	<u>82,173.43</u>	<u>82,173.43</u>	<u>- 0 -</u>	<u>- 0 -</u>
Keystones To Opportunity	84.371	N/A	N/A	<u>7,025.86</u>	<u>80.94</u>	<u>6,944.92</u>	<u>6,944.92</u>	<u>- 0 -</u>	<u>- 0 -</u>
				<u>91,666.88</u>	<u>2,548.53</u>	<u>89,118.35</u>	<u>89,118.35</u>	<u>- 0 -</u>	<u>- 0 -</u>
<u>Department of Agriculture</u>									
PA Department of Education									
Child and Adult Care Food Program	10.558	300-33-151-0	N/A	<u>110,730.00</u>	<u>339.66</u>	<u>123,619.50</u>	<u>123,619.50</u>	<u>- 0 -</u>	<u>13,229.16</u>
Total Department of Agriculture				<u>110,730.00</u>	<u>339.66</u>	<u>123,619.50</u>	<u>123,619.50</u>	<u>- 0 -</u>	<u>13,229.16</u>
Total				<u>\$ 3,407,695.61</u>	<u>\$ 184,833.39</u>	<u>\$ 3,448,734.85</u>	<u>\$ 3,448,734.85</u>	<u>\$ - 0 -</u>	<u>\$ 225,872.63</u>

The accompanying notes are an integral part of the financial statements

JEFFERSON-CLARION HEAD START, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

Note 1 The financial information presented on the Schedule of Expenditures of Federal Awards was prepared in accordance with guidance provided by grant awarding agencies. The agencies provide guidance on the billing and reporting of contract and grant claimed costs; however, such guidance is not considered a regulatory basis of accounting, nor is it in accordance with generally accepted accounting principles. Purchases of fixed assets are reported as allowable period contract costs, versus capitalizing and depreciating the cost of those fixed assets over their estimated useful lives in accordance with generally accepted accounting principles.

Note 2 Reconciliation - Expenses per Statement of Activities to Schedule of Expenditures of Federal Awards

Total Expenses Per Statement of Activities		\$ 5,301,146.06
Less: Nonfederal Programs:		
PA Pre-K Counts Program		(804,042.04)
Family Literacy Program		(273,831.00)
Classroom Support Aides		
IU6 Grant		(37,900.00)
Keystone Stars – State Funds		(6,720.00)
Local Funding		<u>(4,234.61)</u>
Costs charged to federal programs		4,174,418.41
Less: In-kind	- Head Start	(489,214.40)
	- Early Head Start	(185,036.74)
Less: Depreciation Expense	- Head Start	(20,677.20)
	- Early Head Start	(40,502.53)
	- Maternal, Infant & Early Childhood Home Visiting	(1,463.80)
Add: Fixed Asset Purchases	- Early Head Start	<u>11,211.11</u>
Total Expenditures Per Schedule of Expenditures of Federal Awards		<u>\$3,448,734.85</u>

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

Jefferson-Clarion Head Start, Inc.
Brookville, PA 15825

Members of the Board:

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 Jefferson-Clarion Head Start, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 January 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

MEMBER:

American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants

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

Purpose of this Report

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

Mauthe, Yutzey, Gabler & Troxell LLC

Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
January 29, 2016

MAUTHE, YUTZEY GABLER & TROXELL, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Jefferson-Clarion Head Start, Inc.
Brookville, PA 15825

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Jefferson-Clarion Head Start, Inc.'s (a nonprofit organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the Organization'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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

MEMBER:

*American Institute of Certified Public Accountants
Pennsylvania Institute of Certified Public Accountants*

Opinion on Each Major Federal Program

In our opinion, Jefferson-Clarion Head Start, Inc. 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, 2015.


Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 OMB Circular A-133, 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 the Organization'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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
January 29, 2016

JEFFERSON-CLARION HEAD START, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Significant deficiency(ies) in internal control disclosed by audit? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) in internal control over major programs disclosed by audit? ☐ Yes ☒ None reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☐ Yes ☒ No

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>	<u>Amount Expended</u>
93.600	Head Start	2,071,354.00
93.600	Early Head Start	819,106.00
93.505	Maternal, Infant & Early Childhood Home Visiting	<u>336,257.00</u>
Total Major Programs		<u>\$ 3,226,717.00</u>
Percentage of Total Federal Awards		<u>94%</u>

Dollar threshold used to distinguish Between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? ☒ Yes ☐ No

JEFFERSON-CLARION HEAD START, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2015
(Continued)

Section II - Financial Statement Findings

No financial statement findings - schedule does not apply

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs - schedule does not apply

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REPORT ON PRIOR YEAR'S AUDIT FINDINGS

Jefferson-Clarion Head Start, Inc.
Brookville, PA 15825

Members of the Board:

We have completed our audit of the financial statements of Jefferson-Clarion Head Start, Inc. for the year ended June 30, 2015. As reported in our opinion dated January 29, 2016, we performed our audit in accordance with auditing standards generally accepted in the United States of America, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As part of our audit, we are to review the schedule of findings and questioned costs as disclosed in the prior year's auditor's report to determine the disposition of each finding. The prior year's auditor's report disclosed no material findings.

Mauthe, Yutzey, Gabler & Troxell LLC

Mauthe, Yutzey, Gabler & Troxell, LLC
Certified Public Accountants
January 29, 2016

MEMBER:

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