Brookville, Pennsylvania

DUNS 155408743

Financial Statements

June 30, 2022

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Troxell & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of
Jefferson-Clarion Head Start, Inc.

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jefferson-Clarion Head Start, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Jefferson-Clarion Head Start, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Audit of 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, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson-Clarion Head Start, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jefferson-Clarion Head Start, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Jefferson-Clarion Head Start, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 February 23, 2023, on our consideration of Jefferson-Clarion Head Start, Inc.'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 Jefferson-Clarion Head Start, Inc.'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 Jefferson-Clarion Head Start, Inc.'s internal control over financial reporting and compliance.

Troxell & Associates, LLC

Troxell & Associates, LLC
Certified Public Accountants
February 23, 2023

Jefferson-Clarion Head Start, Inc.

Statement of Financial Position

June 30, 2022

Assets		
Current Assets:		
Cash in bank		$ 380,542.64
Grants receivable		881,007.77
Total Current Assets		1,261,550.41
NonCurrent Assets:		
Property and equipment (at cost)	1,072,314.59	
Less accumulated depreciation	(565,705.17)	
Total NonCurrent Assets		506,609.42
Total Assets		$ 1,768,159.83
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable		$ 205,609.72
Accrued wages and fringes payable		995,678.89
Unearned grants		17,873.83
Note payable - line of credit		42,387.97
Total Current Liabilities		1,261,550.41
Net Assets:		
Without donor restrictions	506,609.42	
Total Net Assets		506,609.42
Total Liabilities and Net Assets		$ 1,768,159.83

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, 2022

		Without Donor Restrictions
Support and Revenues:		
Grants	$	8,055,737.70
In-kind contributions		67,505.93
Other		10,864.51
Total Support and Revenues		8,134,108.14
Expenses:		
Head Start		3,091,874.25
Early Head Start		909,222.07
PA Pre-K Counts Program		1,541,228.00
Maternal, Infant & Early Childhood Home Visiting Grant		417,738.80
Head Start Supplemental Assistance Program		790,169.62
Child and Adult Care Food Program		236,042.52
OUD/SUD		180,072.50
Parents As Teachers		403,448.30
Other		348,947.18
Total Expenses		7,918,743.24
Change in Net Assets		215,364.90
Net Assets, beginning of year		291,244.52
Net Assets, end of year	$	506,609.42

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, 2022

	Head Start	Early Head Start	PA PKC Program	Maternal, Infant & Early Childhood Home Visiting Grant	HSSAP	Child and Adult Care Food Program	OUD/SUD	PAT	Other/ CRRSA/ ARP	Total
Salaries and wages	$ 1,773,120.92	$ 510,694.96	$ 989,726.18	$ 229,304.02	$ 481,859.39	$ -	$ 97,259.57	$ 205,303.31	$ 213,354.84	$ 4,500,623.19
Fringe benefits	458,083.35	173,165.03	275,550.98	81,574.20	117,319.98	-	28,520.02	53,123.81	47,581.20	1,234,918.57
Total salaries and related expenses	2,231,204.27	683,859.99	1,265,277.16	310,878.22	599,179.37	-	125,779.59	258,427.12	260,936.04	5,735,541.76
Consultant and professional fees	12,522.53	3,279.00	6,440.86	1,293.00	2,963.00	-	474.00	1,343.00	-	28,315.39
Supplies	187,563.48	61,281.90	54,763.66	5,484.96	44,580.50	-	19,248.14	97,511.85	97,550.96	567,985.45
In-kind	67,505.93	-	-	-	-	-	-	-	-	67,505.93
Occupancy	164,365.64	62,539.78	92,437.93	31,876.23	35,709.80	-	12,881.82	25,574.50	11,820.00	437,205.70
Insurance	13,073.07	8,875.79	7,106.88	3,240.65	2,108.82	-	1,695.06	877.73	-	36,978.00
Training and technical assistance	35,795.41	19,728.00	5,361.95	1,071.18	3,062.99	-	3,893.50	884.35	7,590.00	77,387.38
Maintenance and vehicle operation	10,926.12	11,824.68	1,730.68	2,936.06	781.45	-	2,308.90	490.83	-	30,998.72
Travel	9,956.87	3,794.26	7,006.76	3,166.36	2,888.37	-	3,804.81	3,069.31	-	33,686.74
Postage	4,747.63	927.00	585.91	417.42	786.62	-	105.56	85.86	-	7,656.00
Telephone	33,363.12	15,472.49	20,930.17	8,011.64	10,479.21	-	2,794.82	6,841.42	-	97,892.87
Advertising, printing and publications	11,137.03	4,311.81	6,594.52	1,729.21	3,935.39	-	1,317.40	1,980.48	107.67	31,113.51
Payroll processing	10,549.01	1,973.01	5,389.27	719.19	1,915.76	-	212.45	485.87	-	21,244.56
Food and related expenses	1,932.65	181.94	50,727.98	79.58	666.21	236,042.52	35.86	18.20	-	289,684.94
Parent activities	770.17	97.54	2,750.31	66.35	91.39	-	9.63	-	-	3,785.39
Literacy and parent resources	3,730.13	19.96	-	11.85	753.47	-	2.20	92.09	-	4,609.70
Assessment/recruitment	4,870.48	2,205.03	3,049.73	1,967.74	924.20	-	244.33	201.68	-	13,463.19
Contracted services	271,452.46	-	9,730.52	181.15	78,495.54	-	63.22	-	12,096.51	372,019.40
Dues/memberships	3,201.93	1,420.82	115.71	165.21	602.91	-	128.71	2,115.71	-	7,751.00
Depreciation	13,206.32	27,429.07	1,228.00	685.80	244.62	-	5,072.50	3,448.30	1,988.49	53,303.10
Interest	-	-	-	-	-	-	-	-	614.51	614.51
Total Expenses	$ 3,091,874.25	$ 909,222.07	$ 1,541,228.00	$ 373,981.80	$ 790,169.62	$ 236,042.52	$ 180,072.50	$ 403,448.30	$ 392,704.18	$ 7,918,743.24

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, 2022

Cash Flows from Operating Activities:		
Change in net assets	$	215,364.90
Adjustments to reconcile change in net assets to cash provided by operating activities		
Depreciation		53,303.10
(Increase) Decrease in Operating Assets:		
Grants receivable		(404,206.09)
Increase (Decrease) in Operating Liabilities:		
Accounts payable		(29,107.65)
Accrued wages and fringes payable		386,522.44
Unearned grants		(45,777.04)
Net Cash Provided (Used) by Operating Activities		176,099.66
Cash Flows from Investing Activites:		
Puchase of property and equipment		(268,668.00)
Net Cash Provided (Used) by Investing Activities		(268,668.00)
Cash Flows from Financing Activities:		
Proceeds from line of credit		227,907.69
Principal payments on line of credit		(191,208.61)
Net Cash Provided (Used) by Financing Activities		36,699.08
Net Increase (Decrease) in Cash and Cash Equivalents		(55,869.26)
Cash and Cash Equivalents - June 30, 2021		436,411.90
Cash and Cash Equivalents - June 30, 2022	$	380,542.64
Supplemental Disclosure:		
Cash paid during the year for interest	$	614.51

The accompanying notes are an integral part of the financial statements

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 PA Pre-K Counts Program. 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 PA Pre-K Counts Program is 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.

The Organization operates a Parents as Teachers Program funded by the PA Department of Human Services. Parents as Teachers is an evidenced based home visiting program that provides home visits to pregnant women and children birth through kindergarten. Parent Educators who have been trained in the Parents as Teachers model deliver parenting, child development, health services and assist families in making connections to services they may need from the community.

Note 1 - Summary of Significant Accounting Policies (continued)

The organization operates an Opiate Use Disorder/Substance Use Disorder Home Visiting Program funded by the PA Department of Human Services. The objectives of the program are to provide home visiting services to low-income families with children birth to three years of age and expectant women in Clarion and Jefferson Counties, Pennsylvania. Families enrolled in this program are either in recovery, are being raised by another family member or guardian because their parents are incarcerated or not in the picture, or to serve families with addiction issues. The organization utilizes the Early Head Start model to provide home visiting services for these families. In addition, enhanced Mental Health Services are available to families participating in this program. This funding also supports the Parenting Program, *Positive Solutions for Families*.

Basis of Presentation

The Organization uses the accrual basis of accounting for financial reporting purposes. Financial statement presentation follows the recommendation of the American Institute of Certified Public Accountants in its industry guide, Not-For-Profit Organizations.

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.

Contributions

Gifts of cash and other assets are presented as support with donor restrictions if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization reports gifts as without donor restrictions 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis (See Note 12).

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.

Financial Statement Presentation

These financial statements present the Organization's financial position, statement of activities and cash flows reflecting the presence or absence of donor-imposed restrictions. Net assets are classified according to the nature of restrictions, as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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.

Cash and Cash Equivalents

Cash and cash equivalents of the Agency are comprised of demand deposit accounts and certificates of deposit with maturities of less than thirty days.

Grants Receivable

Grants receivable are mainly due from federal and state governments. These amounts are usually collected, and the Agency does not consider a bad debt reserve necessary.

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:

	Range of Lives
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. Expenditures for maintenance and repairs are charged to income as incurred; replacements are capitalized.

Note 1 - Summary of Significant Accounting Policies (continued)

Subsequent Events

Subsequent events were evaluated through February 23, 2023, which is the date the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

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.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-2, *Leases* (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 842, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for the fiscal years beginning after December 15, 2021. The Agency is currently evaluating the impact of the pending adoption of the new standards on the financial statements.

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 public fund 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). Total cash held by the Organization at June 30, 2022, includes $260,880.18 in monies that are not covered by insurance provided by the federal government.

Amounts deposited at First Commonwealth Bank in excess of FDIC coverage are collateralized by the bank under The Pooled Asset Act of August 6, 1971, P.L. 281, No. 72 as amended (Act 72). As of June 30, 2022, First Commonwealth Bank had $460,928,844 (market value) in securities pledged to cover public funds.

Note 2 – Deposits (continued)

Analysis of depository balances at June 30, 2022, follows.

Name of Depository/ Account Title	Balance Per Depository
First Commonwealth Bank	
Head Start Checking	$ 82,934.21
Payroll Account	67,018.98
Non-Federal Account	17,873.83
Even Start/PA Pre-K Counts Checking	343,053.16
	$ 510,880.18

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.

Grants receivable at June 30, 2022, consist of:

Program	Contract #	Amount
Federal Amounts		
U.S. Department of Health and Human Services		
Head Start	03CH010575-04-00	$ 593,175.05
Early Head Start	03CH010575-04-00	62,902.95
Head Start ARP	03HE001126-01-01	56,628.62
PA Department of Human Services		
MIECHV Grant	4100070315	46,662.00
MIECHV Grant – ARP 2	4100070315	27,388.60
PA Department of Education		
Child and Adult Care Food Program	300331510	22,375.55
Total Federal Amounts		809,132.77
Non-Federal Amounts		71,875.00
Total Grants Receivable		$ 881,007.77

Note 4 - Property and Equipment

A summary of Property and Equipment at June 30, 2022, by major classification follows.

Buses and vehicles	$ 737,231.50
Program and office equipment	335,083.09
Total	1,072,314.59
Less accumulated depreciation	(565,705.17)
Net Book Value	$ 506,609.42

Depreciation expense for the year ended June 30, 2022, totaled $53,303.10.

Note 5 - Unearned Grants

Unearned grants at June 30, 2022, consist of:

Program	Contract #	Amount
Nonfederal Amounts		
Local Funds	N/A	$ 17,873.83

Note 6 - Operating Lease

The Organization has a lease agreement for office space with the Borough of Brookville effective August 1, 2021, for a two (2) year term, ending July 31, 2023. 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, 2022, totaled $133,740.00. Prior to each 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:

2023	$ 135,420

Note 6 - Operating Lease (continued)

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, 2022, totaled $88,042.03 for Head Start and $34,861.36 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 for the year ended June 30, 2022, totaled $18,917.12.

The Organization entered into several lease agreements for the PA Pre-K Counts Program. These lease agreements were effective through June 30, 2022, 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, 2022, totaled $55,776.08.

The Organization entered into lease agreements for the Head Start State Supplemental Assistance Program. These lease agreements were effective through June 30, 2022. The agreements expire at various times throughout the Organization's fiscal year and are renewed annually. Rental/utility agreement payments for the HSSAP Program facility usage for the year ended June 30, 2022, totaled $25,121.27.

The Organization entered into lease agreements for the OUD/SUD Program. These lease agreements were effective through June 30, 2022, and are renewable annually if the Organization provides sufficient written notice to the providers. Rental/utility agreement payments for the OUD/SUD Program facility usage for the year ended June 30, 2022, totaled $7,071.64.

The Organization entered into lease agreements for the Parents as Teachers Program. These lease agreements were effective through June 30, 2022, and are renewable annually if the Organization provides sufficient written notice to the providers. Rental/utility agreement payments for the PAT Program facility usage for the year ended June 30, 2022, totaled $12,471.81.

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

The Organization receives donations of items and time from individuals which are invaluable to the programs and operation of the Organization. The value of all items or volunteers' contributed time is not reflected in the accompanying financial statements, as it does not always meet the criterion for recognition in accordance with accounting principles generally accepted in the United States of America. In-kind contributions to the Organization in the amount of $67,505.93, for the year ended June 30, 2022, represents the value of in-kind items that meet this criterion and are reported in the Statement of Activities.

The Organization receives in-kind contributions to meet the matching requirements for the grant contract that is received through the Department of Health and Human Services. In-kind contributions to meet the grant matching requirements totaled $1,152,167.37 as of June 30, 2022.

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

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 $11.96 per hour, including applicable fringe of 33.00%.

In-Kind Space Costs are based on $2.00 per home visit.

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, 2022, totaled $280,832.59.

Note 9 - Line of Credit

At June 30, 2022, the Organization had an unsecured line of credit from First Commonwealth Bank, Brookville, PA for short-term borrowings in the amount of $750,000. 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, 2022, was 4.75%.

For the year ended June 30, 2022, the Organization had borrowed $227,907.69 on its line of credit and repaid principal amounts totaling $191,208.61. The Organization incurred $614.51 of interest expense associated with the borrowings on the line of credit. The balance outstanding as of June 30, 2022, was $42,387.97.

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 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2022, are $1,261,550.41.

The Organization manages its liquidity following three principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. To achieve these targets, the Organization forecasts its future cash flows and monitors its liquidity quarterly and monitors its reserves annually.

Note 12 – Expense Classification

The Organization allocates its management and general expenses based on each program's use of such services, as determined through the preparation of a cost allocation plan. The Organization's functional expenses for the year ending June 30, 2022 as follows:

	Program Services	Management & General	Total Expenses
Salaries & wages	$ 3,910,130.14	$ 590,493.05	$ 4,500,623.19
Fringe benefits	1,077,134.87	157,783.70	1,234,918.57
Consultant/professional fees	665.39	27,650.00	28,315.39
Supplies	545,141.60	22,843.85	567,985.45
In-kind	67,505.93	-	67,505.93
Occupancy	419,179.33	18,026.37	437,205.70
Insurance	17,593.60	19,384.40	36,978.00
Training/technical assistance	77,387.38	-	77,387.38
Maintenance/vehicle operation	30,337.87	660.85	30,998.72
Travel	32,051.60	1,635.14	33,686.74
Postage	-	7,656.00	7,656.00
Telephone	95,935.01	1,957.86	97,892.87
Advertising/printing	24,032.20	7,081.31	31,113.51
Payroll processing	-	21,244.56	21,244.56
Food costs	289,684.94	-	289,684.94
Parent activities	3,785.39	-	3,785.39
Literacy and parent resources	4,609.70	-	4,609.70
Assessment/recruitment	13,463.19	-	13,463.19
Contracted services	372,019.40	-	372,019.40
Dues/memberships	7,751.00	-	7,751.00
Depreciation	53,303.10	-	53,303.10
Interest	-	614.51	614.51
Total	$ 7,041,711.64	$ 877,031.60	$ 7,918,743.24

Note 13 - 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, 2022

Federal Grantor/ Pass-Through Grantor/ Program Title	Source Code	Federal AL Number	Pass-Through Grantor's Number	Program Award Amount	Total Received for Year	Cash/Accrued or (Deferred) Revenue at July 1, 2021	Receipts or Revenue Recognized	Disbursements/ Expenditures	Cash/Accrued or (Deferred) Revenue at June 30, 2022
Department of Health and Human Services (DHHS)									
Head Start	D	93.600	03CH010575-03-03	3,032,389.00	$ 259,786.99	$ 259,786.99	$ -	$ -	$ -
Early Head Start	D	93.600	03CH010575-03-03	877,929.00	81,540.01	81,540.01	-	-	-
Head Start	D	93.600	03CH010575-04-00	3,022,530.00	2,548,889.95	-	3,142,065.00	3,142,065.00	593,175.05
Early Head Start	D	93.600	03CH010575-04-00	934,868.00	951,655.05	-	1,014,558.00	1,014,558.00	62,902.95
CRRSA	D	93.600	03HE001126-01-01	449,241.00	4,841.04	4,841.04	-	-	-
Head Start CRRSA	D	93.600	03HE001126-01-01	449,241.00	90,291.00	-	90,291.00	90,291.00	-
Head Start ARP	D	93.600	03HE001126-01-01	449,241.00	186,494.56	-	243,123.18	243,123.18	56,628.62
Head Start CARES	D	93.600	03CH010575-03-03	263,642.00	61,977.18	61,977.18	-	-	-
Total Head Start & Early Head Start Cluster					4,185,475.78	408,145.22	4,490,037.18	4,490,037.18	712,706.62
PA Department of Human Services									
Maternal, Infant & Early Childhood Home Visiting	I	93.870	4100070315	373,296.00	373,296.00	46,662.00	373,296.00	373,296.00	46,662.00
Tuscarora IU 11									
Maternal, Infant & Early Childhood Home Visiting - ARP 1	I	93.870	4100070315	7,308.00	7,308.00	-	7,308.00	7,308.00	-
Maternal, Infant & Early Childhood Home Visiting - ARP 2	I	93.870	4100070315	36,449.00	9,060.40	-	36,449.00	36,449.00	27,388.60
Total Maternal, Infant & Early Childhood Home Visiting Cluster / PA Department of Human Services					389,664.40	46,662.00	417,053.00	417,053.00	74,050.60
Total Department of Health and Human Services					4,575,140.18	454,807.22	4,907,090.18	4,907,090.18	786,757.22
Department of Agriculture									
PA Department of Education									
Child and Adult Care Food Program *	I	10.558	300331510	N/A	213,786.43	119.46	236,042.52	236,042.52	22,375.55
Total Department of Agriculture					213,786.43	119.46	236,042.52	236,042.52	22,375.55
Total					$ 4,788,926.61	$ 454,926.68	$ 5,143,132.70	$ 5,143,132.70	$ 809,132.77

* Fee-For-Service, Source Code: I - Indirect, D - Direct

The accompanying notes are an integral part of the financial statements

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Jefferson-Clarion Head Start, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and the Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the accompanying schedule of expenditures of federal awards are reported in accordance with generally accepted accounting principles. (GAAP).

Indirect Cost Rate

The Organization did not elect to use the ten percent (10%) de minimis indirect cost rate for the year ended June 30, 2022.

Amounts Passed to Subrecipients

The Organization did not provide federal awards to subrecipients during the year ended June 30, 2022.

Fee-for-Service Contracts

The Organization recognizes revenue applicable to fee-for-service contracts as services are performed. For presentation on the Schedule of Expenditures of Federal Awards, program expenditures were assumed to be equal to revenue recognized. However, actual expenditures may vary from amounts presented.

Note 3 - Reconciliation - Expenses per Statement of Activities to Schedule of Expenditures of Federal Awards

Total Expenses per Statement of Activities	$ 7,918,743.24
Less: Nonfederal amounts:	(2,923,469.51)
Costs charged to federal programs	4,995,273.73
Less: In-kind – federal programs	(67,505.93)
Less: Depreciation expense – federal programs	(53,303.10)
Add: Fixed asset purchases – federal programs	268,668.00
Total Expenditures per Schedule of Expenditures of Federal Awards	$ 5,143,132.70

Jefferson-Clarion Head Start, Inc.

Office of Developmental Programs (ODP) - Reconciliation of Federal Awards Passed through the Pennsylvania Department of Human Services - Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply

For the Year Ended June 30, 2022

Program	Federal AL Number	Pass-Through Grantor Number	Federal Expenditures per the SEFA	Federal Awards Received per Audit Confirmation	Difference	% Difference	Detailed Explanation of the Difference
Maternal, Infant & Early Childhood Home Visiting	93.870	4100070315	$ 373,296.00	$ 373,296.00	$ -	0.00%	

The accompanying notes are an integral part of the financial statements

Troxell & Associates, LLC
Certified Public Accountants

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

To the Members of the Board of
Jefferson-Clarion Head Start, Inc

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Jefferson-Clarion Head Start, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 February 23, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Jefferson-Clarion Head Start, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Jefferson-Clarion Head Start, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Clarion Head Start, Inc.'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.

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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.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Troxell & Associates, LLC

Troxell & Associates, LLC
Certified Public Accountants
February 23, 2023

Troxell & Associates, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the Board of
Jefferson-Clarion Head Start, Inc

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Jefferson-Clarion Head Start, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Jefferson-Clarion Head Start, Inc.'s major federal programs for the year ended June 30, 2022. Jefferson-Clarion Head Start, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Jefferson-Clarion Head Start, Inc., and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Jefferson-Clarion Head Start, Inc.'s compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Jefferson-Clarion Head Start, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Jefferson-Clarion Head Start, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Jefferson-Clarion Head Start, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Jefferson-Clarion Head Start, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Jefferson-Clarion Head Start, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Jefferson-Clarion Head Start, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Troxell & Associates LLC

Troxell & Associates, LLC
Certified Public Accountants
February 23, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statement audited was prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
- Material weakness(es) identified?	___Yes X No
- Significant deficiency(ies) identified?	___Yes X None reported
Noncompliance material to financial statements noted?	___Yes X No

Federal Awards

Internal control over major programs:	
- Material weakness(es) identified?	___Yes X No
- Significant deficiency(ies) identified?	___Yes X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	___Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster	Amount Expended
93.600	Head Start/Early Head Start	$ 4,490,037
	Total Tested	$ 4,490,037
	Percentage Tested	87.3 %

Section I – Summary of Auditor's Results

Dollar threshold used to distinguish Between type A and type B programs:	$ 750,000
Auditee qualified as low-risk auditee under Section 200.520?	X Yes ___No

Section II – Findings Related to the Financial Statements which are Required to be Reported in Accordance with Government Auditing Standards (GAGAS)

None reported

Section III – Findings and Questioned Costs for Federal Awards

None reported

No prior audit findings reported

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