



East Coast Migrant Head Start Project

FINANCIAL STATEMENTS

December 31, 2020 and 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
East Coast Migrant Head Start Project
Raleigh, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of East Coast Migrant Head Start Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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 East Coast Migrant Head Start Project as of December 31, 2020, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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*, are 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 July 6, 2021, on our consideration of the East Coast Migrant Head Start Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Coast Migrant Head Start Project'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 East Coast Migrant Head Start Project's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of East Coast Migrant Head Start Project as of December 31, 2019 were audited by other auditors whose report dated June 8, 2020, expressed an unmodified opinion on those statements. The summarized comparative information presented herein presented as of and for the year ended December 31, 2019, is consistent in all material respects, with the audited financial statements from which it has been derived.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
July 6, 2021

**East Coast Migrant Head Start Project
Statements of Financial Position**

<i>December 31,</i>	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 1,232,926	\$ 1,343,496
Grants receivable - DHHS	1,840,359	-
Grants receivable - USDA	87,432	177,006
Grants receivable - other	1,879	-
Other receivables	13,740	28,678
Prepaid expenses and other assets	601,222	728,560
Total current assets	3,777,558	2,277,740
Non-current assets		
Property and equipment, net	10,570,267	10,303,470
Total assets	\$ 14,347,825	\$ 12,581,210
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 746,688	\$ 603,401
Accrued liabilities	1,170,359	863,348
Due to grantor	689,971	-
Due to sub-recipient agencies	309,064	576,587
Total current liabilities	2,916,082	2,043,336
Non-current liabilities		
Deferred rent	207,706	216,820
Total liabilities	3,123,788	2,260,156
Net assets		
Without donor restrictions	11,122,704	10,241,490
With donor restrictions	101,333	79,564
Total net assets	11,224,037	10,321,054
Total liabilities and net assets	\$ 14,347,825	\$ 12,581,210

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

East Coast Migrant Head Start Project Statements of Activities

<i>For the years ended December 31,</i>	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Summarized Total
Revenue and Other Support				
Grants - DHHS	\$ 49,659,840	\$ -	\$ 49,659,840	\$ 48,156,050
In-kind contributions	540,102	-	540,102	1,307,902
Grants - USDA	476,569	-	476,569	882,081
Program income	243,166	-	243,166	693,671
Grants - other	129,391	-	129,391	56,505
Contributions	17,946	101,000	118,946	30,091
Other income (loss)	(33,653)	6,994	(26,659)	9,879
Net assets released from restrictions	86,225	(86,225)	-	-
Total revenue and other support	51,119,586	21,769	51,141,355	51,136,179
Expenses				
<i>Program services</i>				
Head Start and other program services	42,246,906	-	42,246,906	44,311,532
Training and technical assistance	528,514	-	528,514	557,845
Total program services	42,775,420	-	42,775,420	44,869,377
<i>Supporting services</i>				
General and administrative	7,462,952	-	7,462,952	7,037,100
Total expenses	50,238,372	-	50,238,372	51,906,477
Change in net assets	881,214	21,769	902,983	(770,298)
Net assets at beginning of year	10,241,490	79,564	10,321,054	11,091,352
Net assets at end of year	\$ 11,122,704	\$ 101,333	\$ 11,224,037	\$ 10,321,054

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

East Coast Migrant Head Start Project Statements of Functional Expenses

For the years ended December 31,

	Program Services			Supporting Services			Summarized Total 2019
	Head Start and Other Program Services	Training and Technical Assistance	Program Services Subtotal	General and Administrative	2020 Total	Total 2019	
Salaries and benefits	\$ 29,159,338	\$ 410,837	\$ 29,570,175	\$ 4,098,041	\$ 33,668,216	\$ 33,011,990	
Sub-recipient agencies	4,933,217	34,467	4,967,684	-	4,967,684	5,665,804	
Rent/utilities	1,718,609	(1,827)	1,716,782	631,532	2,348,314	2,267,145	
Office supplies	561,504	3,132	564,636	424,861	989,497	309,124	
Facility repairs and maintenance	976,507	-	976,507	1,637	978,144	1,163,683	
Food service supplies	858,853	1,160	860,013	12,463	872,476	1,177,256	
Miscellaneous	417,509	15,911	433,420	435,521	868,941	839,562	
Classroom supplies	815,070	-	815,070	28,622	843,692	732,823	
Depreciation	-	-	-	709,777	709,777	683,938	
Vehicle repairs and maintenance	675,935	-	675,935	-	675,935	868,024	
Travel/transportation	410,115	6,852	416,967	152,704	569,671	1,373,166	
In-kind contributions	514,942	-	514,942	25,160	540,102	1,307,900	
Communications	437,283	-	437,283	67,303	504,586	455,442	
Insurance	6	-	6	367,548	367,554	362,615	
Professional fees	43,450	-	43,450	193,228	236,678	426,969	
Relocation	207,213	-	207,213	-	207,213	363,244	
Training and staff development	83,035	57,617	140,652	54,952	195,604	171,065	
Board of Directors/policy council	132,283	-	132,283	60,684	192,967	295,281	
Equipment rental	126,620	-	126,620	62,934	189,554	200,665	
Temporary help	2,585	-	2,585	84,640	87,225	47,897	
Taxes	55,946	365	56,311	29,791	86,102	61,115	
Equipment expense	60,198	-	60,198	14,409	74,607	57,925	
Medical Services	56,688	-	56,688	7,145	63,833	63,844	
Total	\$ 42,246,906	\$ 528,514	\$ 42,775,420	\$ 7,462,952	\$ 50,238,372	\$ 51,906,477	

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

East Coast Migrant Head Start Project Statements of Cash Flows

<i>For the years ended December 31,</i>	2020	2019
Operating Activities		
Change in net assets	\$ 902,983	\$ (770,298)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	709,777	683,938
(Gain) loss on sale of property and equipment	33,653	-
Changes in operating assets and liabilities		
Grants receivable - DHHS	(1,840,359)	286,206
Grants receivable - USDA	89,574	(48,643)
Grants receivable - other	(1,879)	-
Other receivables	14,938	(20,541)
Prepaid expenses and other assets	127,338	(122,786)
Accounts payable	143,287	101,210
Accrued expenses	307,011	118,106
Due to grantor	689,971	-
Due to sub-recipient agencies	(267,523)	93,908
Deferred rent	(9,114)	-
Net cash provided by (used in) operating activities	899,657	321,100
Investing Activities		
Purchase of property and equipment	(1,010,227)	(703,375)
Net cash provided by (used in) investing activities	(1,010,227)	(703,375)
Net change in cash and cash equivalents	(110,570)	(382,275)
Cash and cash equivalents at beginning of year	1,343,496	1,725,771
Cash and cash equivalents at end of year	\$ 1,232,926	\$ 1,343,496

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

East Coast Migrant Head Start Project Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Organization

The East Coast Migrant Head Start Project (ECMHSP) was organized in 1974 by the Leadership Conference of Women's Religious to receive funds from the U.S. Department of Health and Human Services (DHHS), Office of Child Development under Head Start grants, to provide comprehensive child development services to migrant farm worker children. On September 23, 1981, ECMSHP was separately incorporated under the laws of the Commonwealth of Virginia. ECMHSP began operating as a nonprofit corporation independent of the Leadership Conference of Women Religious on February 1, 1982.

ECMHSP's primary source of revenue and support is through a Head Start grant award from the Administration for Children and Families' (ACF) Office of Head Start. ECMHSP provides services to children of migrant and seasonal farmworkers in Alabama, Florida, North Carolina, South Carolina, and Virginia in their direct service centers. Additional children of migrant and seasonal farmworkers are served by sub-recipient agencies. Seasons generally run from November through May in Florida, and April through November in the other states, with the exception of two centers operated by a sub-recipient agency in Pennsylvania.

Sub-recipient Agencies

ECMHSP has contracted with sub-recipient agencies to operate Head Start centers, providing continuity of the Head Start programs to children of migrant and seasonal farmworkers during the harvest season, while the workers and their families are moving up and down the East Coast of the United States. The sub-recipient centers are located in North Carolina, Pennsylvania and New Jersey.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with ECMHSP's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Grants Receivable

Grants receivable represents pending reimbursements of program expenses incurred as of December 30, 2020 and 2019, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers receivables at December 30, 2020 and 2019 to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statements.

Other Receivables

Other receivables represents monies owed from other funds, local monies, and miscellaneous receivables owed as of December 30, 2020 and 2019, and expected to be received in the subsequent period. Management considers other receivables at December 30, 2020 and 2019 to be fully collectible. Accordingly, no allowance for other receivables was made in the accompanying financial statements.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Fixed assets purchased with federal funds are reported to the grantors as program expenses in the period purchased in order to obtain reimbursement under grant agreements. For financial reporting, these assets, with an initial cost over \$5,000 are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets. Although grantor agencies may hold a reversionary interest in these assets, title rests with ECMHSP.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Agency reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of ECMHSP, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Program service fees and payments under cost-reimbursable contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, ECMHSP recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions. ECMHSP also receives funding from federal grants and contracts, which are conditioned upon certain performance requirements and/or occurrence of allowable qualifying expenses. Revenues are recognized when ECMHSP performs the contracted services or incurs expenditures in compliance with specific contract or grant provisions. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The funding for ECMHSP's operations is significantly dependent on the receipt of federal grants.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (continued)

It is always considered reasonably possible that a customer, grantor, or contributor will be lost in the near term. ECMHSP is awarded grant funds in five-year blocks. The Agency is in year two of the current award as of December 30, 2020.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ECMHSP. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from the costs based on an actual usage and percentage of resources devoted to aspects of ECMHSP's operations. General and administrative expenses include those expenses that provide for the overall support and direction of ECMHSP.

Advertising

ECMHSP uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the years ended December 31, 2020 and 2019, advertising costs were immaterial.

Income Taxes

ECMHSP has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a non-profit corporation. As required by Internal Revenue Service regulations, ECMHSP annually files Form 990 "Return of Agency Exempt from Income Tax" with the Internal Revenue Service.

ECMHSP's policy is to record interest and penalties related to taxes in interest expense on the financial statement; however, ECMHSP did not have any interest or penalties related to taxes in fiscal years 2020 and 2019.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (continued)

ECMHSP utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2020 and 2019, ECMHSP has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 6, 2021. See Note 15 for relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). This guidance specifies that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU and its amendments supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry specific guidance. For nonpublic entities, these amendments are effective for annual reporting periods beginning after December 15, 2018. Thus, on January 1, 2019, ECMHSP adopted the new revenue recognition standard (and related amendments) using the modified retrospective method. This adoption did not have a significant impact on the ECMHSP's financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU and its amendments supersedes the leasing guidance in Topic 840, entitled Leases. Under the guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position 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 statement of activities. For nonpublic entities, the standard is effective for fiscal years beginning after December 15, 2020. Early adoption is permitted. ECMHSP is currently evaluating the impact of the guidance on its financial statements.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (continued)

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows, Classification of Certain Cash Receipts and Cash Payments. ASU 2016-15 provides guidance on how certain cash receipts and cash payments should be presented and classified in the statement of cash flows with the objective of reducing existing diversity in practice with respect to these items. However, if it is impracticable to apply the amendments retrospectively for some of the issues, the amendments for those issues would be applied prospectively as of the earliest date practicable. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019, ECMHSP adopted the provisions of this ASU using a retrospective transition method. This adoption did not have a significant impact on the ECMHSP's financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows, Restricted Cash, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. For nonpublic entities, this guidance is effective for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019 ECMHSP applied the provisions of this ASU using a retrospective transition method to each period presented. This adoption did not have a significant impact on ECMHSP's financial statements.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This new guidance is effective for transactions in which the Organization serves as a resource recipient for fiscal years beginning after December 15, 2018. Thus, on January 1, 2019 ECMSHP applied the provisions of this ASU on a modified prospective basis. This adoption did not have a significant impact on the ECMHSP's financial statements.

Reclassifications

Certain items in the 2019 financial statements have been reclassified to conform to the current year's presentation, including a reclassification of approximately \$216,820 from accounts payable to deferred rent on the 2019 statement of financial position.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

ECMHSP maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as ECMHSP's expenditures come due. The following reflects ECMHSP's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

<i>December 31,</i>	2020	2019
Total assets at year end	\$ 14,347,825	\$ 12,581,210
Less non-financial assets		
Prepaid expenses and other assets	601,222	728,560
Property and equipment, net	10,570,267	10,303,470
Financial assets at year-end	3,176,336	1,549,180
Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(101,333)	(79,564)
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,075,003	\$ 1,469,616

ECMHSP is principally supported by its grants and fees charged for the services it provides. Cash required for operating needs and contractual commitments is drawn-down from the grantor to meet current commitments. The funds are available within a day of the request for payment.

ECMHSP manages its liquidity and reserves following three guiding 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. The entity forecasts its future cash flows and monitors liquidity on a regular basis.

Note 4: GRANTS RECEIVABLE

Grants receivable consist of the following:

<i>December 31,</i>	2020	2019
Department of Health and Human Services - Head Start	\$ 1,840,359	\$ -
U.S. Department of Agriculture	87,432	177,006
Foundation for farmworkers	1,879	-
Total grants receivable	\$ 1,929,670	\$ 177,006

East Coast Migrant Head Start Project Notes to Financial Statements

Note 5: PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2020 and 2019, are as follows:

	Estimated Useful Lives (in years)	2020	2019
Building and related improvements	30 and 10	\$ 15,645,759	\$ 15,205,039
Furniture, fixtures and equipment	5	574,878	569,785
Vehicles	5	5,196,639	6,541,902
		21,417,276	22,316,726
Less accumulated depreciation		(11,537,491)	(12,378,718)
		9,879,785	9,938,008
Construction in progress		497,279	172,259
Land		193,203	193,203
		690,482	365,462
Property and equipment, net		\$ 10,570,267	\$ 10,303,470

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to \$709,777 and \$683,938, respectively. During the year ended December 31, 2020, ECMHS disposed of 61 vehicles that were not running and had a minimal cash value.

Note 6: ACCRUED EXPENSES

Accrued expenses at December 31, 2020 and 2019, consists of the following:

<i>December 31,</i>	2020	2019
Payroll and related liabilities	\$ 922,232	\$ 705,161
Vacation leave	248,127	158,187
Total accrued expenses	\$ 1,170,359	\$ 863,348

Note 7: DUE TO SUB-RECIPIENTS

Due to sub-recipients at December 31, 2020 and 2019, consists of the following:

<i>December 31,</i>	2020	2019
Pathstone, Inc, (NJ/PA)	\$ 290,573	\$ 487,133
Benedictine Sisters of Erie (PA)	-	26,546
Yadkin Valley Economic Development District, Inc.	18,491	62,908
Total due to sub-recipients	\$ 309,064	\$ 576,587

East Coast Migrant Head Start Project Notes to Financial Statements

Note 8: NET ASSETS

A summary of net assets with donor restrictions follows:

<i>December 31,</i>	2020	2019
Purpose restricted		
Geraldine O'Brien Parent Scholarship Fund	\$ 45,326	\$ 76,162
Michael Murphy Parent Emergency Fund	56,007	3,402
Total net assets with donor restrictions	\$ 101,333	\$ 79,564

Note 9: IN-KIND REVENUES

Donations for the Head Start grant were as follows:

<i>December 31,</i>	2020	2019
Program supplies	\$ 179,996	\$ 104,723
Professional services	-	4,045
Facilities	360,106	1,196,011
Cash	-	3,123
In-kind contributions reflected in statement of activities	540,102	1,307,902
Nonprofessional services	2,563,631	1,687,976
Total in-kind contributions	\$ 3,103,733	\$ 2,995,878

The program supplies category includes donations of classroom material and supplies.

The professional services category includes the services of attorneys, speech therapists, dentists, and doctors.

Facilities is comprised of land and building space and is needed to operate the programs administered by ECMHSP. The revenue is calculated based on estimated fair market rental values of space used.

ECMHSP also receives support from volunteers and other local agencies and individuals whose contributions do not meet the criteria for recognition as stated in Note 2. Therefore, the value of these contributions is not included in the financial statements.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 10: CONCENTRATIONS OF CREDIT RISK

Cash

The provisions of FASB ASC 825-10-50-21, Financial Instruments, identify deposits in excess of federally insured limits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At times, ECMHSP has on deposit funds in excess of the FDIC maximum coverage of \$250,000. ECMHSP manages these risks by maintaining all deposits in high quality financial institutions.

Funding

Approximately 99% and 98% of ECMHSP's grant revenues were provided by the U.S. Department of Health and Human Services for fiscal years 2020 and 2019, respectively.

Note 11: CONTINGENCIES

ECMHSP relies on funding from federal sources. Discontinuation of, or a significant reduction in the level of this funding would directly impact ECMHSP's activities and programs.

At times, ECMHSP is involved in litigation and claims arising in the ordinary course of business. In the opinion of legal counsel, the range of potential recoveries or liabilities in excess of insurance coverage, if any, is not reasonably determinable and no loss contingencies have been recorded.

Note 12: COMMITMENTS

ECMHSP has operating leases associated with most, but not all, of its administrative offices, regional direct service offices, direct service centers, transportation yards and certain equipment. The leases expire in various years through 2036.

Minimum lease payments under noncancellable operating leases are as follows:

For the years ending December 31,

2021	\$ 1,757,052
2022	1,488,875
2023	1,172,207
2024	1,162,667
2025	656,938
Thereafter	1,766,045
<hr/>	
Total future minimum lease payments	\$ 8,003,784

Rent expense for the years ended December 31, 2020 and 2019 was \$1,878,024 and \$1,768,386, respectively.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 13: RETIREMENT PLAN

ECMHSP has a 403(b) plan that covers substantially all employees who meet eligibility requirements. ECMHSP contributes to the plan based on a percentage of gross wages paid and a discretionary match of 5%. ECMHSP's contribution to the retirement savings plan for years ended December 31, 2020 and 2019, including match funds, was \$2,050,119 and \$1,961,233, respectively.

Note 14: UNCERTAINTIES

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Agency. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Note 15: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after December 31, 2020 through July 6, 2021, the date the East Coast Migrant Head Start Project's financial statements were available to be issued.

Subsequent to year-end, East Coast Migrant Head Start Project was awarded contracts to provide migrant and seasonal Head Start services in Madison, Adams, Howard, St. Joseph, Tippecanoe, Hancock, and Knox counties in the state of Indiana; and Caddo and Cherokee counties in the State of Oklahoma. The grant award will result in an increase of approximately \$6.4 million in federal grant revenue, which will be continual funding. This will result in Head Start services being provided to an additional 236 seasonal and migrant children.

East Coast Migrant Head Start Project was also awarded continuing funds for Early Head Start Expansion and Migrant and Seasonal Expansion for \$5.6 million, which will add centers in South Carolina and Georgia; add three classrooms at existing centers; allow five current centers to serve children year-round; and extend seasons at five other centers. This will result in services being provided to 168 more children and impact 730 additional children with expanded services. This funding is continuing funding. ECMHSP was also awarded one-time funds of \$781,000 through the Coronavirus Response and Relief Supplemental Appropriations Act of 2021 and \$3.1 million through the American Rescue Plan Act of 2021.

East Coast Migrant Head Start Project Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	CFDA No.	Pass-Through Grantor No.	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services				
Direct programs				
Head Start Grant No. 90HM000021-01-00 *	93.600	N/A	\$ -	\$ 1,451,710
COVID-19 - Head Start Grant No. 90HM000021-01-00 *	93.600	N/A	-	75,731
Head Start Grant No. 90HM000021-02-00 *	93.600	N/A	-	271,369
Head Start Grant No. 90CM009856-01-00 *	93.600	N/A	-	236,360
Head Start Grant No. 90CM009839-02-00 *	93.600	N/A	771,997	7,368,907
Head Start Grant No. 90CM009839-01-00 *	93.600	N/A	4,050,903	38,548,426
COVID-19 - Head Start Grant No. 90CM009839-01-00 *	93.600	N/A	144,784	1,650,090
Subtotal for 93.600			4,967,684	49,602,593
Direct programs				
Head Start Disaster Recovery from Hurricane Harvey, Irma and Maria No. 90ND000001-01-00 *	93.356	N/A	-	80,969
Total Head Start Cluster			4,967,684	49,683,562
Total U.S. Department of Health and Human Services			4,967,684	49,683,562
U.S. Department of Agriculture				
Passed through State of Florida				
Department of Health and Human Services Child and Adult Care Food Program (CACFP)	10.558	S-83	-	346,735
Passed through State of North Carolina				
Department of Health and Human Services Child and Adult Care Food Program (CACFP)	10.558	6705	-	69,484
Passed through State of South Carolina				
Department of Social Services Child and Adult Care Food Program (CACFP)	10.558	C113309F	-	7,942
Passed through State of Virginia				
Department of Health Child and Adult Care Food Program (CACFP)	10.558	60198	-	6,364
Passed through State of Alabama				
Department of Education Child and Adult Care Food Program (CACFP)	10.558	APN-0000	-	39,195
Subtotal for 10.558			-	469,720
Total U.S. Department of Agriculture			-	469,720
Total Federal Expenditures			\$ 4,967,684	\$ 50,153,282

* Head Start Cluster

East Coast Migrant Head Start Project Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

This accompanying schedule of expenditures of federal awards (the "Schedule") was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property, and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred rather than being applied to reduce the outstanding principal portion of debt which conforms to the basis of reporting to grantors for reimbursement under the terms of the Agency's federal grants.

Note 2: INDIRECT COST

ECMHSP has not elected to use the 10% de Minimis indirect cost rate for the fiscal year ended December 31, 2020.

Note 3: BASIS OF PRESENTATION

The amounts reported in the Schedule were obtained from ECMHSP's general ledger. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial positions, changes in net assets and cash flows of ECMHSP.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. ECMHSP has obtained Catalog of Federal Domestic Assistance (CFDA) numbers to ensure that all programs have been identified in the Schedule. CFDA numbers have been appropriately listed by applicable programs. Federal programs with different CFDA numbers that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. One cluster was identified in the schedule as follows:

Head Start Cluster

This cluster provides awards to promote school readiness of low-income children (including American Indians, Alaska Natives, and migrant and season farm workers) by enhancing children's cognitive, social and emotional development.

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

East Coast Migrant Head Start Project Notes to Schedule of Expenditures of Federal Awards

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS (Continued)

- ECMHSP's fiscal year end may differ from the program's year end.
- Accruals recognized in the Schedule, because of year-end procedures, may not be reported in the program financial reports until the next program reporting period.
- Fixed asset purchases and the resultant depreciation charges may be recognized as fixed assets in ECMHSP's financial statements and as expenditures in the program financial reports and the Schedule.

Note 5: FEDERAL AND STATE PASS-THROUGH FUNDS

ECMSHP is also the sub-recipient of federal and state funds that have been subjected to testing and are reported as expenditures and listed as federal or state pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

Note 6: CONTINGENCIES

Grant monies received and disbursed by ECMHSP are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. ECMHSP does not believe that such disallowance, if any, would have a material effect on its financial position. As of December 31, 2020, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE

ECMHSP did not receive any federal noncash assistance for the fiscal year ended December 31, 2020.

Note 8: SUBRECIPIENTS

ECMHSP provided federal funds to subrecipients under CFDA Number 93.600 totaling \$4,967,684 for the year ended December 31, 2020.

Note 9: LOANS AND LOAN GUARANTEES

ECMHSP did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ending December 31, 2020.

Note 10: FEDERALLY FUNDED INSURANCE

ECMHSP did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ending December 31, 2020.



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

Board of Directors
East Coast Migrant Head Start Project
Raleigh, North Carolina

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 East Coast Migrant Head Start Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020, 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 July 6, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Coast Migrant Head Start's internal control over financial reporting (internal control) as a basis for designing 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 East Coast Migrant Head Start Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the East Coast Migrant Head Start Project's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Coast Migrant Head Start Project'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*.

East Coast Migrant Head Start Project's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
July 6, 2021



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

Board of Directors
East Coast Migrant Head Start Project
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

We have audited East Coast Migrant Head Start Project's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on East Coast Migrant Head Start Project's major federal program for the year ended December 31, 2020. East Coast Migrant Head Start Project's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

Basis for Qualified Opinion on Head Start Program

As described in the accompanying schedule of findings and questioned costs, East Coast Migrant Head Start Project did not comply with requirements regarding CFDA 93.600 Head Start as described in finding number 2020-002 for Reporting as it specifically relates to the Federal Funding Accountability and Transparency Act (FFATA) reporting compliance requirement. Compliance with such requirements is necessary, in our opinion, for East Coast Migrant Head Start Project to comply with the requirements applicable to that program.

Qualified Opinion on Head Start Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, East Coast Migrant Head Start Project complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major program for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed no other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

East Coast Migrant Head Start Project's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. East Coast Migrant Head Start Project's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of East Coast Migrant Head Start Project 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 East Coast Migrant Head Start Project's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of East Coast Migrant Head Start Project's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2020-002 to be a material weakness.

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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

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.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
July 6, 2021

**East Coast Migrant Head Start Project
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2020**

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Type of auditors' report issued on compliance for major programs | Modified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | Yes |
| 4. Identification of major programs | |

CFDA Number	Federal Program
93.356 and 93.600	Head Start Cluster

- | | |
|--|-------------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$1,504,598 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | Yes |

Section II – Financial Statement Findings

Item 2020-001 Lack of Controls over Reconciling Activity Between Funds

Condition – There was a lack of controls over the reconciliation of activity between funds. \$509,620 of labor expense was moved from Head Start to the Child and Adult Care Food Program without the corresponding transfer of cash from the Child and Adult Care Food Program to Head Start. \$180,351 of miscellaneous cash receipts and other items owed to the Head Start program were also not paid back. In total, this resulted in \$689,971 owed back to Head Start and reported as a due to grantor on the Statement of Net Position at December 31, 2020.

East Coast Migrant Head Start Project Schedule of Findings and Questioned Costs For the Year Ended December 31, 2020

Criteria – The Committee of Sponsoring Organizations of the Treadway Commission’s (COSO) Internal Control Integrated Framework requires entities to maintain effective internal control over financial reporting. Among the internal control procedures is a requirement to conduct periodic reconciliations. Periodic account reconciliations can ensure balances are correct and agree with balances reported by other third-party sources, such as Payment Management Services (PMS).

Cause – A deficiency in internal controls and a lack of account reconciliation between the funds and between the Head Start cash draws and expenditures.

Effect – This deficiency could result in external financial statements or internal financial reports being materially misstated.

Recommendation – We recommend management implement the necessary internal controls to ensure that account reconciliations between interfund activity are performed periodically and that reimbursements to grant funds are made as necessary.

Management’s Response – ECMHSP Fiscal staff had been working to resolve an open cash management reconciling item between funds. ECMHSP historically had only 3 cash accounts: Operations which covered the majority of the activity including Federal Grants, USDA, Geraldine O’Brien Scholarship, and other miscellaneous cash transactions; Corporate which covered only unrestricted activity; and Michael Murphy Emergency Fund that covered only funds presented to families experiencing an emergency. We had discovered this prior to COVID-19 emerging and were working on the reconciliation. We also experienced turnover at the Controller level during the height of COVID-19. Upon finalizing reports for the current grant year we realized that this issue still needed to be addressed. During the audit we worked on reconciling all cash activity within the Operations account and determined that the expense credits for USDA staffing to the Migrant and Seasonal Head Start Grant were not also made to cash. There were also some miscellaneous cash transactions that were not credited appropriately. The grants were closed out appropriately and expenses and cash were in balance.

Section III – Federal Award Findings and Questioned Costs

Item 2020-002 Reporting

Head Start and Early Head Start CFDA #93.600

Head Start Grant No. 90CM009839-01-00 (11/1/19 – 10/31/20)

COVID-19 Head Start Grant No. 90CM009839-01-00 (11/1/19 – 10/31/20)

Head Start Grant No. 90CM009839-02-00 (11/1/20 – 10/31/21)

Condition – The grantee failed to comply with the terms of the grant award related to the Federal Financial Accountability and Transparency Act (FFATA or Transparency Act) of 2006 subaward and executive compensation reporting requirements.

Criteria – Under the requirements of the Federal Funding Accountability and Transparency Act (Pub.

East Coast Migrant Head Start Project Schedule of Findings and Questioned Costs For the Year Ended December 31, 2020

L No. 109-282) (Transparency Act) that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements who make first tier subawards of \$25,000 or more are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRA.

45 CFR Part 75.303 Internal Controls, the non-federal entity must:

(a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

(b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.

(c) Evaluate and monitor the non-Federal entity's compliance with statutes, regulations and the terms and conditions of Federal awards.

Cause - Management was unaware of the reporting requirement.

Questioned Costs – Not applicable.

Effect – Failure to comply with the reporting requirements of the Transparency Act is a violation of the Standard Terms of the grantee’s Head Start award.

Recommendation – We recommend management implement the necessary internal controls to ensure compliance with the reporting requirements of the Transparency Act.

Management’s Response – The Federal Funding Accountability and Transparency Act (FFATA) was amended in 2008 to require prime recipients of federal funds to report details of their first-tier sub-recipients for awards made as of October 1, 2010. Specifically, prime recipients must report certain limited information to USAspending.gov, the official source of spending data for the United States government, and prime recipients must ensure sub-recipients are not paying employees compensation with federal funds that are in excess of established salary caps.

An OMB Audit Compliance Supplement issued in December 2020 required external auditors to check for compliance with FFATA by prime recipients. Prior to this time, ECMHSP external auditors and fiscal consultants had not focused their attention on this compliance requirement. In addition, the Office of Head Start had not communicated to Head Start grantees information on this requirement through its official communication tools, such as Program Instructions and Information Memoranda.

East Coast Migrant Head Start Project Schedule of Findings and Questioned Costs For the Year Ended December 31, 2020

Because ECMHSP has three sub-recipients (i.e., three delegate agencies), ECMHSP should have been uploading data to USAspending.gov and providing basic information on the delegates and their funding from ECMHSP. Although ECMHSP did not comply with this requirement, we have been performing the work that is the intention of the Act. ECMHSP has been performing delegate agency fiscal reviews for more than twenty years. For the last three years, ECMHSP has contracted with Carr, Riggs and Ingram to perform the reviews. This included ensuring that no employees in the delegate agencies were being paid more than the Federal Executive Level II pay maximum.

ECMHSP contends that while the reports were not filed, the work was done. As a result, we do not agree with Carr Riggs and Ingram's assessment that this is a material weakness. ECMHSP maintains strong internal controls to ensure compliance with its reporting requirements under its Federal Awards. Those strong internal controls start with having two very experienced and dedicated leaders in the positions of Chief Financial Officer and Chief Legal Officer. In addition, ECMHSP contracts with fiscal experts and legal experts to ensure ECMHSP is informed of significant changes to the legal and regulatory compliance requirements. The strong internal controls extend to ECMHSP leadership attending continuing education opportunities, subscribing to updates from the Office of Head Start's Early Childhood Learning and Knowledge Center, and participating in national conferences sponsored by the National Head Start Association and the National Migrant and Seasonal Head Start Association. Fiscal staff also attend federal grants training through the AICPA and other organizations.

**East Coast Migrant Head Start Project
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2020**

There were no audit findings reported in the prior year.

**East Coast Migrant Head Start Project
Corrective Action Plan
For the Year Ended December 31, 2020**



Item 2020-001 – Lack of controls over reconciling activity between funds.

Corrective Actions:

The management of East Coast Migrant Head Start Project (ECMHSP) has reviewed all policies and procedures related to reconciling activity between funds. ECMHSP has opened 5 new bank accounts to help separate the activity of Federal Grants, USDA, Family Assistance, Non-Federal Grants, and Corporate funds. Draw reconciliations will be completed and maintained on a monthly basis to quickly identify any over or under spending on the Federal Grants. Draw adjustments will be done on a regular basis for miscellaneous cash receipts and any labor that is moved from any of the Federal Grants over to USDA or other funds. Trial balances for all Federal and Non-Federal funds will be analyzed and reconciled on a monthly basis. The CFO will review and approve the draw reconciliations and trial balances on a monthly basis.

As of the date of this report these corrections have been implemented by the Controller and reviewed by the CFO and cash is now balanced and fully reconciled as of June 2021.

Responsible party: Steve Mayne, CFO
Date of completion: June 2021

Item 2020-002 – Reporting for Head Start CFDA #93.600

Head Start Grant No. 90CM009839-01-00 (11/1/19 – 10/31/20)
COVID-19 Head Start Grant No. 90CM009839-01-00 (11/1/19 – 10/31/20)
Head Start Grant No. 90CM009839-02-00 (11/1/20 – 10/31/21)
Federal Funding Accountability and Transparency Act (FFATA) reporting

Corrective Actions:

The management of ECMHSP has reviewed all policies and procedures related to required reporting for all Federal grants including the FFATA. ECMHSP will have the Chief Legal Officer and Chief Financial Officer convene a group of management and staff to review each Notice of Award (NOA) to determine what requirements need to be met. The group will meet quarterly to review any NOA's and ensure all requirements and deadlines are met.

The FFATA reporting for Head Start Grant No. 90CM009839-02-00 has been submitted by the Controller during June 2021 and reviewed by the CFO.

Responsible party: Steve Mayne, CFO
Date of completion: June 2021