

EAST COAST MIGRANT HEAD START PROJECT
FINANCIAL STATEMENTS AND COMPLIANCE REPORTS
YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS
FOR THE ELEVEN MONTH PERIOD ENDED DECEMBER 31, 2018)



EAST COAST MIGRANT HEAD START PROJECT

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Independent Auditor's 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) ("ECMHSP"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, expenses by nature and function, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ECMHSP'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 ECMHSP'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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the East Coast Migrant Head Start Project's December 31, 2018 financial statements, and our report dated May 17, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the eleven month period ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenues and 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 June 8, 2020, on our consideration of ECMHSP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ECMHSP's internal control over financial reporting and compliance.

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
June 8, 2020

EAST COAST MIGRANT HEAD START PROJECT
Statement of Financial Position
December 31, 2019
(With Comparative Eleven Month Totals as of December 31, 2018)

Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,343,496	\$ 1,725,771
Accounts receivable - DHHS	-	286,206
Accounts receivable - USDA	177,006	128,363
Accounts receivable - others	28,678	8,137
Prepaid expenses and other assets	728,560	605,774
Property and equipment, net	<u>10,303,470</u>	<u>10,284,033</u>
Total Assets	<u><u>\$ 12,581,210</u></u>	<u><u>\$ 13,038,284</u></u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 820,219	\$ 719,009
Accrued payroll and payroll related liabilities	863,350	745,244
Due to sub-recipient agencies	<u>576,587</u>	<u>482,679</u>
Total Liabilities	<u><u>2,260,156</u></u>	<u><u>1,946,932</u></u>

Net Assets:

Assets without donor restrictions	\$ 10,241,490	\$ 10,573,517
Assets with donor restrictions	<u>79,564</u>	<u>517,835</u>
Total Net Assets	<u><u>10,321,054</u></u>	<u><u>11,091,352</u></u>
Total Liabilities and Net Assets	<u><u>\$ 12,581,210</u></u>	<u><u>\$ 13,038,284</u></u>

EAST COAST MIGRANT HEAD START PROJECT

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2019

(With Comparative Eleven Month Totals for the Eleven Month Period Ended December 31, 2018)

	2019			2018
	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total	Total
Revenue and Support:				
DHHS Head Start Grants	\$ 48,156,050	\$ -	\$ 48,156,050	\$ 42,789,098
In-kind contributions	1,307,902	-	1,307,902	1,348,714
USDA Child and Adult Care Food Program	882,081	-	882,081	685,144
Contributions and others	779,967	10,179	790,146	594,151
Total Revenue and Support	51,126,000	10,179	51,136,179	45,417,107
Net Assets Released From Restrictions	448,450	(448,450)	-	-
Total Revenue and Support, and Net Assets Released From Restrictions	51,574,450	(438,271)	51,136,179	45,417,107
Expenses:				
Program Services:				
Head Start and other program services	44,311,532	-	44,311,532	38,639,531
Training and technical assistance	557,845	-	557,845	244,277
Total Program Services	44,869,377	-	44,869,377	38,883,808
Supporting Services:				
Management and general	7,037,100	-	7,037,100	6,073,988
Total Supporting Services	7,037,100	-	7,037,100	6,073,988
Total Expenses	51,906,477	-	51,906,477	44,957,796
Changes in Net Assets	(332,027)	(438,271)	(770,298)	459,311
Net assets, beginning	10,573,517	517,835	11,091,352	10,632,041
Net assets, ending	\$ 10,241,490	\$ 79,564	\$ 10,321,054	\$ 11,091,352

EAST COAST MIGRANT HEAD START PROJECT

Statement of Expenses by Nature and Function

Year Ended December 31, 2019

(With Comparative Eleven Month Totals for the Eleven Month Period Ended December 31, 2018)

	Program Services			Supporting Services	2019 Totals	2018 Totals
	Head Start and Other Program Services	Training and Technical Assistance	Total Program Expenses	Management and General		
Salaries	\$ 21,518,601	\$ 311,154	\$ 21,829,755	\$ 3,044,490	\$ 24,874,245	\$ 21,820,250
Benefits	7,091,290	82,948	7,174,238	963,507	8,137,745	6,945,057
Sub-recipient agencies	5,621,013	44,791	5,665,804	-	5,665,804	4,544,355
Rent/utilities	1,592,826	10,565	1,603,391	663,754	2,267,145	2,298,137
Travel/transportation	1,040,888	76,808	1,117,696	255,470	1,373,166	1,289,567
In-kind contributions	1,303,856	-	1,303,856	4,044	1,307,900	1,348,714
Food service supplies	910,488	-	910,488	266,768	1,177,256	724,869
Facility repairs and maintenance	1,141,071	-	1,141,071	22,612	1,163,683	556,937
Supplies	1,014,990	262	1,015,252	26,695	1,041,947	1,328,658
Vehicle repairs and maintenance	867,895	-	867,895	129	868,024	721,483
Miscellaneous	361,986	486	362,472	477,090	839,562	584,557
Depreciation	-	-	-	683,938	683,938	672,941
Communications	409,315	170	409,485	45,957	455,442	487,516
Professional fees	156,933	-	156,933	270,036	426,969	317,830
Relocation	363,244	-	363,244	-	363,244	341,899
Insurance	280,642	-	280,642	81,973	362,615	334,472
Board of directors/policy council	203,441	774	204,215	91,066	295,281	250,202
Equipment rental	174,297	-	174,297	26,368	200,665	131,965
Training and staff development	94,127	29,697	123,824	47,241	171,065	111,702
Medical services	63,844	-	63,844	-	63,844	66,960
Taxes	40,356	190	40,546	20,569	61,115	48,797
Equipment expense	57,925	-	57,925	-	57,925	7,517
Temporary help	2,504	-	2,504	45,393	47,897	23,411
Total Expenses	\$ 44,311,532	\$ 557,845	\$ 44,869,377	\$ 7,037,100	\$ 51,906,477	\$ 44,957,796

EAST COAST MIGRANT HEAD START PROJECT**Statement of Cash Flows****Year Ended December 31, 2019****(With Comparative Eleven Month Totals for the Eleven Month Period Ended December 31, 2018)**

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ (770,298)	\$ 459,311
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	683,938	672,941
Loss on disposal of property and equipment	-	9,246
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable - DHHS	286,206	133,443
Accounts receivable - USDA	(48,643)	(10,021)
Accounts receivable - others	(20,541)	67,828
Prepaid expenses and other assets	(122,786)	(98,397)
Increase (decrease) in:		
Accounts payable and accrued expenses	101,210	184,082
Accrued payroll and payroll related liabilities	118,106	(246,550)
Due to sub-recipient agencies	93,908	71,130
Net cash provided by operating activities	<u>321,100</u>	<u>1,243,013</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(703,375)</u>	<u>(374,706)</u>
Net cash used in investing activities	<u>(703,375)</u>	<u>(374,706)</u>
Increase (decrease) in cash and cash equivalents	(382,275)	868,307
Cash and cash equivalents - beginning	<u>1,725,771</u>	<u>857,464</u>
Cash and cash equivalents - ending	<u>\$ 1,343,496</u>	<u>\$ 1,725,771</u>

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 1 - ORGANIZATION

The Organization

The East Coast Migrant Head Start Project (ECMHSP) was organized in 1974 by the Leadership Conference of Women 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, ECMHSP 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 received proceeds totaling \$48,156,050 from ACF for the year ended December 31, 2019.

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.

The Office of Head Start granted ECMHSP's request to change their Migrant and Seasonal Grant year from a January 31 year end to an October 31 year end to better align with the ECMHSP program year. The 2017-18 grant was extended by nine months to shift the grant year end to October 31, 2018. Additionally, the ECMHSP Board of Directors and Policy Council approved Management's request to move the Fiscal Year from a January 31 year end to a December 31 year end. The Fiscal Year for 2018 ran eleven months from February 1, 2018 through December 31, 2018 to align the new Fiscal Year.

Sub-recipient Agencies

ECMHSP has contracted with sub-recipient agencies to operate Head Start centers, providing continuity of 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.

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies follows:

Comparative Financial Information for Prior Year

The financial statements include certain prior period summarized comparative information in totals 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 eleven month period ended December 31, 2018, from which the summarized information was derived.

Financial Statement Presentation

Net assets, revenue and expenses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of ECMHSP and changes therein are classified and reported as follows:

With donor restrictions - are subject to donor-imposed stipulations that will be met either by actions of ECMHSP and/or the passage of time. 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. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions.

Without donor restrictions - are net assets and contributions that are not subject to donor-imposed stipulations or for which restrictions have expired.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments (including mutual funds) with an original purchase maturity of three months or less. ECMHSP maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits.

Accounts Receivable from Government and Sub-recipient Agencies

Due from Government Agencies represents reimbursements due to ECMHSP for grants in which ECMHSP has spent and recognized the grant dollars and is waiting to be reimbursed. Receivables are reported at the amounts due, less any allowance. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and ECMHSP's historical collection experience. As of year end, management believes all accounts receivable are fully collectible as they have been collected in full as of the report date herein; thus, no allowance for doubtful accounts was recorded.

Property and Equipment

ECMHSP purchases certain equipment, construction, improvements, and other capital items with funds from DHHS, in which DHHS maintains a federal interest, and the assets would revert back to DHHS should the grants end. ECMHSP capitalizes such equipment per U.S. GAAP, as ECMHSP believes that the future expected life of the grant is equal to or greater than the expected useful life of such assets based on current and historical information.

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Purchased property and equipment is recorded at cost. Donated property and equipment is valued at fair value at the time it is received. Such donations are reported as unrestricted assets unless the donor has restricted the donated asset to a specific purpose.

Depreciation is provided based on the assets' estimated useful lives using the straight-line method. Assets purchased at amounts less than \$5,000 are expensed as incurred and classified as supplies expense in the accompanying statement of activities and changes in net assets, and statement of expenses by nature and function. The majority of the fixed assets were purchased with federal grant funds and are subject to a Federal interest. ECMHSP owns assets totaling \$570,000. For the purpose of reporting grant expenditures to DHHS (non-U.S. GAAP), all purchased property and equipment is expensed as incurred.

The estimated service lives for depreciation purposes are as follows:

Buildings	30 years
Building improvements	10 years
Furniture, fixtures and equipment	5 years
Vehicles	5 years

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized.

ECMHSP periodically retires equipment due to obsolescence or damage and applies proceeds, if any, from such dispositions to purchase replacements, or to other purposes as approved by DHHS.

In-Kind Contributions

Donated goods and services that meet the requirements for recognition are recorded as revenue and expenses in the accompanying statement of activities and changes in net assets at their estimated fair values. Many volunteers have made significant contributions of time to ECMHSP's programs and supporting functions. These contributed services do not meet the criteria for U.S. GAAP recognition and, accordingly, are not recognized in the accompanying financial statements. These services are considered matching support in accordance with the grant terms.

In-kind contributions are as follows for the year ended:

Volunteer services	\$ 1,599,200
Donated space	1,196,011
Donated supplies	104,723
Volunteer health and disability services	92,821
Cash	3,123
Total allowable in-kind for non-federal share	<u>2,995,878</u>
Adjustment for volunteer services	<u>(1,687,976)</u>
Total allowable GAAP in-kind included in the financial statements	<u><u>\$ 1,307,902</u></u>

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities 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.

Revenue Recognition

Revenue from DHHS Head Start grants, as discussed in Note 1 above, and the USDA Child and Adult Food Program are recognized when the related expenses are incurred.

Florida, North Carolina, South Carolina, Virginia, and Alabama ECMHSP Direct Services participate in the USDA Child Care and Adult Food Program. USDA reimburses ECMHSP through those states for costs related to food, non-food supplies, and salary expenses for cooks and cooks' aides, which amounted to \$882,081 for the year. The revenue was recognized when received as the related expenses were incurred, and it was not possible to estimate the amount of the reimbursement when the expenses were incurred.

At year end, the amounts due from USDA that passed through the State of Florida Department of Health amounted to \$177,006.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from those costs based on an actual usage and percentage of resources devoted to aspects of ECMHSP's operations.

Allocation of funds to programs is determined in accordance with the grant provisions. General and administrative expenses include those expenses that are not directly identified with any other specific function but provide for the overall support and direction of ECMHSP.

Income Taxes

ECMHSP is exempt from the payment of taxes on income other than net unrelated business income under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service (IRS) as other than a private foundation; therefore, there is no provision for income taxes.

It is ECMHSP's policy to evaluate all tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a more-likely-than-not threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the financial statements. No material uncertain tax positions were identified during the year.

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Credit and Business Risks

ECMHSP currently has one principal grantor, DHHS. If for any reason this grantor discontinues funding, there is a risk that ECMHSP will not be able to continue operations and provide the services that it currently does.

Subsequent Events

Management has performed an evaluation of subsequent events through June 8, 2020, which is the date the financial statements were available to be issued.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of:

Land	\$ 193,203
Buildings	15,205,039
Furniture and equipment	569,785
Vehicles	6,541,902
Construction in progress	172,259
	<u>22,682,188</u>
Less accumulated depreciation	<u>12,378,718</u>
	<u>\$ 10,303,470</u>

NOTE 4 - NET ASSETS

Net assets with donor restrictions represent funds held by ECMHSP to be used for scholarship grants up to \$1,000, emergencies of not more than \$500 for migrant families and advances on DHHS Head Start Grants as follows:

Geraldine O'Brien Parent Scholarship Fund	\$ 76,162
Michael Murphy Parent Emergency Fund	3,402
Total net assets with donor restrictions	<u>\$ 79,564</u>

NOTE 5 - DUE TO SUB-RECIPIENT AGENCIES

Amounts due to sub-recipient agencies represent expenditures of sub-recipient agencies that were incurred and obligated during the year. These amounts were paid subsequent to year-end as follows:

<u>Sub-recipient Agency</u>	
Pathstone, Inc. (NJ/PA)	\$ 487,133
Benedictine Sisters of Erie (PA)	26,546
Yadkin Valley Economic Development District, Inc.	62,908
	<u>\$ 576,587</u>

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 6 - ASSETS LIQUIDITY

The following reflects ECMHSP's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Financial assets, at year end	\$ 1,549,180
Less those unavailable for general expenditures within one year, due to contractual or donor-imposed restrictions:	
Restricted by donor with purpose restrictions	<u>79,564</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,469,616</u>

ECMHSP regularly monitors liquidity to meet its operating needs and contractual commitments. The Organization receives significant Federal Funding through the Department of Health and Human Services, Office of Head Start. Cash required for operating needs and contractual commitments is drawn down to meet current commitments within three days of the actual payment. The funds are available within a day of the request for payment.

ECMHSP prepares a zero based budget annually. The budget is reviewed by Management, Board of Directors, Policy Council, Office of Head Start, and Grants Management. Throughout the year monthly financial statements are shared with the Board of Directors, Policy Council, Management Team and Department Managers.

The Organization 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 weekly basis. During the year ended December 31, 2019 and the eleven month period ended December 31, 2018, the level of liquidity was managed within the guiding principles.

NOTE 7 - 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. ECMHSP's contribution to the retirement savings plan for the year, including matching funds, was \$1,961,233.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Future Lease Obligations

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. Monthly payments range from \$300 per month to approximately \$57,000 per month with maturity dates ranging from 2020 through 2029.

EAST COAST MIGRANT HEAD START PROJECT

Notes to Financial Statements

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

The following represents ECMHSP's future minimum lease obligations:

2020	\$ 1,441,998
2021	1,276,122
2022	1,064,977
2023	758,790
2024	745,966
Thereafter	2,372,583
	<u>\$ 7,660,436</u>

Total rent expense was \$1,768,386, for the year.

NOTE 9 - SUBSEQUENT EVENTS

In response to the global COVID-19 pandemic ECMHSP closed Head Start centers and administrative offices effective March 17, 2020. At the time of the closure only Florida centers were open and serving children. In response the centers began virtual learning activities for the children, maintaining contact with the parents via weekly phone calls, and providing much needed food to the families. Administrative staff have been working remotely to support the centers and the organization. During this time of remote learning and work the Office of Head Start (OHS) has allowed ECMHSP to continue to pay staff that were employed as of March 16th; this is scheduled to expire June 30, 2020.

Additionally, the CARES Act has provided OHS funding for Summer Programs and separate funding for expenditures related to the COVID-19 response. ECMHSP is currently preparing to apply for funding to operate Summer Programs in Florida and for funds to cover expenditures related to pandemic response and recovery. It is likely we will receive funding for both endeavors, and it will increase our overall funding for fiscal year 2020.



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

We have audited, 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, the financial statements of East Coast Migrant Head Start Project (a nonprofit organization) (“ECMHSP”), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, expenses by nature and function, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 8, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered ECMHSP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of ECMHSP'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 ECMHSP's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
June 8, 2020



**Independent Auditor's Report on Compliance
For The Major Program and on Internal Control
Over Compliance Required by the Uniform Guidance**

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

Report on Compliance for The Major Federal Program

We have audited East Coast Migrant Head Start Project's ("ECMHSP") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on ECMHSP's major federal program for the year ended December 31, 2019. 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, contracts, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's 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 East Coast Migrant Head Start Project'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 the major federal program. However, our audit does not provide a legal determination of ECMHSP's compliance.

Opinion on The Major Federal Program

In our opinion, 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 federal program for the year ended December 31, 2019.

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.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Bernard Robinson & Company, L.L.P.

Greensboro, North Carolina
June 8, 2020

EAST COAST MIGRANT HEAD START PROJECT
Schedule of Revenues and Expenditures of Federal Awards
Year Ended December 31, 2019

Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Grant or Pass-through Number	Passed through to Sub-recipients	Federal Expenditures
U. S. Department of Health and Human Services:				
Office of Human Development Services:				
Head Start	93.600	90CM9796/05	\$4,879,229	\$39,709,437
Head Start	93.600	90CM009839-01-01	786,576	7,272,667
Early Head Start	93.600	90HM0005-04-03	-	1,345,751
Early Head Start	93.600	90HM000021-01-00	-	251,254
Total U. S. Department of Health and Human Services			<u>5,665,805</u>	<u>48,579,109</u>
U. S. Department of Agriculture:				
Passed Through from state of Florida Department of Health and Human Services:				
Child and Adult Care Food Program	10.558	S-83	-	595,442
Passed Through from the state of North Carolina Department of Health and Human Services				
Child and Adult Care Food Program	10.558	6705	-	137,767
Passed Through from the state of South Carolina Department of Social Services				
Child and Adult Care Food Program	10.558	C113309F	-	21,241
Passed Through from state of Virginia Department of Health:				
Child and Adult Care Food Program	10.558	60198	-	21,768
Passed Through from state of Alabama Department of Education:				
Child and Adult Care Food Program	10.558	APN-0000	-	92,115
Total U. S. Department of Agriculture			<u>-</u>	<u>868,333</u>
Total Expenditures of Federal Funds			<u>\$5,665,805</u>	<u>\$49,447,442</u>

EAST COAST MIGRANT HEAD START PROJECT
Notes to the Schedule of Revenues and Expenditures of Federal Awards
Year Ended December 31, 2019

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of revenues and expenditures of federal awards (the "Schedule") includes the federal award activity of East Coast Migrant Head Start Project, under programs of the federal government for the year ended December 31, 2019. 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 Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of East Coast Migrant Head Start Project, it is not intended to and does not present the financial position, changes in net assets, or cash flows of East Coast Migrant Head Start Project.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

East Cost Migrant Head Start Project has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - SUB-RECIPIENTS

Of the Federal expenditures presented in the Schedule, ECMHSP provided Federal awards to sub-recipients under CFDA Number 93.600 *Head Start*, as follows:

<u>Sub-recipient Agency</u>	
Benedictine Sisters of Erie (PA)	\$ 624,426
Pathstone, Inc. (NJ/PA)	4,546,789
YVEDDI (NC)	494,589
	<u>\$ 5,665,804</u>

NOTE D - WAIVERS

In accordance with the Head Start Improvement Act of 1992, ECMHSP applied for a waiver of the 20.00% in-kind matching requirement to 6.00% for the year ended December 31, 2019, which was approved by DHHS. ECMHSP requested a waiver for its disabilities requirement from DHHS. DHHS supports the approval of the waiver. ECMHSP is awaiting approval from DHHS.

EAST COAST MIGRANT HEAD START PROJECT
Notes to the Schedule of Revenues and Expenditures of Federal Awards
Year Ended December 31, 2019

NOTE E - RELATIONSHIP TO FINANCIAL STATEMENTS

Statement of functional expense	\$ 51,906,477
In-kind contributions	<u>(1,307,902)</u>
Total	50,598,575
Fixed asset additions	703,375
Loss on disposal of fixed assets	-
Depreciation	(683,938)
Prepays, accruals, and other	(303,165)
Expenses related to program income, rebates, refunds	(693,672)
Expenditures from non-federal sources	<u>(173,733)</u>
Expenditures from Federal funds	<u><u>\$ 49,447,442</u></u>

EAST COAST MIGRANT HEAD START PROJECT
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Items required to be reported under 2 CFR section 200.515(d):

Section I - Summary of Auditor's Results

Financial Statements

- (i) Type of auditor's report issued: Unmodified
- (ii) Internal control over financial reporting:
- (a) Material weakness(es) identified? yes X no
- (b) Significant deficiency(ies)? yes X none reported
- (iii) Noncompliance material to financial statements noted? yes X no

Federal Awards

- (i) Internal control over major programs:
- (a) Material weakness(es) identified yes X no
- (b) Significant deficiency(ies) identified? yes X none reported
- (ii) Type of auditor's report issued on compliance for major programs: Unmodified
- (iii) Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes X no
- (iv) Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
93.600	Head Start

- (v) Dollar threshold used to distinguish between type A and type B programs: \$1,483,423
- (vi) Auditee qualified as low-risk auditee? X yes no

Section II - Findings relating to the financial statements which are required to be reported in accordance with generally accepted government auditing standards:

A. Deficiencies in Internal Control

None reported

B. Compliance Findings

None reported

Section III - Findings and questioned costs relating to the major programs which are required to be reported as defined by the Uniform Guidance [2 CFR 200.516(a)]:

Findings and Questioned Costs

None reported

EAST COAST MIGRANT HEAD START PROJECT
Summary Schedule of Prior Year Audit Findings and Questioned Costs
Year Ended December 31, 2019

None