



 **Orange County Head Start, Inc.**
Empowering Children & Families

**AUDITED FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION
AND REPORTS IN COMPLIANCE WITH UNIFORM GUIDANCE
AS OF AND FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

ORANGE COUNTY HEAD START, INC.
FINANCIAL STATEMENTS



CONTENTS

<i>As of and for the years ended June 30, 2017 and 2016</i>	Page
Independent Auditor's Report	1 – 2
Financial statements:	
Statements of financial position as of June 30, 2017 and 2016	3
Statements of activities for the years ended June 30, 2017 and 2016	4 – 5
Statements of cash flows for the years ended June 30, 2017 and 2016	6
Notes to financial statements for the years ended June 30, 2017 and 2016	7 – 13
Supplementary Information:	
Supplemental schedule of activities by grant for the year ended June 30, 2017	14
Supplemental schedule of expenses by category for the year ended June 30, 2017	15
Supplemental schedule of expenses by Head Start Centers for the year ended June 30, 2017	16-17
Supplemental schedule of expenses compared to budget for the year ended June 30, 2017	18
Supplemental schedule of reported meals and earned reimbursement for the period July 1, 2016 to June 30, 2017	19
Schedule of expenditures of federal awards for the year ended June 30, 2017	20
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 <i>Government Auditing Standards</i>	21 – 22
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	23 – 24
Schedule of findings and questioned costs as of and for the year ended June 30, 2017	25
Status of prior year findings and recommendations as of and for the years ended June 30, 2017 and 2016	26

INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Orange County Head Start, Inc.
Santa Ana, California

Report on the Financial Statements

We have audited the accompanying financial statements of Orange County Head Start, Inc. ("OCHS") (a nonprofit California corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years 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 audits. We conducted our audits 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.

INDEPENDENT AUDITOR'S REPORT *(continued)*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OCHS as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

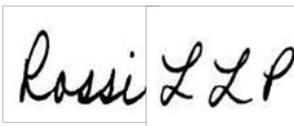
Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental schedules for the year ended June 30, 2017 of activities by grant, of expenses by category, of expenses by Head Start Centers, of expenses compared to budget and of reported meals and earned reimbursement are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2017, 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 also have issued our report dated February 8, 2018 on our consideration of OCHS'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 OCHS'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 OCHS's internal control over financial reporting and compliance.

A rectangular box containing a handwritten signature in black ink that reads "Rossi LLP".

Long Beach, California
February 8, 2018

ORANGE COUNTY HEAD START, INC.
STATEMENTS OF FINANCIAL POSITION

<i>As of June 30,</i>	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,503,157	\$ 1,946,161
Grants receivable	2,614,977	3,330,874
Other receivables	729	6,880
Prepaid expenses	14,626	-
Total current assets	4,133,489	5,283,915
Property and equipment, net	152,909	-
Deposits	61,872	60,007
Total assets	\$ 4,348,270	\$ 5,343,922
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 938,911	\$ 473,276
Accrued expenses - other	1,496,655	3,117,126
Accrued vacation	329,823	259,759
Advances - other grants	91,688	240,940
Deferred Rent	25,096	-
Total current liabilities	2,882,173	4,091,101
Commitments and contingencies		
Net assets:		
Unrestricted	1,466,097	1,077,795
Temporarily restricted	-	175,026
Total net assets	1,466,097	1,252,821
Total liabilities and net assets	\$ 4,348,270	\$ 5,343,922

The accompanying notes are an integral part of these financial statements

ORANGE COUNTY HEAD START, INC.
STATEMENT OF ACTIVITIES

<i>For the year ended June 30,</i>	2017		
	Unrestricted	Temporarily restricted	Total
Revenues:			
Head Start grants	\$ 36,451,478	\$ -	\$ 36,451,478
In-kind contributions	6,515,405	-	6,515,405
Child care food program	1,096,304	-	1,096,304
Other grants	320,469	-	320,469
Net assets released from restrictions	175,026	(175,026)	-
Total revenue	44,558,682	(175,026)	44,383,656
Expenses:			
Personnel	15,873,408	-	15,873,408
Contractual	13,507,674	-	13,507,674
Fringe benefits	6,517,523	-	6,517,523
Other	6,312,739	-	6,312,739
Supplies	1,959,036	-	1,959,036
Total expenses	44,170,380	-	44,170,380
Change in net assets	388,302	(175,026)	213,276
Net assets, beginning of year	1,077,795	175,026	1,252,821
Net assets, end of year	\$ 1,466,097	\$ -	\$ 1,466,097

The accompanying notes are an integral part of these financial statements

ORANGE COUNTY HEAD START, INC.
STATEMENT OF ACTIVITIES

<i>For the year ended June 30,</i>	2016		
Revenues:	Unrestricted	Temporarily restricted	Total
Head Start grants	\$ 35,557,701	\$ -	\$ 35,557,701
In-kind contributions	4,205,662	-	4,205,662
Child care food program	1,209,239	-	1,209,239
Other grants	87,703	175,026	262,729
Net assets released from restrictions	173,207	(173,207)	-
Total revenue	41,233,512	1,819	41,235,331
Expenses:			
Personnel	14,798,704	-	14,798,704
Contractual	10,480,829	-	10,480,829
Other	6,923,563	-	6,923,563
Fringe benefits	6,382,090	-	6,382,090
Supplies	2,466,308	-	2,466,308
Total expenses	41,051,494	-	41,051,494
Change in net assets	182,018	1,819	183,837
Net assets, beginning of year	895,777	173,207	1,068,984
Net assets, end of year	\$ 1,077,795	\$ 175,026	\$ 1,252,821

The accompanying notes are an integral part of these financial statements

ORANGE COUNTY HEAD START, INC.
STATEMENTS OF CASH FLOWS

<i>For the years ended June 30,</i>	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 213,276	\$ 183,837
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Increase) decrease in assets:		
Grants receivable	715,897	(2,604,712)
Other receivables	6,151	1,610
Prepaid expenses	(14,626)	46,999
Deposits	(1,865)	(1,415)
Increase (decrease) in liabilities:		
Accounts payable	465,635	(460,944)
Accrued expenses - other	(1,620,471)	1,239,915
Accrued vacation	70,064	28,809
Advances - other grants	(149,252)	(29,403)
Deferred Rent	25,096	-
Net cash used in operating activities	(290,095)	(1,595,304)
Cash flows from investing activities:		
Acquisition of property and equipment	(152,909)	-
Net cash used in investing activities	(152,909)	-
Net decrease in cash and cash equivalents	(443,004)	(1,595,304)
Cash and cash equivalents, beginning of year	1,946,161	3,541,465
Cash and cash equivalents, end of year	\$ 1,503,157	\$ 1,946,161

The accompanying notes are an integral part of these financial statements

For the years ended June 30, 2017 and 2016

NOTE 1

ORGANIZATION AND PURPOSE

The Head Start Program, administered by Orange County Head Start, Inc. ("OCHS") in the Orange County area, is a comprehensive child development program designed to meet the educational, emotional, social, health, and nutritional needs of children and families. The program encompasses much more than what is generally thought of as a preschool program. The overall goal of Head Start is to bring about a greater degree of "social competence" to children and their families. Social competence refers to the everyday effectiveness in dealing with both present environment and later responsibilities in school and life. Children and families leave Head Start more confident in their own abilities and ready to succeed.

Nationally, Head Start began providing services in 1965 and is now available to children and families in counties throughout the country. Locally, OCHS has been in existence since 1979 and currently provides services to over 3,000 children. Head Start services are available to preschool children from low-income families at no cost. OCHS has centers located throughout the county.

Program services:

Early Childhood Development and Health Services— This program promotes school readiness by enhancing the social and cognitive development of low-income children including children with disabilities through the provision of comprehensive health, educational, nutritional, social and other services necessary for a child's learning and development.

Family and Community Partnership – The program encourages and promotes parent involvement in their children's learning and helps parents make progress toward their educational, literacy, and employment goals.

Every OCHS center elects parent representatives to serve a one-year term on the Policy Council Board. This board, along with a community member Board of Directors, provides governance oversight for OCHS.

Program Design and Management – The program also provides training and technical assistance to OCHS's program staff.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting:

The financial statements of OCHS are prepared on the accrual basis of accounting and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support, revenue or expenses were received or paid as of the end of a fiscal period. Grants are recognized as support when earned in accordance with the terms of each grant or agreement.

In preparing these financial statements, OCHS evaluated the period from July 1, 2017 through February 8, 2018, the date the financial statements were available for issuance, for subsequent events requiring recognition and or disclosure in the accompanying financial statements.

Basis of presentation:

OCHS follows the provisions of the *Financial Accounting Standards Board* ("FASB") in its *Accounting Standards Codification* ("ASC") 958, *Not-for-Profit Entities*. Under these provisions, net asset and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of OCHS and

For the years ended June 30, 2017 and 2016

changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of OCHS and/or the passage of time. There were \$0 and \$175,026 in temporarily restricted net assets as of June 30, 2017 and 2016, respectively.

Permanently restricted net assets - Net assets subject to permanent donor-imposed stipulations that OCHS maintain them permanently. Generally, the donors of these assets permit OCHS to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets as of June 30, 2017 and 2016.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their uses are restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the classes of net assets as applicable.

In August 2016, the FASB issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was issued to improve the current net asset classification requirements and the information presented in the financial statements and notes thereto about a not-for-

profit entity's liquidity, financial performance, and cash flows. Additionally, the amendments in ASU 2016-14 among other matters, reduce the current three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two classes of net assets (net assets with donor restrictions and net assets without donor restrictions). The amendments in ASU 2016-14 are effective for the fiscal years beginning after December 15, 2017 with early adoption permitted and are required to be applied on a retrospective basis to all periods presented. Management is currently evaluating the impact of the pending adoption of ASU 2016-14 on the financial statements.

Accounting for grant revenue:

A majority of OCHS's revenue is derived from governmental grant awards that are restricted to specific program or project support. Current grant revenue is recognized as expenditures are made or liabilities are incurred in connection with fulfilling the specific temporarily restricted purposes of the award. Cash received in excess of grant expenditures is accounted for as restricted advances. Expenses incurred, which are not yet reimbursed, are accounted for as grants receivable.

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to the statement of activities and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants, contracts, or accounts receivable.

For the years ended June 30, 2017 and 2016

Fair value of financial instruments:

OCHS's financial instruments, including cash and cash equivalents, grants and other receivables, accounts payable, and other liabilities are carried at cost, which approximates their fair values because of the short-term maturity of these instruments.

Estimates inherent in the preparation of financial statements:

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 amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the respective reporting periods. Actual results could differ from those estimates, and assumptions, and such differences could be material to the financial statements.

Cash and cash equivalents:

For the purposes of the statement of cash flows, OCHS considers all highly liquid short-term investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

Property and equipment:

Assets acquired through Federal grant resources are considered to be owned by the grantor while such assets are in use under the funded program, or while they are being used for a similar program. Any dispositions of restricted assets or funds derived therein are subject to grant regulations. The total cost of fixed assets acquired through Federal grant resources and on hand at June 30, 2017 and 2016 were \$6,089,071 and \$6,356,607, respectively.

Effective for the year ended June 30, 2016, OCHS implemented Title 2 in the Code of Federal Regulations ("CFR"), Appendix B Chapter 11 to Part 230, *Selected Items of Cost*. Under this provision, the computation of use allowances for depreciation will exclude: (a) the cost of land; (b) any portion of the cost of buildings and equipment borne by or donated by the Federal Government irrespective of where title was originally vested or where it presently resides; and (c) any portion of the cost of buildings and equipment contributed by or for the nonprofit organization in satisfaction of a statutory matching requirement. OCHS uses funds received from the Federal Government to purchase the assets as it believes the recognition of use allowances or depreciation is not applicable.

For the years ended June 30, 2017 and 2016, the property and equipment, acquired through Federal grant resources use allowance recognized was \$0.

OCHS reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of its property and equipment may not be recoverable. An impairment loss is recognized when the assets' carrying value exceeds both the assets' estimated undiscounted future cash flows and the assets' estimated fair value. Measurement of the impairment loss is then based on the estimated fair value of the assets. Considerable judgment is required to project such future cash flows and, if required, to estimate the fair value of the property and equipment and the resulting amount of the impairment. For the years ended June 30, 2017 and 2016, the impairment charges recognized on property and equipment, acquired through Federal grant resources, was \$122,210 and \$0, respectively.

Property and equipment that is purchased through non-Federal resources is stated at cost. Major improvements and betterments to

For the years ended June 30, 2017 and 2016

existing property and equipment are capitalized as incurred. Cost for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as incurred. Upon disposition, the cost and accumulated depreciation of disposed assets are removed from the accounts and any resulting gains and losses are included in the statement of activities.

Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Vehicles and equipment	4 years
Office furniture and equipment	3 years
Software	3 years
Leasehold improvements	Life of the lease

Commitments and contingencies:

OCHS participates in the federally assisted Head Start Grant Program. This Program is subject to compliance requirements established by the grantor. Failure to meet such compliance requirements could result in a liability for reimbursement of grant funds. Management believes there is no liability for such reimbursement as of June 30, 2017 and 2016.

The Office of Head Start previously had been providing grants for an indefinite project period. This indefinite project period ended as of June 30, 2014. The Office of Head Start has moved from indefinite project periods to definite project periods of five years (60 months) for all Head Start grantees as part of the Designation Renewal System (“DRS”). DRS was established by the Department of Health and Human Services to determine whether the Head Start and Early Head Start agencies deliver high-quality and comprehensive services to the families they serve. The DRS established five-year grant periods for all Head Start service awards, with many agencies receiving further five-year grants without competing for funding.

The following conditions are required for the grants: Governance, Health and Safety, School Readiness and Audit Training are required for all five-year grants on the Notice of Award (“NoA”). Each grantee completes activities outlined and, where required, submits results to the Regional Office within identified time frames.

An agency needs to meet the standards of the required condition in order to be eligible for funding without competition.

OCHS is operating under the five-year grant period.

Risk management:

OCHS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which OCHS carries commercial insurance.

Donated services:

Donated services are recognized as contributions in accordance with FASB ASC 958, *Not-for-Profit Entities*, 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 OCHS. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

Income taxes:

OCHS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. In addition, OCHS was

For the years ended June 30, 2017 and 2016

determined by the Internal Revenue Service to not be a “private foundation” within the meaning of Section 509(a) of the Code.

OCHS follows the provisions of FASB ASC 740-10, *Income Taxes* and subsections thereof. Accordingly, OCHS accounts for uncertain tax positions by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. OCHS recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities. OCHS does not believe that its financial statements include any uncertain tax positions and accordingly, has not recognized any liability for unrecognized tax benefits in the accompanying financial statements.

Risk concentration:

Approximately 82% and 86% of the funding for OCHS comes from the U.S. Department of Health and Human Services (“DHHS”) for the years ended June 30, 2017 and 2016, respectively. At June 30, 2017 and 2016, amounts due from DHHS in grants receivable were \$2,306,333 and \$3,109,248, respectively, which accounted for 88% and 93%, respectively, of total grants receivable.

In addition, amounts due from the State of California for the child care food program were \$308,644 and \$221,626 as of June 30, 2017 and 2016, respectively, which accounted for 12% and 7%, respectively, of total grants receivable.

Financial instruments and credit risk concentration:

OCHS’ cash funds are exposed to credit loss for the amount of funds held in financial institutions in excess of the Federal Deposit Insurance Corporation (“FDIC”) insured limits of \$250,000. At various times, OCHS had cash in

banks in excess of the FDIC limits during the years ended June 30, 2017 and 2016. It is the opinion of management that the solvency of the respective financial institution is not of particular concern at this time. OCHS has not experienced and does not anticipate nonperformance by such institution.

OCHS is required to maintain a separate bank account for the State Child Care Food Program.

Reclassifications:

Certain reclassifications have been made so that the June 30, 2016 financial statements’ amounts conform to the June 30, 2017 financial statements classifications. These reclassifications had no effect on the change in net assets for the year ended June 30, 2016.

NOTE 3

GRANTS RECEIVABLE

The balance of grants receivable represents amounts due from the following funding sources:

<i>As of June 30,</i>	2017	2016
Head Start	\$ 2,306,333	\$ 3,109,248
Child Care Program	308,644	221,626
Total grants receivable	\$ 2,614,977	\$ 3,330,874

OCHS has not accrued an allowance for uncollectible receivables as of June 30, 2017 and 2016, since it is the opinion of management that it is highly probable that all receivables will be collected. Furthermore, OCHS has not experienced any significant write-offs in past years, as all grant receivables are owed by governmental agencies with committed funding arrangements.

For the years ended June 30, 2017 and 2016

NOTE 4

PROPERTY AND EQUIPMENT

Property and equipment consists of leasehold improvements as follows:

As of June 30,	2017	2016
Leasehold improvements	\$ 152,909	\$ -
Total property and equipment	\$ 152,909	\$ -

Depreciation expense for the year ended June 30, 2017 was \$0 as the assets were placed in service at the end of the June 30, 2017 year.

NOTE 5

COMMITMENTS

Leases:

OCHS has entered into several leases for classrooms and office space. The terms of the leases vary and are concurrent with the fiscal year. The total rent expense incurred on these leases was \$1,173,090 and \$1,198,970 for the years ended June 30, 2017 and 2016, respectively.

In addition, OCHS received a total of \$1,014,073 and \$997,585 of in-kind rent for the years ended June 30, 2017 and 2016, respectively.

OCHS also leases certain office equipment under leases classified as operating leases. For the years ended June 30, 2017 and 2016, OCHS incurred \$76,022 and \$153,493, respectively, in office equipment rent expense.

Total rent expense incurred was \$2,263,185 and \$2,350,048 for the years ended June 30, 2017 and 2016, respectively.

Future minimum lease payments required under operating leases having initial or remaining non-cancelable lease terms in excess of one year at June 30, 2017 are as follows:

<i>For the year ending June 30,</i>	Total
2018	\$ 1,251,927
2019	1,097,785
2020	948,709
2021	134,082
2022	134,082
Thereafter	515,316
	\$ 4,081,901

OCHS's lease agreements include a clause that OCHS has the right to terminate lease agreements when federal funding issues occur except for the lease of its main office.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. ASU 2016-02 was issued to improve financial reporting about leasing transactions. The ASU will affect all organizations that lease assets such as real estate, airplanes, and manufacturing equipment. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with GAAP, the recognition, measurement, and presentation of expenses and cashflows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both type of leases to be recognized on the balance sheet. ASU 2016-02 will take effect for fiscal years beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of the pending adoption of ASU 2016-02 on the financial statements.

For the years ended June 30, 2017 and 2016

NOTE 6

EMPLOYEE RETIREMENT PLANS

Qualified administrative employees and employees of the sites operated by OCHS are covered under a retirement plan whereby OCHS contributes an amount up to 7 percent of gross salaries of OCHS staff members into a tax-sheltered annuity program.

For the years ending June 30, 2017 and 2016, OCHS's retirement contributions totaled \$1,731,255 and \$1,570,082, respectively.

Qualified employees of those delegate agencies electing to provide for employee retirement are covered by various contributory retirement plans. OCHS reimburses the delegate agencies for contributions made on behalf of qualifying employees.

NOTE 7

FUNCTIONAL EXPENSES

Directly identifiable expenses are charged to program services. Expenses related to more than one function are charged to program services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of OCHS's programs.

Functional expenses for the fiscal years ended June 30, 2017 and 2016 are as follows:

<i>For the years ended June 30,</i>	2017	2016
Program service	\$ 40,479,536	\$ 37,494,860
Management and general	3,690,844	3,556,634
Total expenses	\$ 44,170,380	\$ 41,051,494

NOTE 8

IN-KIND CONTRIBUTIONS

Values assigned to in-kind contributions and the related expenses are based on federal guidelines. In accordance with those guidelines, values are based upon estimated area-wide averages for purchased services, facilities, or supplies of a similar type. In-kind contributions recognized under generally accepted accounting principles ("GAAP") were \$6,515,405 and \$4,205,662 for the years ended June 30, 2017 and 2016, respectively.

In addition, donated parent and volunteer services with an estimated value of \$745,315 and \$3,475,444 for the years ended June 30, 2017 and 2016, respectively, were not recognized in the financial statements as they did not meet the criteria for recognition under FASB ASC 958

A summary of in-kind contributions received and reported and in-kind contributions meeting criteria of FASB ASC 958 and included in the statement of activities under various expense categories for the years ended June 30, 2017 and 2016 is as follows:

<i>For the years ended June 30,</i>	2017	2016
Personnel	\$ 1,179,276	\$ 779,483
Contractual	3,403,650	1,359,174
Supplies	8,122	-
Others	1,924,357	2,067,005
Total reported on schedule of activities by grant (page 14)	6,515,405	4,205,662
Additional in-kind meeting federal guidelines	745,315	3,475,444
Total in-kind contributions reported on Head Start schedule of expenses compared to budget (page 18)	\$ 7,260,720	\$ 7,681,106

ORANGE COUNTY HEAD START, INC.
SUPPLEMENTAL SCHEDULE OF ACTIVITIES BY GRANT

<i>For the year ended June 30, 2017</i>	Head Start					Total
	Head Start	In-Kind	Total	CACFP	Others	
Revenue:						
Head Start grant	\$ 36,451,478	\$ -	\$ 36,451,478	\$ -	\$ -	\$ 36,451,478
In-kind contributions	-	6,515,405	6,515,405	-	-	6,515,405
Child care food program	-	-	-	1,096,304	-	1,096,304
Other grants	-	-	-	-	320,469	320,469
Total revenue	36,451,478	6,515,405	42,966,883	1,096,304	320,469	44,383,656
Expenses:						
Personnel	14,642,265	1,179,276	15,821,541	51,867	-	15,873,408
Contractual	10,094,738	3,403,650	13,498,388	-	9,286	13,507,674
Fringe benefits	6,517,523	-	6,517,523	-	-	6,517,523
Other	4,260,415	1,924,357	6,184,772	30,445	97,522	6,312,739
Supplies	936,537	8,122	944,659	1,013,992	385	1,959,036
Total expenses	36,451,478	6,515,405	42,966,883	1,096,304	107,193	44,170,380
Change in net assets	\$ -	\$ -	\$ -	\$ -	\$ 213,276	\$ 213,276

See the independent auditor's report

Note:

In-kind contributions of volunteer services in the amount of \$745,315 were not recorded in the financial statements because they did not meet the criteria for recognition under FASB ASC 958.

ORANGE COUNTY HEAD START, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY CATEGORY

<i>For the year ended June 30, 2017</i>	Personnel	Contractual	Other	Fringe benefits	Supplies	Total
Administration expenses:						
Executive	\$ 232,776	\$ -	\$ 117,153	\$ 79,729	\$ 7,221	\$ 436,879
Quality systems	463,625	-	14,500	185,830	74,584	738,539
Human resources	160,488	28,796	23,422	74,367	2,815	289,888
Accounting/Procurement	327,052	96,652	323,068	90,412	20,041	857,225
Duration	-	5,646	7,351	-	455,681	468,678
Administrative - miscellaneous	83,662	49,206	793,413	299,702	(484,753)	741,230
Total administration expenses	1,267,603	180,300	1,278,907	730,040	75,589	3,532,439
Program expenses:						
Facilities	191,239	560,685	529,468	101,110	11,441	1,393,943
Governance	43,968	-	22,450	16,313	1,572	84,303
Education	193,340	411,422	436,219	99,029	3,981	1,143,991
Disabilities	281,466	3,840	3,380	126,932	15	415,633
Health	210,176	-	13,157	90,753	7,074	321,160
Social services	1,073,043	-	8,692	520,522	2,753	1,605,010
Program services	396,053	-	186,056	164,161	2,944	749,214
Food services/nutrition	419,303	209,514	55,276	250,926	94,598	1,029,617
Grantee Head Start T&TA	-	5,826	143,509	-	-	149,335
Early Head Start	4,265,011	253,014	340,821	1,632,634	152,395	6,643,875
Total program expenses	7,073,599	1,444,301	1,739,028	3,002,380	276,773	13,536,081
Total centers' expenses	6,301,063	1,976	1,242,480	2,785,103	584,175	10,914,797
Grantee in-kind contributions	-	3,403,650	1,014,073	-	5,481	4,423,204
Total grantee	14,642,265	5,030,227	5,274,488	6,517,523	942,018	32,406,521
Delegate agency expenses:						
Orange Children & Parents Together	-	3,380,636	-	-	-	3,380,636
City of La Habra	-	1,630,726	-	-	-	1,630,726
Santa Ana Unified School District	-	3,456,799	-	-	-	3,456,799
Total delegate agency expenses	-	8,468,161	-	-	-	8,468,161
Delegate in-kind contributions	1,179,276	-	910,284	-	2,641	2,092,201
Total Head Start expenses	15,821,541	13,498,388	6,184,772	6,517,523	944,659	42,966,883
Total CCFP expenses	51,867	-	30,445	-	1,013,992	1,096,304
Community Events	-	-	3,921	-	-	3,921
Program income - Non-Federal	-	-	-	-	-	-
E-Rate Program	-	4,526	-	-	-	4,526
Fatherhood program	-	-	2,181	-	-	2,181
Miscellaneous donations	-	4,760	91,420	-	385	96,565
Total other grants	-	9,286	97,522	-	385	107,193
Total expenses	\$ 15,873,408	\$ 13,507,674	\$ 6,312,739	\$ 6,517,523	\$ 1,959,036	\$ 44,170,380

See the independent auditor's report

ORANGE COUNTY HEAD START, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY HEAD START CENTERS

<i>For the year ended June 30, 2017</i>	Personnel	Contractual	Other	Fringe benefits	Supplies	Total
Expenses by Center:						
Head Start:						
HS Home Base North	\$ 42,976	\$ -	\$ 2,043	\$ 19,399	\$ 5,563	\$ 69,981
HS Home Base South	49,865	-	1,314	31,645	5,509	88,333
HS Home Base Central	2,556	-	885	13,990	12,139	29,570
Placentia	382,939	-	94,804	158,866	27,704	664,313
Capo	311,302	-	50,874	122,015	20,874	505,065
Fullerton	354,167	-	79,437	146,014	20,471	600,089
Delhi	304,352	-	86,236	154,570	24,825	569,983
Buena Park	414,927	-	35,242	184,570	31,812	666,551
Baden Powell	381,735	-	25,225	159,695	25,007	591,662
Walter	302,516	-	43,131	141,823	43,242	530,712
Jean Hardy	362,619	-	44,310	166,811	24,505	598,245
Evelyne Lobo Villegas	132,185	-	94,735	46,398	18,560	291,878
Centralia	337,140	-	61,741	159,274	17,739	575,894
Matt Kline	350,414	1,462	48,415	158,515	34,582	593,388
KIDS	264,502	172	138,299	116,105	28,264	547,342
Glenn L. Martin	317,054	-	22,631	140,758	32,450	512,893
Schweitzer	325,375	-	58,834	144,989	25,956	555,154
Topaz	296,105	342	16,564	142,685	39,837	495,533
Stanton	364,092	-	69,420	160,693	22,305	616,510
Hope Center	340,927	-	62,789	144,782	20,422	568,920
Andrews	59,097	-	66,681	14,750	44,216	184,744
Franklin	290,920	-	58,354	115,974	21,290	486,538
Carver	103,112	-	852	50,282	8,604	162,850
Crescent	210,186	-	79,664	90,500	28,299	408,649
Total	\$ 6,301,063	\$ 1,976	\$ 1,242,480	\$ 2,785,103	\$ 584,175	\$ 10,914,797

See the independent auditor's report

ORANGE COUNTY HEAD START, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES BY HEAD START CENTERS

*For the year ended June
30, 2017*

	Personnel	Contractual	Other	Fringe benefits	Supplies	Total
Expenses by Center:						
Early Head Start:						
EHS-T&TA	\$ -	\$ -	\$ -	\$ 115,646	\$ -	\$ 115,646
EHS-Allocations (delegates included)	1,491,409	-	45,984	344,068	854	1,882,315
EHS Home Base North	201,521	-	12,928	84,789	1,763	301,001
EHS Home Base South	376,540	-	17,593	123,104	-	517,237
EHS Home Base Central	224,214	-	12,902	105,457	1,274	343,847
Buena Park EHS	253,866	25,970	59,444	108,556	17,560	465,396
Topaz EHS	360,337	31,585	24,885	152,491	3,479	572,777
KIDS EHS	398,436	(34,320)	74,483	169,995	18,221	626,815
Crescent EHS	232,161	10,975	10,178	103,684	4,756	361,754
4Th Street EHS	202,027	85,692	47,313	89,326	19,308	443,666
Ruby Drive EHS	301,860	98,740	25,772	130,228	37,848	594,448
ELV-EHS	-	6,486	1,138	25,365	22,439	55,428
Andrews EHS	22,168	-	2,331	9,482	4,902	38,883
Matt Kline EHS	200,472	27,886	5,870	70,443	19,991	324,662
Total	\$ 4,265,011	\$ 253,014	\$ 340,821	\$ 1,632,634	\$ 152,395	\$ 6,643,875

See the independent auditor's report

ORANGE COUNTY HEAD START, INC.
SUPPLEMENTAL SCHEDULE OF EXPENSES COMPARED TO BUDGET

<i>For the year ended June 30, 2017</i>	Budget	Actual	Actual over (under) budget
Expenses:			
Personnel	\$ 14,448,359	\$ 14,642,265	\$ 193,906
Contractual	10,114,327	10,094,738	(19,589)
Fringe benefits	6,688,663	6,517,523	(171,140)
Other	4,318,851	4,260,415	(58,436)
Supplies	881,278	936,537	55,259
Total	36,451,478	36,451,478	-
In-kind match-Head Start	6,452,177	7,260,720	808,543
Total expenses	\$ 42,903,655	\$ 43,712,198	\$ 808,543

See the independent auditor's report

Note:

In-kind contributions of volunteer services in the amount of \$745,315 were not recorded in the financial statement because they did not meet the criteria for recognition under FASB ASC 958 but met federal guidelines of in-kinds contributions.

ORANGE COUNTY HEAD START, INC.
SCHEDULE OF REPORTED MEALS AND EARNED REIMBURSEMENT

<i>For the Period July 1, 2016 through June 30, 2017</i>											
Month	Breakfast	Rate	Total	Lunch	Rate	Total	Snacks	Rate	Total	Total Federal	Total Meals
JULY 2016	1,360	\$ 1.71	\$ 2,326	1,486	\$ 3.16	\$ 4,696	1,219	\$ 0.86	\$ 1,048	\$ 8,070	4,065
AUGUST 2016	857	1.71	1,465	980	3.16	3,097	791	0.86	680	5,242	2,628
SEPTEMBER 2016	10,571	1.71	18,076	15,925	3.16	50,323	8,398	0.86	7,222	75,621	34,894
OCTOBER 2016	15,414	1.71	26,358	23,484	3.16	74,209	12,667	0.86	10,894	111,461	51,565
NOVEMBER 2016	14,393	1.71	24,612	22,115	3.16	69,883	11,876	0.86	10,213	104,708	48,384
DECEMBER 2016	9,030	1.71	15,441	13,965	3.16	44,129	7,710	0.86	6,631	66,201	30,705
JANUARY 2017	15,665	1.71	26,787	24,115	3.16	76,203	13,661	0.86	11,748	114,738	53,441
FEBRUARY 2017	15,375	1.71	26,291	24,033	3.16	75,944	13,713	0.86	11,793	114,028	53,121
MARCH 2017	20,245	1.71	34,619	31,710	3.16	100,204	17,996	0.86	15,477	150,300	69,951
APRIL 2017	12,799	1.71	21,886	20,078	3.16	63,446	11,473	0.86	9,867	95,199	44,350
MAY 2017	18,539	1.71	31,702	28,923	3.16	91,397	16,510	0.86	14,199	137,298	63,972
JUNE 2017	9,205	1.71	15,741	12,352	3.16	39,032	8,446	0.86	7,264	62,037	30,003
Total Center meals	143,453			219,166			124,460				487,079
Total federal			\$ 245,304			\$ 692,563			\$ 107,036	\$ 1,044,903	

Overreimbursement for September Federal Share 874

Federal Reimbursement \$ 1,045,777

Cash-in-lieu of Commodities (Lunch & Supper Meals) 50,408

Correction for September Cash-in-Lieu Used Rate 0.2375 instead of 0.2300 119

\$ 1,096,304

ORANGE COUNTY HEAD START, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<i>For the year ended June 30, 2017</i>	Federal CFDA number	Grant number	Grant amount	Revenue recognized	Expenditures
<u>Federal Program</u>					
<u>U.S. Department of Health and Human Services:</u>					
Head Start	93.600	09CH915503	\$ 36,451,478	\$ 36,451,478	\$ 36,451,478
<u>U.S. Department of Agriculture:</u>					
Pass through State of California					
<u>Department of Education</u>					
Child Care Food Program	10.558	30-1453-OJ	N/A	1,096,304	1,096,304
Total Federal Awards				\$ 37,547,782	\$ 37,547,782
Amount Provided to Sub-recipients:					
<u>U.S. Department of Health and Human Services:</u>					
Orange Children & Parents Together (OCPT)	93.600	09CH915503	N/A	\$ 3,380,636	\$ 3,380,636
Santa Ana Unified School District	93.600	09CH915503	N/A	3,456,799	3,456,799
City of La Habra	93.600	09CH915503	N/A	1,630,726	1,630,726
Total				\$ 8,468,161	\$ 8,468,161

See the independent auditor's report

Note A – Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activities of OCHS under programs of the federal government for the year ended June 30, 2017. 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 OCHS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of OCHS.

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.

Note C – Indirect Cost Rate

OCHS has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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*

Board of Directors
Orange County Head Start, Inc.
Santa Ana, California

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 Orange County Head Start, Inc. (“OCHS”) (a nonprofit California Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OCHS’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 OCHS’s internal control. Accordingly, we do not express an opinion on the effectiveness of OCHS’s internal control.

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

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

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 (Continued)*

Compliance and Other Matters

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

Purpose of This Report

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

A rectangular box containing a handwritten signature in black ink that reads "Rossi LLP".

Long Beach, California
February 8, 2018

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

Board of Directors
Orange County Head Start, Inc.
Santa Ana, California

Report on Compliance for Each Major Federal Program

We have audited Orange County Head Start, Inc.’s (“OCHS”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of OCHS’s major federal programs for the year ended June 30, 2017. OCHS’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

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

Opinion on Each Major Federal Program

In our opinion, OCHS’s complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE (*Continued*)

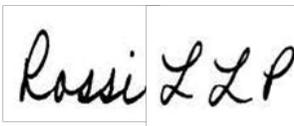
Report on Internal Control Over Compliance

Management of OCHS 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 OCHS’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 OCHS’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.

A rectangular box containing a handwritten signature in black ink that reads "Rossi LLP".

Long Beach, California
February 8, 2018

ORANGE COUNTY HEAD START, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

As of and for the year ended June 30, 2017

SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes None

Type of auditor’s report issued on compliance for major programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)? Yes No

Audited as Major Programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>	<u>Expenditures</u>
93.600	Head Start	\$ 36,451,478

Dollar threshold used to distinguish between Type A and Type B programs \$ 1,126,433

Auditee qualified as low-risk auditee? Yes No

FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

There are no federal award findings and questioned costs

ORANGE COUNTY HEAD START, INC.
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As of and for the years ended June 30, 2017 and 2016

There were no prior year's audit findings or recommendations.