



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

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AUDITED FINANCIAL STATEMENTS  
AND REPORTS IN COMPLIANCE WITH UNIFORM GUIDANCE  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

**ORANGE COUNTY HEAD START, INC.**  
**FINANCIAL STATEMENTS**



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## INDEPENDENT AUDITOR'S REPORT

To The Board of Directors  
**Orange County Head Start, Inc.**

### ***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 statement of financial position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 audits were 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, 2016 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 schedules of expenditures of federal awards for the years ended June 30, 2016 and 2015, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 audits 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 6, 2017 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 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 OCHS's internal control over financial reporting and compliance.



February 6, 2017  
Long Beach, California

**ORANGE COUNTY HEAD START, INC.**  
**STATEMENT OF FINANCIAL POSITION**

<i>As of June 30,</i>	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,946,161	\$ 3,541,465
Grants receivable	3,330,874	726,162
Other receivables	6,880	8,490
Prepaid expenses	-	46,999
Deposits	60,007	58,592
<b>Total assets</b>	<b>\$ 5,343,922</b>	<b>\$ 4,381,708</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 473,276	\$ 934,220
Accrued expenses - other	3,117,126	1,877,211
Accrued vacation	259,759	230,950
Advances - other grants	240,940	270,343
<b>Total current liabilities</b>	<b>4,091,101</b>	<b>3,312,724</b>
<b>Commitments and contingencies</b>		
<b>Net assets:</b>		
Unrestricted	1,077,795	895,777
Temporarily restricted	175,026	173,207
<b>Total net assets</b>	<b>1,252,821</b>	<b>1,068,984</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,343,922</b>	<b>\$ 4,381,708</b>

*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>	<b>2016</b>		
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>
<b>Revenues:</b>			
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)	-
<b>Total revenue</b>	<b>41,233,512</b>	<b>1,819</b>	<b>41,235,331</b>
<b>Expenses:</b>			
Personnel	14,827,513	-	14,827,513
Contractual	10,480,829	-	10,480,829
Other	7,028,126	-	7,028,126
Fringe benefits	6,248,718	-	6,248,718
Supplies	2,466,308	-	2,466,308
<b>Total expenses</b>	<b>41,051,494</b>	<b>-</b>	<b>41,051,494</b>
Change in net assets	182,018	1,819	183,837
<b>Net assets, beginning of year</b>	<b>895,777</b>	<b>173,207</b>	<b>1,068,984</b>
<b>Net assets, end of year</b>	<b>\$ 1,077,795</b>	<b>\$ 175,026</b>	<b>\$ 1,252,821</b>

*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>	<b>2015</b>		
<b>Revenues:</b>	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>
Head Start grants	\$ 34,534,345	\$ -	\$ 34,534,345
In-kind contributions	5,135,834	-	5,135,834
Child care food program	1,266,708	-	1,266,708
Other grants	41,268	173,207	214,475
Net assets released from restrictions	135,654	(135,654)	-
<b>Total revenue</b>	<b>41,113,809</b>	<b>37,553</b>	<b>41,151,362</b>
<b>Expenses:</b>			
Contractual	14,932,045	-	14,932,045
Personnel	12,809,828	-	12,809,828
Fringe benefits	5,742,552	-	5,742,552
Other	4,993,509	-	4,993,509
Supplies	2,530,192	-	2,530,192
<b>Total expenses</b>	<b>41,008,126</b>	<b>-</b>	<b>41,008,126</b>
Change in net assets	105,683	37,553	143,236
<b>Net assets, beginning of year</b>	<b>790,094</b>	<b>135,654</b>	<b>925,748</b>
<b>Net assets, end of year</b>	<b>\$ 895,777</b>	<b>\$ 173,207</b>	<b>\$ 1,068,984</b>

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

**ORANGE COUNTY HEAD START, INC.**  
**STATEMENT OF CASH FLOWS**

<i>For the years ended June 30,</i>	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 183,837	\$ 143,236
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
(Increase) decrease in assets:		
Grants receivable	(2,604,712)	(488,175)
Other receivables	1,610	(8,490)
Prepaid expenses	46,999	(46,999)
Deposits	(1,415)	(10,427)
Increase (decrease) in liabilities:		
Accounts payable	(460,944)	(36,471)
Accrued expenses - other	1,239,915	910,799
Accrued vacation	28,809	175
Advances - other grants	(29,403)	174,969
<b>Net cash (used in) provided by operating activities</b>	<b>(1,595,304)</b>	<b>638,617</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>3,541,465</b>	<b>2,902,848</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,946,161</b>	<b>\$ 3,541,465</b>

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

*For the years ended June 30, 2016 and 2015*

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**NOTE 1**

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**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 4,000 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**

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**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, 2016 through February 6, 2017 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, 2016 and 2015***

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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 \$175,026 and \$173,207 in temporarily restricted net assets as of June 30, 2016 and 2015, 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, 2016 and 2015.

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.

***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 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.

***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.

***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 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 period. Actual results could differ from those estimates.

***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

***For the years ended June 30, 2016 and 2015***

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an initial maturity of three months or less to be cash and cash equivalents.

***Property and equipment:***

Assets acquired through 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 grant resources and on hand at June 30, 2016 and 2015 was \$6,356,607 and \$6,248,822, respectively.

For the year ended June 30, 2016, OCHS has 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 all the assets as such believes the recognition of use allowances or depreciation is not applicable.

For the years ended June 30, 2016 and 2015, the property and equipment use allowance recognized was \$0 and \$191,888, respectively.

***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, 2016 and 2015, respectively.

The Office of Head Start has been providing grants for an indefinite project period. This indefinite project period ended as of June 30, 2014. The Office of the Head Start is moving 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 will complete activities outlined and, where required, submit 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.

***For the years ended June 30, 2016 and 2015***

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***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 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 86% of the funding for OCHS comes from the U.S. Department of Health and Human Services ("DHHS") for the years ended June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, amounts due from DHHS in grants receivable were \$3,109,248 and \$383,227, respectively, which accounted for 93% and 53%, respectively, of total grants receivable.

In addition, amounts due from the State of California for the child care food program were \$221,626 and \$342,935 as of June 30, 2016 and 2015, respectively, which accounted for 7% and 47%, 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, 2016 and 2015. It is the opinion of management that the solvency of the financial institution is not of particular concern at this time. OCHS has not experienced and does not anticipate nonperformance by such institutions.

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, 2015 financial statements amounts conform to the June 30, 2016 financial statements presentation. These reclassifications had no effect on the change in net assets for the year ended June 30, 2015.

***For the years ended June 30, 2016 and 2015***

**NOTE 3**

**GRANTS RECEIVABLE**

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

<i>As of June 30,</i>	<b>2016</b>	<b>2015</b>
Head Start	\$ 3,109,248	\$ 383,227
Child Care Program	221,626	342,935
Total grants receivable	\$ 3,330,874	\$ 726,162

OCHS has not accrued an allowance for uncollectible receivables as of June 30, 2016 and 2015, respectively, 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.

**NOTE 4**

**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 was \$1,198,970 and \$1,007,528 for the years ended June 30, 2016 and 2015, respectively.

In addition, OCHS received a total of \$997,585 and \$1,290,471 of in-kind rent expense for the years ended June 30, 2016 and 2015, respectively.

OCHS also leases certain office equipment under leases classified as operating leases. For the years ended June 30, 2016 and 2015, OCHS incurred \$153,493 and \$151,288, respectively, in office equipment rent expense.

Total rent expense incurred was \$2,350,048 and \$2,449,287 for the years ended June 30, 2016 and 2015, 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, 2016 are as follows:

<b><i>For the year ending June 30,</i></b>	<b>Total</b>
2017	\$ 1,204,518
2018	1,133,660
2019	1,046,333
2020	845,950
2021	49,992
Thereafter	529,915
	<b>\$ 4,810,367</b>

OCHS' 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.

**NOTE 5**

**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, 2016 and 2015, OCHS' retirement contributions totaled \$1,570,082 and \$805,077, 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.

**ORANGE COUNTY HEAD START, INC.**  
**NOTES TO FINANCIAL STATEMENTS**

***For the years ended June 30, 2016 and 2015***

**NOTE 6**

**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' programs.

Functional expenses for the fiscal years ended June 30, 2016 and 2015 are as follows:

<i>For the years ended June 30,</i>	<b>2016</b>	<b>2015</b>
Program service	\$ 37,494,860	\$ 37,103,137
Management and general	3,556,634	3,904,989
<b>Total expenses</b>	<b>\$ 41,051,494</b>	<b>\$ 41,008,126</b>

**NOTE 7**

**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 \$4,205,662 and \$5,135,834 for the years ended June 30, 2016 and 2015, respectively.

In addition, donated parent and volunteer services with an estimated value of \$3,475,440 and \$2,774,825 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015 is as follows:

<i>For the years ended June 30,</i>	<b>2016</b>	<b>2015</b>
Personnel	\$ 779,483	\$ -
Contractual	1,359,174	3,653,475
Space	-	1,290,471
Others	2,067,005	-
Use allowance of equipment purchased with federal funds	-	191,888
Total reported on schedule of activities by grant (page 13)	\$ 4,205,662	\$ 5,135,834
Additional in-kind meeting federal guidelines	3,475,444	2,774,825
Less use allowance of equipment purchased with federal funds not allowed as in-kind match toward federal award purchased	-	(191,888)
<b>Total in-kind contributions reported on Head Start schedule of expenses compared to budget (page 17)</b>	<b>\$ 7,681,106</b>	<b>\$ 7,718,771</b>

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

<i>For the year ended June 30, 2016</i>	<b>Head Start</b>					<b>Total</b>
	<b>Head Start</b>	<b>In-Kind</b>	<b>Total</b>	<b>CACFP</b>	<b>Others</b>	
<b>Revenue:</b>						
Head Start grant	\$ 35,557,701	\$ -	\$ 35,557,701	\$ -	\$ -	\$ 35,557,701
In-kind contributions	-	4,205,662	4,205,662	-	-	4,205,662
Child care food program	-	-	-	1,209,239	-	1,209,239
Other grants	-	-	-	-	262,729	262,729
<b>Total revenue</b>	<b>35,557,701</b>	<b>4,205,662</b>	<b>39,763,363</b>	<b>1,209,239</b>	<b>262,729</b>	<b>41,235,331</b>
<b>Expenses:</b>						
Personnel	14,048,030	779,483	14,827,513	-	-	14,827,513
Contractual	9,108,826	1,359,174	10,468,000	-	12,829	10,480,829
Other	4,902,879	2,067,005	6,969,884	-	58,242	7,028,126
Fringe benefits	6,248,718	-	6,248,718	-	-	6,248,718
Supplies	1,249,248	-	1,249,248	1,209,239	7,821	2,466,308
<b>Total expenses</b>	<b>35,557,701</b>	<b>4,205,662</b>	<b>39,763,363</b>	<b>1,209,239</b>	<b>78,892</b>	<b>41,051,494</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 183,837</b>	<b>\$ 183,837</b>

*See the independent auditor's report*

Note:

*In-kind contributions of volunteer services in the amount of \$3,475,444 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, 2016</i>	<b>Personnel</b>	<b>Contractual</b>	<b>Other</b>	<b>Fringe benefits</b>	<b>Supplies</b>	<b>Total</b>
Administration expenses:						
Executive	\$ 289,437	\$ 349	\$ 124,741	\$ 66,164	\$ 11,027	\$ 491,718
Quality systems	468,157	-	81,152	146,316	5,837	701,462
Human resources	117,512	23,326	10,131	85,752	3,421	240,142
Accounting/Procurement	425,279	119,498	321,919	112,780	23,141	1,002,617
Administrative - miscellaneous	223,191	11,382	707,925	62,380	63,525	1,068,403
<b>Total administration expenses</b>	<b>1,523,576</b>	<b>154,555</b>	<b>1,245,868</b>	<b>473,392</b>	<b>106,951</b>	<b>3,504,342</b>
Program expenses:						
Facilities	257,486	598,703	224,407	120,149	9,851	1,210,596
Governance	51,802	-	24,867	13,459	2,846	92,974
Education	474,402	244,599	1,033,332	769,455	276,099	2,797,887
Disabilities	240,207	520	6,620	92,766	121	340,234
Health	211,429	-	10,555	91,433	54,733	368,150
Social services	1,476,816	-	9,967	597,463	3,054	2,087,300
Program services	486,920	-	195,084	156,302	13,522	851,828
Food services/nutrition	555,607	-	104,541	255,072	131,969	1,047,189
Grantee Head Start T&TA	45,837	9,345	80,985	30,774	2,579	169,520
Early Head Start	2,101,703	666,495	520,507	768,427	202,867	4,259,999
<b>Total program expenses</b>	<b>5,902,209</b>	<b>1,519,662</b>	<b>2,210,865</b>	<b>2,895,300</b>	<b>697,641</b>	<b>13,225,677</b>
<b>Total centers' expenses</b>	<b>6,622,245</b>	<b>1,607</b>	<b>1,446,146</b>	<b>2,880,026</b>	<b>444,656</b>	<b>11,394,680</b>
Grantee in-kind contributions	-	1,247,242	997,585	-	-	2,244,827
<b>Total grantee</b>	<b>14,048,030</b>	<b>2,923,066</b>	<b>5,900,464</b>	<b>6,248,718</b>	<b>1,249,248</b>	<b>30,369,526</b>
Delegate agency expenses:						
Orange Children & Parents Together	-	2,688,744	-	-	-	2,688,744
City of La Habra	-	1,348,100	-	-	-	1,348,100
Santa Ana Unified School District	-	3,396,158	-	-	-	3,396,158
<b>Total delegate agency expenses</b>	<b>-</b>	<b>7,433,002</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,433,002</b>
Delegate in-kind contributions	779,483	111,932	1,069,420	-	-	1,960,835
<b>Total Head Start expenses</b>	<b>14,827,513</b>	<b>10,468,000</b>	<b>6,969,884</b>	<b>6,248,718</b>	<b>1,249,248</b>	<b>39,763,363</b>
<b>Total CCFP expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,209,239</b>	<b>1,209,239</b>
Family Festival	-	-	8,651	-	38	8,689
Program income - Non-Federal	-	12,579	22,977	-	-	35,556
Fatherhood program	-	-	2,165	-	-	2,165
Miscellaneous donations	-	250	24,449	-	7,783	32,482
<b>Total other grants</b>	<b>-</b>	<b>12,829</b>	<b>58,242</b>	<b>-</b>	<b>7,821</b>	<b>78,892</b>
<b>Total expenses</b>	<b>\$ 14,827,513</b>	<b>\$ 10,480,829</b>	<b>\$ 7,028,126</b>	<b>\$ 6,248,718</b>	<b>\$ 2,466,308</b>	<b>\$ 41,051,494</b>

*See the independent auditor's report*

**Note :**

*In-kind contributions of volunteer services in the amount of \$3,475,444 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 HEAD START CENTERS**

<i>For the year ended June 30, 2016</i>	Personnel	Contractual	Other	Fringe benefits	Supplies	Total
<b>Expenses by Center:</b>						
<b>Head Start:</b>						
HS Home Base North	\$ 22,817	\$ -	\$ 1,559	\$ 22,468	\$ 12,110	\$ 58,954
HS Home Base South	54,524	-	6,117	29,509	4,406	94,556
HS Home Base Central	45,428	-	1,933	22,070	6,108	75,539
Placentia	379,009	785	84,724	166,200	14,169	644,887
Capo	284,385	-	39,017	108,428	18,957	450,787
Euclid	189,222	822	107,024	75,724	31,823	404,615
Fullerton	330,617	-	88,270	163,543	20,283	602,713
Delhi	303,840	-	85,435	141,319	19,123	549,717
Ruby Drive	217,309	-	18,392	101,161	18,982	355,844
Buena Park	361,206	-	39,208	157,797	19,665	577,876
Baden Powell	451,664	-	21,242	168,071	24,397	665,374
Walter	286,054	-	39,356	130,272	26,943	482,625
Jean Hardy	396,694	-	45,220	171,012	15,778	628,704
Evelyne Lobo Villegas	177,824	-	96,337	73,856	11,478	359,495
Centralia	383,945	-	52,521	162,718	18,734	617,918
Matt Kline	365,533	-	66,405	160,986	21,353	614,277
KIDS	337,244	-	110,417	150,576	19,532	617,769
Glenn L. Martin	285,049	-	15,431	127,628	20,592	448,700
Schweitzer	308,407	-	16,461	127,848	16,268	468,984
Topaz	340,911	-	13,293	157,215	27,460	538,879
Stanton	318,722	-	69,211	142,076	19,856	549,865
Hope Center	260,520	-	67,187	109,739	12,415	449,861
Andrews	-	-	265,826	-	-	265,826
Franklin	254,091	-	21,329	97,097	21,981	394,498
Carver	113,288	-	934	44,598	4,398	163,218
Crescent	153,942	-	73,297	68,115	17,845	313,199
<b>Total</b>	<b>\$ 6,622,245</b>	<b>\$ 1,607</b>	<b>\$ 1,446,146</b>	<b>\$ 2,880,026</b>	<b>\$ 444,656</b>	<b>\$ 11,394,680</b>

*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, 2016</i>	<b>Personnel</b>	<b>Contractual</b>	<b>Other</b>	<b>Fringe benefits</b>	<b>Supplies</b>	<b>Total</b>
<b>Expenses by Center:</b>						
<b>Early Head Start:</b>						
EHS-Allocations (delegates included)	\$ 368,770	\$ 554,129	\$ 267,745	\$ 116,245	\$ 133,906	\$ 1,440,795
EHS Home Base North	222,142	-	12,252	74,125	783	309,302
EHS Home Base South	313,849	-	16,853	93,086	74	423,862
EHS Home Base Central	126,962	-	10,299	59,777	664	197,702
Buena Park EHS	212,103	7,542	54,628	83,172	14,188	371,633
Topaz EHS	295,903	3,478	15,303	117,990	3,674	436,348
KIDS EHS	191,730	42,103	46,613	78,798	6,829	366,073
Crescent EHS	79,844	11,475	863	31,991	9,412	133,585
4Th Street EHS	141,694	13,003	47,081	55,712	15,042	272,532
Ruby Drive EHS	107,843	12,676	9,778	41,427	434	172,158
Matt Kline EHS	40,863	22,089	39,092	16,104	17,861	136,009
<b>Total</b>	<b>\$ 2,101,703</b>	<b>\$ 666,495</b>	<b>\$ 520,507</b>	<b>\$ 768,427</b>	<b>\$ 202,867</b>	<b>\$ 4,259,999</b>

*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, 2016</i>	<b>Budget</b>	<b>Actual</b>	<b>Actual over (under) budget</b>
Expenses:			
Personnel	\$ 14,099,117	\$ 14,048,030	\$ (51,087)
Contractual	9,176,453	9,108,826	(67,627)
Fringe benefits	6,219,051	6,248,718	29,667
Other	4,924,849	4,902,879	(21,970)
Supplies	1,192,100	1,249,248	57,148
Total	35,611,570	35,557,701	(53,869)
In-kind match-Head Start	6,053,968	7,681,102	1,627,134
<b>Total expenses</b>	<b>\$ 41,665,538</b>	<b>\$ 43,238,803</b>	<b>\$ 1,573,265</b>

*See the independent auditor's report*

Note:

*In-kind contributions include contributions in the amount of \$3,475,440 that were not recorded in the financial statements 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, 2015 through June 30, 2016</i>											
Month	Breakfast	Rate	Total	Lunch	Rate	Total	Snacks	Rate	Total	Total Federal	Total Meals
JULY 2015	667	\$ 1.66	\$ 1,107	747	\$ 3.07	\$ 2,293	556	\$ 0.84	\$ 467	\$ 3,867	1,970
AUGUST 2015	430	1.66	714	496	3.07	1,523	409	0.84	344	2,581	1,335
SEPTEMBER 2015	10,146	1.66	16,842	15,842	3.07	48,635	7,066	0.84	5,935	71,412	33,054
OCTOBER 2015	17,249	1.66	28,633	27,904	3.07	85,665	12,753	0.84	10,713	125,011	57,906
NOVEMBER 2015	14,180	1.66	23,539	23,140	3.07	71,040	10,987	0.84	9,229	103,808	48,307
DECEMBER 2015	12,265	1.66	20,360	19,777	3.07	60,715	9,370	0.84	7,871	88,946	41,412
JANUARY 2016	16,139	1.66	26,791	27,112	3.07	83,234	13,559	0.84	11,390	121,415	56,810
FEBRUARY 2016	18,092	1.66	30,033	30,812	3.07	94,593	15,914	0.84	13,368	137,994	64,818
MARCH 2016	17,225	1.66	28,594	30,170	3.07	92,622	20,144	0.84	16,921	138,137	67,539
APRIL 2016	18,397	1.66	30,539	32,536	3.07	99,886	17,253	0.84	14,493	144,918	68,186
MAY 2016	19,582	1.66	32,506	34,169	3.07	104,899	18,102	0.84	15,206	152,611	71,853
JUNE 2016	7,879	\$ 1.66	13,079	12,623	\$ 3.07	38,753	7,223	\$ 0.84	6,067	57,899	27,725
<b>Total Center meals</b>	<b>152,251</b>			<b>255,328</b>			<b>133,336</b>				<b>540,915</b>
<b>Total federal</b>			<b>\$ 252,737</b>			<b>\$ 783,858</b>			<b>\$ 112,004</b>	<b>\$ 1,148,599</b>	

Federal Reimbursement \$ 1,148,599

Cash-in-lieu of Commodities 0.2375 255,328 60,640

**Total Federal Reimbursement: \$ 1,209,239**

*See the independent auditor's report*

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

<i>For the year ended June 30, 2016</i>	<b>Federal CFDA number</b>	<b>Grant number</b>	<b>Grant amount</b>	<b>Revenue recognized</b>	<b>Expenditures</b>
<b><u>Federal Program</u></b>					
<u>U.S. Department of Health and Human Services:</u>					
Head Start	93.600	09CH915502	\$ 35,611,570	\$ 35,557,701	\$ 35,557,701
<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	1,209,239	1,209,239
Total Federal Awards				\$ 36,766,940	\$ 36,766,940
<b>Amount Provided to Sub-recipients:</b>					
<u>U.S. Department of Health and Human Services:</u>					
Orange Children & Parents Together (OCPT)	93.600	09CH915502	N/A	\$ 2,688,744	\$ 2,688,744
Santa Ana Unified School District	93.600	09CH915502	N/A	3,396,158	3,396,158
City of La Habra	93.600	09CH915502	N/A	1,348,100	1,348,100
Total				\$ 7,433,002	\$ 7,433,002

*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, 2016. 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 and OMB Circular A0122, *Cost Principles for Non-profit Organizations*, 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.

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

<i>For the year ended June 30, 2015</i>	<b>Federal CFDA number</b>	<b>Grant number</b>	<b>Grant amount</b>	<b>Revenue recognized</b>	<b>Expenditures</b>
<b><u>Federal Program</u></b>					
<u>U.S. Department of Health and Human Services:</u>					
Head Start	93.600	09CH915501	\$ 35,381,344	\$ 34,534,345	\$ 34,534,345
<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	1,266,708	1,266,708
Total Federal Awards				\$ 35,801,053	\$ 35,801,053
<b>Amount Provided to Sub-recipients:</b>					
<u>U.S. Department of Health and Human Services:</u>					
Orange Children & Parents Together (OCPT)	93.600	09CH915501	N/A	\$ 2,869,078	\$ 2,869,078
Santa Ana Unified School District	93.600	09CH915501	N/A	3,389,508	3,389,508
Anaheim City School District	93.600	09CH915501	N/A	2,114,621	2,114,621
City of La Habra	93.600	09CH915501	N/A	1,606,006	1,606,006
Total				\$ 9,979,213	\$ 9,979,213

*See the independent auditor's report*

**Note A - Significant Accounting Policies:**

The accompanying schedule of expenditures of federal awards includes the federal grant activities of OCHS and it is prepared on the accrual basis of accounting. The information in the schedule is presented in accordance with the requirement of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

**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, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 13, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered OCHS’ 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’ internal control. Accordingly, we do not express an opinion on the effectiveness of the OCHS’ 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' 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 OCHS' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OCHS' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rossi LLP*

February 6, 2017  
Long Beach, California

## 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' major federal programs for the year ended June 30, 2016. OCHS' 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' 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' 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' compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, OCHS' 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, 2016.

**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' 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' 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.

*Rossi LLP*

February 6, 2017  
Long Beach, California

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

***As of and for the year ended June 30, 2016***

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**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

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

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:**

<b><u>CFDA Numbers</u></b>	<b><u>Name of Federal Program or Cluster</u></b>	<b><u>Expenditures</u></b>
93.600	Head Start	\$ 35,557,701
10.558	Child Care Food Program	\$ 1,209,239
Dollar threshold used to distinguish between Type A and Type B programs		\$ 1,103,008

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.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

***As of and for the year ended June 30, 2015***

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**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

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

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

**Audited as Major Programs:**

<b><u>CFDA Numbers</u></b>	<b><u>Name of Federal Program or Cluster</u></b>	<b><u>Expenditures</u></b>
93.600	Head Start	\$ 34,534,345

Dollar threshold used to distinguish between Type A and Type B programs \$ 1,074,032

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, 2016 and 2015***

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There were no prior years audit findings or recommendations.