

ALL KIDS ACADEMY HEAD START, INC.

**INDEPENDENT AUDITORS' REPORTS
REQUIRED BY UNIFORM GUIDANCE,
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS,
AND OTHER SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2017

ALL KIDS ACADEMY HEAD START, INC.

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

To the Board of Directors
All Kids Academy Head Start, Inc.
El Cajon, 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 All Kids Academy Head Start, Inc. (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered All Kids Academy Head Start, Inc.'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 All Kids Academy Head Start, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of All Kids Academy Head Start, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether All Kids Academy Head Start, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lavine, Lofgren, Morris & Engberg, LLP

La Jolla, California
January 9, 2018



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

To the Board of Directors
All Kids Academy Head Start, Inc.
El Cajon, California

Report on Compliance for Each Major Federal Program

We have audited All Kids Academy Head Start, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of All Kids Academy Head Start, Inc.'s major federal programs for the year ended June 30, 2017. All Kids Academy Head Start, Inc.'s major federal programs are identified in the summary of auditors' 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 All Kids Academy Head Start, Inc.'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 of the 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about All Kids Academy Head Start, Inc.'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 All Kids Academy Head Start, Inc.'s compliance.

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of All Kids Academy Head Start, Inc. 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 All Kids Academy Head Start, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 All Kids Academy Head Start, Inc.'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 compliance requirement with 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.

Other Information

We have audited the basic financial statements of All Kids Academy Head Start, Inc. as of and for the year ended June 30, 2017, and have issued our report thereon dated January 9, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lavine, Lofgren, Morris & Engelberg LLP

La Jolla, California
January 9, 2018



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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
All Kids Academy Head Start, Inc.
El Cajon, California

We have audited the financial statements of All Kids Academy Head Start, Inc. (a nonprofit corporation), as of and for the year ended June 30, 2017, and have issued our report thereon dated January 9, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 of the U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), 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 schedule of expenditures of federal awards is fairly stated, in all material respects in relation to the financial statements as a whole.

Lavine, Lofgren, Morris & Engelberg, LLP

La Jolla, California
January 9, 2018

ALL KIDS ACADEMY HEAD START, INC.

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA #</u>	<u>Award</u>	<u>Program/ Award Amount</u>	<u>Revenue Recognized</u>	<u>Net Program Expenditures</u>
Federal Awards:					
<u>U.S. Department of Health and Human Services</u>					
<i>Passed through Neighborhood House Association</i>					
Head Start Program	93.600	09CH9118	\$ 10,827,470	\$ 10,827,470	\$ 10,827,470
<u>U.S. Department of Agriculture</u>					
<i>Passed through the State of California, Department of Education</i>					
Child and Adult Care Food Program (CACFP)	10.558	37-1545-0J	\$ 597,178	\$ 597,178	\$ 597,178
Total expenditures of federal awards			<u>\$ 11,424,648</u>	<u>\$ 11,424,648</u>	<u>\$ 11,424,648</u>

See accompanying notes to schedule of expenditures of federal awards
and independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017

NOTE 1. ORGANIZATION

All Kids Academy Head Start, Inc. (the "Organization") is a non-profit organization incorporated in 1970 under the laws of the State of California. The Organization's specific and primary purpose is to engage in a comprehensive child development program for low-income families and their infant/toddler and preschool-aged children in its community under the Economic Opportunity Act of 1964. The Organization is a subrecipient (delegate agency) of Neighborhood House Association ("NHA").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") of the Organization has been prepared on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 of the 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Pursuant to Head Start Program standards, the Organization's costs to administer the program cannot exceed 15% of total program costs.

Program Revenues

Grant award revenues are recognized as services are performed in accordance with the terms of the related agreements.

Net Program Expenditures

It is the policy of the Organization to record expenditures in the period incurred in accordance with the accrual basis of accounting. Where applicable, program expenditures are reflected net of other income sources.

NOTE 3. DISCLOSURE OF AUDIT FEES

In accordance with the audit disclosure requirements of the State of California, Department of Education, the audit contract for All Kids Academy Head Start, Inc. for the fiscal year ended June 30, 2017 included an audit fee of approximately \$34,000.

OTHER SUPPLEMENTARY INFORMATION

ALL KIDS ACADEMY HEAD START, INC.

Child and Adult Care Food Program Schedule of Reported Meals and Earned Reimbursement For the Year Ended June 30, 2017

<u>Federal Meal Compensation</u>	<u>Reported</u>	<u>Meal Reimbursement Rate</u>	<u>Earned Reimbursement</u>
Breakfast	80,391	\$ 1.7100	\$ 137,469
Lunch	115,909	3.3900	392,931
Supplement	77,649	0.8600	<u>66,778</u>
Total reimbursement			<u><u>\$ 597,178</u></u>

See accompanying independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Child and Adult Care Food Program Schedule of Reported Meals For the Year Ended June 30, 2017

<u>Month</u>	<u>Breakfast</u>	<u>Lunch</u>	<u>Supplement</u>	<u>Total</u>
July	1,403	1,463	985	3,851
August	1,515	1,910	1,207	4,632
September	7,392	10,725	7,108	25,225
October	9,541	13,875	9,262	32,678
November	7,695	11,239	7,411	26,345
December	5,752	8,051	5,470	19,273
January	7,988	11,833	8,042	27,863
February	7,749	11,316	7,400	26,465
March	9,746	14,345	9,586	33,677
April	6,540	9,446	6,497	22,483
May	9,832	14,571	9,669	34,072
CACFP review correction	(2)	(1)	(2)	(5)
June	<u>5,240</u>	<u>7,136</u>	<u>5,014</u>	<u>17,390</u>
Total	<u><u>80,391</u></u>	<u><u>115,909</u></u>	<u><u>77,649</u></u>	<u><u>273,949</u></u>

See accompanying independent auditors' report.

ALL KIDS ACADEMY HEAD START, INC.

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2017

SECTION 1 – SUMMARY OF AUDITORS' RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of financial statement report: | UNMODIFIED |
| 2. Internal control over financial reporting: | |
| • Material weakness identified | NO |
| • Significant deficiency identified | NONE REPORTED |
| 3. Noncompliance disclosed by audit which is material to financial statements: | NO |

Federal Awards

- | | |
|---|---------------|
| 1. Internal control over major programs: | |
| • Material weakness identified | NO |
| • Significant deficiency identified | NONE REPORTED |
| 2. Type of compliance report on major programs: | UNMODIFIED |
| 3. Title 2 CFR section 200.516(a) audit finding disclosed by audit: | NONE REPORTED |

4. Programs tested as major programs:

<u>CFDA #</u>	<u>FEDERAL PROGRAM</u>
93.600	HEAD START PROGRAM
10.558	CHILD AND ADULT CARE FOOD PROGRAM

- | | |
|---|-----------|
| 5. Dollar threshold for type A program: | \$750,000 |
| 6. Auditee qualification: | LOW RISK |

SECTION 2 – FINANCIAL STATEMENT FINDINGS

Findings for fiscal year ended 2017: None reported.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings for fiscal years ended 2017 and 2016: None reported.