

**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, 2018**

**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, 2018, 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 March 26, 2019.

**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, L'Joven, Morris & Engelberg LLP*

La Jolla, California  
March 26, 2019



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

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

**Report on Compliance for the 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, 2018. 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 program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 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 the major federal program. However, our audit does not provide a legal determination of All Kids Academy Head Start, Inc.'s compliance.

**Opinion on the 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 its major federal program for the year ended June 30, 2018.

### **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 the major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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 financial statements of All Kids Academy Head Start, Inc. as of and for the year ended June 30, 2018, and have issued our report thereon dated March 26, 2019, 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 other supplementary information is presented for the purpose 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 other supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Lavine, Lofgren, Morris & Engdberg LLP*

La Jolla, California  
March 26, 2019



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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, 2018, and have issued our report thereon dated March 26, 2019, 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  
March 26, 2019

**ALL KIDS ACADEMY HEAD START, INC.**

**Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

<u>Federal Agency / Pass-through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Award Number</u>	<u>Revenue Recognized</u>	<u>Total Federal Expenditures</u>
<b>Federal Awards:</b>				
<u>U.S. Department of Health and Human Services</u>				
<i>Passed through Neighborhood House Association</i>				
Head Start Program	93.600	09CH9118	\$ 12,883,132	\$ 12,883,132
<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	04496-CACFP-37-NP-CS	604,789	604,789
<b>Total expenditures of federal awards</b>			<b>\$ 13,487,921</b>	<b>\$ 13,487,921</b>

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, 2018**

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### **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. 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.

#### **Cost Principles**

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"). Pursuant to Head Start Program standards, the Organization's costs to administer the program cannot exceed 15% of total program costs. The Organization has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance as the Organization has a specific indirect cost rate agreement with the delegate agency.

#### **Program Revenues**

Grant award revenues are recognized as services are performed and as allowable costs per the terms of the related agreements are incurred.

#### **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, 2018 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, 2018

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<u>Federal Meal Compensation</u>	<u>Reported</u>	<u>Meal Reimbursement Rate</u>	<u>Earned Reimbursement</u>
Breakfast	79,959	\$ 1.7500	\$ 139,928
Lunch	114,511	3.4625	396,495
Supplement	77,689	0.8800	<u>68,366</u>
<b>Total reimbursement</b>			<u><u>\$ 604,789</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, 2018

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<u>Month</u>	<u>Breakfast</u>	<u>Lunch</u>	<u>Supplement</u>	<u>Total</u>
July	2,052	2,142	1,948	6,142
August	1,804	2,071	1,706	5,581
September	6,912	9,827	6,632	23,371
October	9,987	14,468	9,693	34,148
November	7,755	11,240	7,458	26,453
December	6,152	9,104	6,132	21,388
January	7,916	11,427	7,776	27,119
February	7,759	11,331	7,617	26,707
March	7,187	10,603	7,073	24,863
April	7,756	11,160	7,492	26,408
May	9,862	14,527	9,599	33,988
June	4,817	6,611	4,563	15,991
<b>Total</b>	<u>79,959</u>	<u>114,511</u>	<u>77,689</u>	<u>272,159</u>

See accompanying independent auditors' report.

# ALL KIDS ACADEMY HEAD START, INC.

## Schedule of Findings and Questioned Costs For the Year Ended June 30, 2018

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### SECTION 1 – SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America: UNMODIFIED
2. Internal control over financial reporting:
  - Material weakness(es) identified NO
  - Significant deficiency(ies) identified NONE REPORTED
3. Noncompliance material to financial statements noted: NO

#### Federal Awards

1. Internal control over major programs:
  - Material weakness(es) identified NO
  - Significant deficiency(ies) identified NONE REPORTED
2. Type of auditor's report issued on compliance for federal major programs: UNMODIFIED
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a): NONE REPORTED

4. Identification of major federal programs:

<u>CFDA NUMBER</u>	<u>FEDERAL PROGRAM TITLE</u>
93.600	HEAD START PROGRAM

5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as low-risk: YES

### SECTION 2 – FINANCIAL STATEMENT FINDINGS

None required to be reported.

### SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None required to be reported.

See accompanying independent auditors' report.