

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION,
INCORPORATED**

**Financial Statements
and Supplementary Information**

Year Ended August 31, 2022

(With Independent Auditors' Report Thereon)

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

Year Ended August 31, 2022

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Woonsocket Head Start Child Development Association, Incorporated:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Woonsocket Head Start Child Development Association, Incorporated (a not-for-profit organization) (the Association), which comprise the statement of financial position as of August 31, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Woonsocket Head Start Child Development Association, Incorporated as of August 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2023, on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Association's August 31, 2021 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated March 23, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2021, is consistent, in all material respects, with the audited financial statements and related notes to the financial statements from which it has been derived.

Kahn, Litwin, Renya & Co., Ltd.

May 31, 2023

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
STATEMENT OF FINANCIAL POSITION
August 31, 2022
(With Comparative Totals at August 31, 2021)**

Assets	2022	2021
Current Assets:		
Cash	\$ 823,111	\$ 684,316
Accounts receivable	-	16,209
Grants receivable	478,256	342,861
Prepaid expenses	78,631	73,575
Total current assets	1,379,998	1,116,961
Property and Equipment, net	2,398,150	2,471,165
Total Assets	\$ 3,778,148	\$ 3,588,126
 Liabilities and Net Assets		
Current Liabilities:		
Mortgage payable, current portion	\$ 24,674	\$ 23,483
Note payable, current portion	10,433	9,827
Accounts payable and accrued expenses	133,945	354,851
Deferred revenue	332,710	-
Child care deposits	9,408	7,485
Total current liabilities	511,170	395,646
Mortgage Payable, less current portion and unamortized deferred financing costs	325,812	350,363
Note Payable, less current portion and unamortized deferred financing costs	247,902	256,731
Total liabilities	1,084,884	1,002,740
Net Assets:		
Without donor restrictions	1,957,535	1,849,263
With donor restrictions	735,729	736,123
Total net assets	2,693,264	2,585,386
Total Liabilities and Net Assets	\$ 3,778,148	\$ 3,588,126

See accompanying notes to the financial statements and independent auditors' report.

WOONSOCKET HEAD START CHILD DEVELOPMENT ASSOCIATION, INCORPORATED
STATEMENT OF ACTIVITIES
Year Ended August 31, 2022
(With Comparative Totals for the Year Ended August 31, 2021)



	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:						
Federal and state Head Start program	\$ 2,312,320	\$ -	\$ 2,312,320	\$ 2,387,813	\$ -	\$ 2,387,813
Department of Human Services	384,318	-	384,318	382,976	-	382,976
USDA food program	195,312	-	195,312	170,678	-	170,678
Parent and employer fees	411,084	-	411,084	309,749	-	309,749
Rhode Island pre-kindergarten program	1,685,470	-	1,685,470	1,238,413	-	1,238,413
Contributed nonfinancial Assets	183,174	-	183,174	183,068	-	183,068
Contributions, other grants, and miscellaneous income	21,630	-	21,630	138,665	-	138,665
Federal support for property and equipment	-	42,700	42,700	-	61,752	61,752
Net assets released from restrictions	43,094	(43,094)	-	38,686	(38,686)	-
Total revenue and support	5,236,402	(394)	5,236,008	4,850,048	23,066	4,873,114
Expenses:						
Program services	4,237,719	-	4,237,719	3,881,738	-	3,881,738
Management and general	890,411	-	890,411	745,310	-	745,310
Total expenses	5,128,130	-	5,128,130	4,627,048	-	4,627,048
Change in Net Assets	108,272	(394)	107,878	223,000	23,066	246,066
Net Assets, beginning of year	1,849,263	736,123	2,585,386	1,626,263	713,057	2,339,320
Net Assets, end of year	\$ 1,957,535	\$ 735,729	\$ 2,693,264	\$ 1,849,263	\$ 736,123	\$ 2,585,386

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended August 31, 2022
(With Comparative Totals for the Year Ended August 31, 2021)**



	Program Services					Total Program Services	Management and General	Total 2022	Total 2021
	Head Start	Child Care	Pre-Kindergarten	USDA	Other Program				
Salaries and related expenses:									
Salaries and wages	\$ 1,327,306	\$ 354,626	\$ 896,293	\$ 33,378	\$ 83,645	\$ 2,695,248	\$ 528,679	\$ 3,223,927	\$ 2,724,301
Payroll taxes and employee benefits	227,014	84,696	242,186	5,534	18,183	577,613	166,549	744,162	664,614
Total salaries and related expenses	1,554,320	439,322	1,138,479	38,912	101,828	3,272,861	695,228	3,968,089	3,388,915
Depreciation expense	61,329	19,672	27,772	2,314	-	111,087	4,628	115,715	104,269
Dues and subscriptions	11,202	3,921	10,642	280	-	26,045	1,961	28,006	13,314
Information technology	31,399	5,233	15,700	-	-	52,332	-	52,332	85,368
Insurance	10,552	3,385	4,778	398	-	19,113	797	19,910	25,676
Interest expense	-	-	35,940	-	-	35,940	-	35,940	37,642
Licenses and certifications	22,424	3,737	1,725	-	863	28,749	-	28,749	8,631
Miscellaneous	5,669	3,614	1,627	-	4,696	15,606	-	15,606	10,048
Occupancy costs and related expenses	253,170	22,494	31,756	2,646	-	310,066	5,293	315,359	312,828
Office supplies and related expenses	18,491	5,931	8,373	698	-	33,493	1,396	34,889	28,970
Professional development	13,106	-	-	-	-	13,106	-	13,106	15,100
Professional fees	-	-	-	-	-	-	176,398	176,398	111,029
Program costs	67,272	33,636	7,914	89,036	-	197,858	-	197,858	198,646
Repairs and maintenance	62,412	20,019	28,262	2,355	-	113,048	4,710	117,758	280,336
Travel and related expenses	7,321	1,094	-	-	-	8,415	-	8,415	6,276
Total Expenses	\$ 2,118,667	\$ 562,058	\$ 1,312,968	\$ 136,639	\$ 107,387	\$ 4,237,719	\$ 890,411	\$ 5,128,130	\$ 4,627,048

See accompanying notes to the financial statements and independent auditors' report.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED**
STATEMENT OF CASH FLOWS
Year Ended August 31, 2022
(With Comparative Totals for the Year Ended August 31, 2021)

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 107,878	\$ 246,066
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	115,715	104,269
Amortization of deferred financing costs	1,833	1,833
Changes in operating assets and liabilities:		
Accounts receivable	16,209	16,967
Grants receivable	(135,395)	(1,901)
Prepaid expenses	(5,056)	(4,131)
Accounts payable and accrued expenses	(220,906)	36,150
Deferred revenue	332,710	(17,184)
Child care deposits	1,923	-
Net cash provided by operating activities	214,911	382,069
Cash Flows from Investing Activities:		
Purchase of property and equipment	(42,700)	(95,175)
Net cash used by investing activities	(42,700)	(95,175)
Cash Flows from Financing Activities:		
Payments on debt	(33,416)	(31,541)
Net cash used by financing activities	(33,416)	(31,541)
Net Increase in Cash	138,795	255,353
Cash, beginning of year	684,316	428,963
Cash, end of year	\$ 823,111	\$ 684,316
Supplemental Cash Flow Information		
Cash paid for interest	\$ 34,107	\$ 35,809
Non-cash Investing Activities		
Purchase of property and equipment included in accounts payable	\$ -	\$ 178,692

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

1. Nature of Operations

Woonsocket Head Start Child Development Association, Incorporated (the Association) was incorporated on May 13, 1974 and serves the children and their families of Woonsocket and the greater Woonsocket areas. The Association is fully accredited by the National Association for the Education of Young Children, licensed by the RI Department of Children, Youth and Families and holds, at every center, either a four or five-star rating from the RI Bright Stars Quality Rating and Improvement System.

The Association's overall mission is to build enduring partnerships with families and the community through comprehensive Early Childhood Education and support services that improve the lifelong outcomes for the children and families they serve. The Association, through the federal and state-funded Head Start program, provides early childhood education and comprehensive support services to eligible three to five-year-old children and their families. As a member of PARTNERS, a statewide collaboration providing Early Head Start/Child Care services, the Association supports the early growth and development of infants and toddlers while providing comprehensive support services to their families. The Association's Child Care program provides year-round, full-time education and care to children between the ages of six weeks and five years. Through the RI Pre-Kindergarten program, the Association provides early education for selected four-year olds, ensuring that they are well prepared for success in kindergarten and beyond.

2. Summary of Significant Accounting Policies

This summary of significant accounting policies is presented to assist the reader in understanding the Association's financial statements. The financial statements and notes are representations of the Association's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Accounting Pronouncement Adopted

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. The standard also increases the disclosure requirements around contributed nonfinancial assets, including disaggregating by category the types of contributed nonfinancial assets a not-for-profit entity received. The Association adopted ASU 2020-07 for the year ended August 31, 2022. The adoption of ASU 2020-07 did not have a significant effect on the Association's financial statements.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total, without accompanying note disclosures and certain functional expense information. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements and related notes to the financial statements for the year ended August 31, 2021, from which the summarized information was derived.

Basis of Presentation

The Association prepares its financial statements on the accrual basis of accounting and, in accordance with authoritative guidance, reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the Board) and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which may make them unavailable for use at management's discretion.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Accounts and Grants Receivable

The Association carries its accounts and grants receivable at net realizable value. On a periodic basis, the Association evaluates its receivables and establishes an allowance for doubtful accounts based on a history of past bad debt expense and collections and current credit conditions.

The Association does not accrue interest on its receivables. A receivable is considered past due if payment has not been received within stated terms. The Association will exhaust all methods in-house to collect the receivable. Once all practical resources to collect the receivable have been utilized without success, the receivable is deemed uncollectable and charged against the allowance for doubtful accounts. At August 31, 2022, management has determined that no allowance for doubtful accounts is necessary.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

Property and Equipment

All expenditures for property and equipment with a cost in excess of \$5,000 are capitalized at cost; the fair value of donated assets is similarly recorded. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to five years for equipment and 10 to 40 years for building and improvements.

Deferred Financing Costs

Deferred financing costs are amortized to interest expense on the straight-line basis over the term of the related debt. Deferred costs relating to a debt liability are recorded as a direct deduction from the carrying amount of that liability.

Revenue Recognition

Federal and State Contracts - The Association recognizes cost-reimbursement contract revenue on federal and state contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Association has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statement of financial position.

Parent and Employer Fees - The Association recognizes parent and employer fees when services to clients have been rendered and/or contractual obligations have been met, which can occur at a point in time or over time.

Contributed Nonfinancial Assets - Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills and are provided by individuals possessing those skills, and that would typically need to be purchased by the Association if not provided by donation are recorded at their fair value in the period received. Donated use of facilities is recorded at the fair value at the date of donation, based on values determined by the local organizations and corporations.

Contributions and Miscellaneous Income - The Association recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded either as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor-imposed restrictions. However, it is the policy of the Association to show net assets with donor restrictions that are both received and fully expended in the current year directly in net assets without donor restrictions.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

Allocation of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The Association's operating costs have been allocated between program services and management and general based on direct identification when possible; otherwise, expenditures that require allocation are allocated based on number of classes or time and effort.

Income Taxes

The Association is exempt from income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code (IRC). Management believes that the Association operates in a manner consistent with its tax-exempt status at both the state and federal levels.

The Association annually files IRS Form 990, *Return of Organization Exempt from Income Tax*, reporting various information that the IRS uses to monitor the activities of tax-exempt entities. These tax returns are subject to review by the taxing authorities generally for a period of three years after they were filed. The Association currently has no tax examinations in progress.

Estimates and Assumptions

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Recent Accounting Pronouncements

The following is a summary of a recent authoritative pronouncement that could impact the accounting, reporting, and/or disclosure of financial information by the Association. The Association is currently in the process of evaluating the impact of adoption on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which was later delayed to be effective for annual periods beginning after December 15, 2021. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the Association's year ending August 31, 2023.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

Subsequent Events

Management has evaluated subsequent events through May 31, 2023, which is the date these financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Financial assets:	
Cash	\$ 823,111
Grants receivable	478,256
Financial assets, end of year	<u>1,301,367</u>
Less: financial assets unavailable for general expenditure:	
Board-designated funds	100,000
Time and purpose restrictions	<u>25,147</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,176,220</u></u>

The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help management with unanticipated liquidity needs, the Association has board-designated funds reserved for program development. Although the Association does not intend to spend from its board-designated funds, at the Board's discretion, the Association could expend the funds reserved for program development in the event of an emergency.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

4. Property and Equipment

Property and equipment consisted of the following:

Federally purchased assets:	
Building and improvements	\$ 1,256,997
Land and land improvements	57,988
Equipment and furnishings	533,939
Construction in progress	14,502
	1,863,426
Less accumulated depreciation	1,152,844
Total federally purchased assets, net	710,582
Non-federally purchased assets:	
Building and improvements	1,445,219
Land and land improvements	210,212
Equipment and furnishings	794,096
Construction in progress	116,939
	2,566,466
Less accumulated depreciation	878,898
Total non-federally purchased assets, net	1,687,568
Total property and equipment, net	\$ 2,398,150

In the event the Association closes, the federal government has the right to claim assets purchased with federal funds (federally purchased assets) or require they be transferred to another organization for the same purposes.

Construction in progress consists of costs incurred for a new telephone system that is expected to be placed into service during 2023.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

5. Debt

Mortgage Payable

Mortgage payable consists of the following:

Mortgage payable to a local bank, requiring monthly payments of \$3,260, including interest at 3.99%, through October 25, 2018, then monthly payments of \$3,463, including interest at 4.89%, expiring August 2033. The mortgage is secured by the building located at 2390 Mendon Road, Woonsocket, Rhode Island.

	\$ 353,566
Less: current portion	24,674
Mortgage payable, long-term	328,892
Less: unamortized deferred financing costs	3,080
Mortgage payable, less current portion and unamortized deferred financing costs	\$ 325,812

Maturities of the mortgage payable are as follows:

Year Ending

August 31, 2023	\$ 24,674
August 31, 2024	25,882
August 31, 2025	27,239
August 31, 2026	28,620
August 31, 2027	30,072
Thereafter	217,079
Total	\$ 353,566

The debt agreement contains various covenants and restrictions. At year-end, management believes the Association was in compliance with its covenants.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

Note Payable

Note payable consists of the following:

Note payable to a New York not-for-profit corporation, requiring interest-only payments through March 1, 2018, then monthly principal and interest payments through September 2024. Interest on the note is at 6.00%. The note is secured by the building located at 2390 Mendon Road, Woonsocket, Rhode Island, and is subordinate to the mortgage payable.

	\$ 261,570
Less: current portion	10,433
Note payable, long-term	251,137
Less: unamortized deferred financing costs	3,235
Note payable, less current portion and unamortized deferred financing costs	\$ 247,902

Maturities of the note payable are as follows:

Year Ending

August 31, 2023	\$ 10,433
August 31, 2024	11,076
August 31, 2025	240,061
Total	\$ 261,570

The debt agreement contains various financial covenants and restrictions. At year-end, the Association was not in compliance with all debt covenants but has obtained a waiver from the not-for-profit corporation.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

6. Net Assets

A summary of net assets is as follows:

Net Assets Without Donor Restrictions:

Undesignated	\$ 778,788
Invested in property and equipment, net	1,078,747
Board-designated for program development	100,000
Total net assets without donor restrictions	1,957,535

Net Assets With Donor Restrictions:

Subject to expenditure for specified purposes:

Enrichment Activities Fund:

Health Care Initiative	7,833
Head Start Enrichment Fund	3,765
Childcare Enrichment Fund	2,454
Teacher Fund	986
Bright Stars Fund	179
Total enrichment activities fund	15,217

Parental perception in childhood obesity research program	9,930
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Federally funded property and equipment, net	710,582
Total net assets with donor restrictions	735,729

Total net assets	\$ 2,693,264
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7. Contributed Nonfinancial Assets

The Association's Head Start program relies on contributed facilities, services and program supplies received from various local organizations and corporations. These contributions enable the program to provide quality services to families in need. The Association records the value of the donated nonfinancial assets at fair value at the date of the donation based on values determined by the local organizations and corporations, which totaled \$183,174 for the year ended August 31, 2022.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

In addition, a substantial number of volunteers make significant contributions of their time to assist in providing quality services to the Association's Head Start program. These services have not been recorded in the statement of activities as they do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States of America.

The unrecorded contributed services consisted primarily of classroom and other program aides. The estimated fair value of the actual contributed time is valued at the rate paid for other similar activities performed by the Association. For the year ended August 31, 2022, approximately \$4,000 was provided to the program in volunteer services.

8. Retirement Plan

The Association has established a defined contribution retirement plan under Section 403(b) of the IRC. Employer contributions are made on behalf of eligible employees in the amount of 4% of their annual wages. In addition, the Association contributes a matching contribution of one-half of the first 6% of wages contributed by the employee. Retirement plan expense for the year ended August 31, 2022 was approximately \$115,000.

The Association has also established an employee-funded tax-deferred annuity plan under Section 403(b) of the IRC. All employees who meet the eligibility requirements of the plan may elect to contribute to the plan through a salary reduction.

9. Commitments

The Association leases certain office equipment that requires monthly payments of approximately \$670, expiring March 2026. Equipment lease expense for the year ended August 31, 2022 was approximately \$8,000.

Future minimum operating lease payments are as follows:

Year Ending

August 31, 2023	\$ 8,040
August 31, 2024	8,040
August 31, 2025	8,040
August 31, 2026	<u>4,690</u>
Total	<u>\$ 28,810</u>

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
NOTES TO THE FINANCIAL STATEMENTS
Year Ended August 31, 2022**

10. Concentrations of Credit Risk

The financial instruments that potentially subject the Association to concentrations of credit risk consist principally of cash and grants receivables.

The Association maintains its cash in two financial institutions. The balance at each institution is insured by the Federal Deposit Insurance Corporation up to \$250,000. At year-end, the uninsured portion of these balances was approximately \$637,000. The Association monitors its exposure with regard to cash and has not experienced losses on such accounts.

Two grants accounted for 95% of grants receivable as of August 31, 2022. At year-end, management performed an analysis of those receivables and does not believe that there is a significant credit risk.

11. Concentration of Business Risk

During the year ended August 31, 2022, the Association received approximately \$3,612,000 (69% of total revenue and support) through grants provided by the federal Head Start and Pre-Kindergarten contracts. In general, either party may terminate the contract with 30 days' notice. At year-end, management does not believe that significant business risk exists with respect to the continuation of this funding.

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED**

Reports Required by
*Government Auditing Standards -
Title 2 U.S. Code of Federal Regulations
Part 200 – Uniform Administrative
Requirements, Cost Principles,
And Audit Requirements for Federal Awards*

Year Ended August 31, 2022

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2022**



Federal Grantor/Pass-through Grantor/Program Title	Assistance Listing Number	Award Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through the State of Rhode Island Department of Education</i>				
Child and Adult Care Food Program	10.558	39831	\$ 195,312	\$ -
<i>Total U.S. Department of Agriculture</i>			<u>195,312</u>	<u>-</u>
<u>U.S. Department of Education</u>				
<i>Passed through the State of Rhode Island</i>				
Preschool Development Grants	84.419B	2650-11401-001	499,944	-
<i>Total U.S. Department of Education</i>			<u>499,944</u>	<u>-</u>
<u>U.S. Department of Health and Human Services</u>				
477 Cluster:				
<i>Passed through the State of Rhode Island</i>				
Temporary Assistance for Needy Families	93.558	unknown	384,318	-
<i>Passed through the State of Rhode Island</i>				
Child Care and Development Block Grant	93.575	unknown	318,266	-
			<u>702,584</u>	<u>-</u>
Head Start Cluster:				
<i>Direct Funding</i>				
Head Start	93.600	01CH011222/03	1,926,336	-
<i>Passed through the State of Rhode Island</i>				
Head Start	93.600	HS 20-04	105,808	-
			<u>2,032,144</u>	<u>-</u>
<i>Total U.S. Department of Health and Human Services</i>			<u>2,734,728</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 3,429,984</u>	<u>\$ -</u>

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED**
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended August 31, 2022

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Woonsocket Head Start Child Development Association, Incorporated (the Association) under programs of the federal government for the year ended August 31, 2022. The information in the 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 the Association, it is not intended to and does not present the financial position, statement of activities and change in net assets or cash flows for Woonsocket Head Start Child Development Association, Incorporated.

2. Summary of Significant Accounting Policies

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

Pass-through entity identifying numbers are presented where available.

For cost-reimbursement awards, revenues are recognized to the extent of expenditures. Expenditures have been recognized to the extent the related obligation was incurred within the applicable grant period and liquidated within 90 days after the end of the grant period.

3. Indirect Cost Rate

The Association has a federally approved negotiated indirect cost rate agreement and therefore is not subject to the 10-percent de minimis indirect cost rate under the Uniform Guidance.

4. Head Start

In accordance with the terms of the grant, during the year ended August 31, 2022, the Association expended matching contributions of \$503,203, which includes state funding of \$308,353.

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 of
Woonsocket Head Start Child Development Association, Incorporated:

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 Woonsocket Head Start Child Development Association, Incorporated (a not-for-profit organization) (the Association), which comprise the statement of financial position as of August 31, 2022, 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 May 31, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association'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.

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 (Continued)

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 or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association'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 financial statements. 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 Association'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 Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kahn, Litwin, Kenya & Co., Ltd.

May 31, 2023

**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 of
Woonsocket Head Start Child Development Association, Incorporated:

Report on Compliance for Major Federal Program

Opinion on Each Major Federal Program

We have audited Woonsocket Head Start Child Development Association, Incorporated's (the Association) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Association's major federal program for the year ended August 31, 2022. The Association's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Woonsocket Head Start Child Development Association, Incorporated 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 August 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Association's compliance with the compliance requirements referred to above.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Association's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Association's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error as fraud may involve collusion, forgery, intention, omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Association's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Association's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Association's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Association's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider a deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 22-01 to be a significant deficiency.

The Association's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Association's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Kahn, Litwin, Kenya & Co., Ltd.

May 31, 2023

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? _____ yes X no
- Significant deficiencies identified? X yes _____ none reported

Type of auditors' report issued on compliance for major federal programs: *unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? _____ yes X no

Major federal program:

<u>Assistance Listing Number</u>	<u>Name of Federal Program</u>
93.600	<i>Head Start</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee _____ yes X no

**WOONSOCKET HEAD START CHILD
DEVELOPMENT ASSOCIATION, INCORPORATED
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended August 31, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2022-01 Filing of Data Collection Form and Reporting Package

CFDA #: 93.600

Federal Agency: U.S. Department of Health and Human Services

Statement of Condition:

The August 31, 2022, audited financial statements and data collection forms for the Association were not filed within the time required by Uniform Guidance.

Criteria:

Uniform Guidance requires that non-federal entities that expend more than \$750,000 or more in a year in federal awards shall have a single audit conducted and section .320 requires that the audit shall be completed and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditors' report or nine months after the end of the audit period.

Cause:

The Association's filing process to ensure timely filing of the data collection form of the financial statements was attributed to the delay of the audit due to the turnover of staff, thus causing a delay in the submission of the required reports.

Effect:

Late filing of the data collection forms and reporting packages will cause an auditee to be determined a "high-risk auditee" and could affect future federal grant funding.

Recommendation:

We recommend the Association improve their year-end closing processes in order to meet all filing requirements.

Management Response:

The Association has implemented new procedures to ensure the reporting will be done timely in future periods.