

**Council for Economic Opportunities in
Greater Cleveland**

Cleveland, Ohio

Financial Statements and Supplementary Information
Year Ended January 31, 2016

Council for Economic Opportunities in Greater Cleveland

Financial Statements and Supplementary Information
Year Ended January 31, 2016

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Independent Auditor's Report

Board of Directors
Council for Economic Opportunities in Greater Cleveland
Cleveland, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of Council for Economic Opportunities in Greater Cleveland (a nonprofit organization), which comprise the statement of financial position as of January 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council for Economic Opportunities in Greater Cleveland as of January 31, 2016, 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.

Other Matters

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 and list of programs as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the schedule of program activity are presented for purposes of additional analysis, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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. In our opinion, the schedules of expenditures of federal awards are 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 October 28, 2016, on our consideration of Council for Economic Opportunities in Greater Cleveland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Council for Economic Opportunities in Greater Cleveland's internal control over financial reporting and compliance.


Wipfli LLP

October 28, 2016
Madison, Wisconsin

Council for Economic Opportunities in Greater Cleveland

Statement of Financial Position

January 31, 2016

<i>Assets</i>	
Current assets:	
Cash	\$ 939,018
Restricted cash	286,113
Grants receivable	1,761,533
Accounts receivable	284,129
Prepaid expenses	149,691
Total current assets	3,420,484
Property and equipment, net	5,654,094
TOTAL ASSETS	\$ 9,074,578
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Bond payable, current portion	\$ 153,333
Amortized rent obligation, current portion	31,642
Loan payable, current portion	286,113
Accounts payable	965,015
Accrued payroll and related expenses	462,860
Accrued vacation	540,131
Grant funds received in advance	720,387
Total current liabilities	3,159,481
Net assets:	
Unrestricted	501,734
Temporarily restricted - Grant-funded fixed assets	5,413,363
Total net assets	5,915,097
TOTAL LIABILITIES AND NET ASSETS	\$ 9,074,578

Council for Economic Opportunities in Greater Cleveland

Statement of Activities

Year Ended January 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant and contract revenue	\$ 32,815,003	\$ 470,628	\$ 33,285,631
Child care service fees	536,656	0	536,656
Other income	93,134	0	93,134
Amortized rent	54,243	0	54,243
In-kind contributions	1,441,563	0	1,441,563
Net assets released from restriction through satisfaction of program restrictions	544,154	(544,154)	0
Total revenue	35,484,753	(73,526)	35,411,227
Expenses:			
Salaries/wages	13,890,803	0	13,890,803
Fringe benefits	4,735,895	0	4,735,895
Contractual	2,178,278	0	2,178,278
Travel	295,456	0	295,456
Space costs	1,769,802	0	1,769,802
Supplies/food	2,488,088	0	2,488,088
Energy and other assistance payments	1,957,702	0	1,957,702
Indirect costs	2,959,224	0	2,959,224
Other	3,192,952	0	3,192,952
Depreciation expense	550,768	0	550,768
In-kind expenses	1,441,563	0	1,441,563
Total expenses	35,460,531	0	35,460,531
Change in net assets	24,222	(73,526)	(49,304)
Net assets - Beginning of the year	477,512	5,486,889	5,964,401
Net assets - End of the year	\$ 501,734	\$ 5,413,363	\$ 5,915,097

Council for Economic Opportunities in Greater Cleveland

Statement of Cash Flows Year Ended January 31, 2016

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 49,304)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	550,768
Amortized rent	(54,243)
Changes in operating assets and liabilities:	
Grants receivable	763,584
Accounts receivable	(240,973)
Prepaid expenses	9,877
Accounts payable	(567,750)
Accrued payroll and related expenses	(172,956)
Accrued vacation	13,853
Grant funds received in advance	(125,003)
Net cash provided by operating activities	127,853
Cash flows from investing activities:	
Purchase of property and equipment	(55,364)
Interest received on restricted cash	(7,061)
Net cash used in investing activities	(62,425)
Cash flows from financing activities:	
Bond payable principal payment	(448,334)
Interest received on restricted cash added to loan payable	7,061
Net cash used in financing activities	(441,273)
Change in cash	(375,845)
Cash - Beginning of the year	1,314,863
Cash - End of the year	\$ 939,018
Supplemental schedule of other cash activity:	
Interest paid and expensed	\$ 57,396

See accompanying notes to financial statements.

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Nature of Operations

The Council for Economic Opportunities in Greater Cleveland (CEOGC) was organized as a nonprofit corporation in 1964. CEOGC was formed to develop and provide resources for the purpose of assisting low-income individuals through a variety of programs. CEOGC is primarily supported through federal and state government grants, with approximately 77% of the CEOGC's grant revenue being earned from the Department of Health and Human Services' Head Start program.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CEOGC and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of CEOGC and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If a restriction is satisfied in the year of contribution, the contribution is recorded as unrestricted revenue.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by CEOGC. Generally, the donors of these assets permit CEOGC to use all or part of the income earned on any related investments for general or specific purposes. Currently, CEOGC does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Revenue Recognition

Contributions are recognized when the donor makes a promise to give to CEOGC that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction. If the restriction is met on a contribution in the year the contribution is received, the contribution is reported as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. Amounts received in excess of expenses or asset acquisitions are reflected as grant funds received in advance.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Child Care Service Fees

Child care service fees represent funds from Cuyahoga County to provide extended day care services to Head Start children. The funds are used to supplement the Head Start program, as the beneficiaries of the funds are eligible for Head Start services.

Accounts Receivable

Accounts receivable consist primarily of rebates and amounts billed to Cuyahoga County under contracts for child care services and are recorded as child care service fees in the Head Start program. Amounts are reviewed for collectability by management and an allowance for doubtful accounts is recorded as needed based on collection history and customer attributes. CEOGC considers these receivables to be collectible and, therefore, no allowance for doubtful accounts has been recorded.

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are capitalized at cost. Depreciation is provided using the straight-line method over the estimated useful life of the asset. CEOGC capitalizes items with a useful life of more than one year and costs that meet the following thresholds:

Corporate funded/grant funded, other than State of Ohio awards	\$	5,000
State of Ohio grant-funded programs		1,000

Property and equipment purchased with grant funds are owned by CEOGC while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The property and equipment purchased with grant funds are normally restricted for use in specific programs operated by CEOGC.

CEOGC has adopted a policy of implying a time restriction on assets purchased with grant award contributions. Grant-funded property and equipment are recorded as restricted support. As the property and equipment are depreciated, the temporarily restricted net assets are released from restriction and reported in the statement of activities as net assets released from restriction.

In-Kind Contributions

CEOGC records in-kind contributions for space, donated materials, and professional services in the statement of activities that create or enhance a nonfinancial asset or require specialized skill by the individual possessing those skills and would typically need to be purchased if not provided by donation be recorded. In addition, CEOGC received contributions of nonprofessional volunteers during the year with a value of \$455,505 for its Head Start program which are not recorded in the statement of activities.

Income Taxes

CEOGC is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from Ohio franchise or income tax.

CEOGC is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. CEOGC has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Cost Allocation

In accordance with the indirect cost rate approved by the Department of Health and Human Services (DHHS), CEOGC accumulates indirect administrative costs in an indirect cost pool and allocates these costs to programs based on each program's portion of direct personnel to total agency direct personnel costs. Indirect administrative costs are those costs incurred for the common benefit of all agency programs that cannot be readily identified with a final cost objective.

Subsequent Events

Subsequent events have been evaluated through October 28, 2016, which is the date the financial statements were available to be issued.

Note 2 **Concentration of Credit Risk**

CEOGC maintains cash balances at one financial institution. Accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. In addition, balances are collateralized with securities held by the pledging financial institution's trust department as part of the public deposit pool. The public deposit pool is required to collateralize 105% of the deposit balance. In addition, management believes this financial institution has a strong credit rating and credit risk related to their deposits is minimal. The cash in Note 4 is maintained by a trust company and is uninsured.

Note 3 **Grants Receivable**

Grants receivable of \$1,761,533 at January 31, 2016, consisted of \$1,398,391 from federal programs, \$279,285 from state programs and \$83,857 from local programs.

Note 4 **Restricted Cash** **Loan Payable**

CEOGC received a \$200,000 deferred payment loan from Cuyahoga County, Ohio. The terms of the loan agreement are that the loan funds are to be deposited in a restricted bank account as a reserve for the bond payable to the Cuyahoga County Port Authority. The loan proceeds, together with any interest earned on the funds while on deposit in the restricted bank account, are repayable to Cuyahoga County on or before April 2016. After year end, the loans proceeds and interest were repaid to Cuyahoga County. The restricted cash and loan payable are as follows:

Restricted cash (Cuyahoga County) - January 31, 2015	\$ 279,052
Interest earned February 1, 2015, to January 31, 2016	7,061
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<u>Restricted cash/loan payable - January 31, 2016</u>	<u>\$ 286,113</u>

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 5 Property and Equipment

A summary of property and equipment as of January 31, 2016, is as follows:

	Temporarily Restricted	Unrestricted	Totals
Buildings	\$ 9,253,583	\$ 214,275	\$ 9,467,858
Buildings renovations	1,817,310	0	1,817,310
Vehicles/equipment	1,991,067	150,082	2,141,149
Total cost	13,061,960	364,357	13,426,317
Accumulated depreciation	(7,648,597)	(123,626)	(7,772,223)
<u>Property and equipment, net</u>	<u>\$ 5,413,363</u>	<u>\$ 240,731</u>	<u>\$ 5,654,094</u>

Note 6 Grants Funds Received in Advance

Amounts received on cost reimbursement contracts in excess of expenses or asset acquisition are reflected as grant funds received in advance. Grants funds received in advance at January 31, 2016, consisted of the following:

<u>Program Title</u>	<u>Funding Source/ Pass-Through Entity</u>	<u>Program Period</u>	<u>Program Amount</u>
Ohio Head Start Program IRN-77909-03/04	Ohio Dept. of Education	Ended in a prior period	\$ 144,270
HEAP Energy Assistance Program 15-HA-215	Ohio Development Services Agency	09/01/14-08/31/15	1,543
HEAP Energy Assistance Program 16-HA-215	Ohio Development Services Agency	09/01/15-08/31/16	173,954
HEAP Energy Assistance Program 16-HE-215	Ohio Development Services Agency	11/01/15-03/31/16	286,868
Community Services Block Grant 16-1716	Ohio Development Services Agency	01/01/16-12/31/16	83,231
Step Up to Quality	Ohio Child Care & Referral Association	On-going	14,711
Universal Pre-Kindergarten	Ohio Department of Education	01/01/16-12/31/16	13,810
Update the Plate	George Gund Foundation	01/01/16-12/31/14	2,000
<u>Total</u>			<u>\$ 720,387</u>

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 7 Bond Payable

At January 31, 2016, CEOGC has a \$153,333 bond payable to Cuyahoga County Port Authority at 6.25% interest, with variable principal payments from \$16,000 to \$38,333 per month plus interest. The final payment was made in May 2016 and the amount is recorded as a current liability. The note is collateralized by real estate.

In addition to the above, CEOGC utilizes a letter of credit to back the financing arrangement on the bond payable. The letter of credit with Huntington Bank was for \$244,000. The letter of credit expired May 2016. At January 31, 2016, no amounts have been drawn on the letter of credit.

Note 8 Operating Lease Agreements

CEOGC leases various facilities for operation of its programs. Lease expense for the year ended January 31, 2016, was \$1,446,416. The future minimum lease obligations under these leases are as follows:

2017	\$ 878,233
2018	237,673
2019	142,750
2020	119,521
2021	87,000
<hr/>	
<u>Total</u>	<u>\$ 1,465,177</u>

CEOGC has entered into an operating lease that contains a provision for rent-free periods. The total amount of rental payments due over the lease term is being charged to rent expense on the straight-line method over the term of the lease. The difference between rent expense recorded and the amount paid is credited to the liability account, amortized rent obligation. The amortized rent obligation at January 31, 2016, was \$31,642. The remaining amortized rent obligation will be amortized in 2017 and was recorded as a current liability.

Note 9 Retirement Plan

CEOGC has a defined contribution retirement plan authorized under Section 403(b) of the Internal Revenue Code. The plan is open to all employees who are employed by CEOGC. CEOGC's contributions vest 100% after two years of service. CEOGC's contributions for the year ended January 31, 2016, were \$1,107,215.

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 10 **Functional Classification of Expenses**

The following program and supporting services are reflected in the statement of activities for the year ended January 31, 2016:

Federal, state, and local programs:	
Child education	\$ 25,107,970
Community service programs	3,142,211
Energy assistance	3,093,855
Food programs	986,897
Other	118,508
<u>Total program activities</u>	<u>32,449,441</u>
Management and general expenses	2,959,224
<u>Fund-raising</u>	<u>51,866</u>
<u>Total expenses</u>	<u>\$ 35,460,531</u>

Note 11 **Grant Awards**

At January 31, 2016, CEOGC had commitments under various grant awards of approximately \$8,925,000. The revenue relating to these grants is not recognized in the accompanying financial statements as the revenue recognition is conditional on the incurrence of expenditures or the performance of services in the next fiscal year.

Supplementary Information

Council for Economic Opportunities in Greater Cleveland

Schedule A-1

Schedule of Program Activity

Year Ended January 31, 2016

	FEDERAL PROGRAMS						
	Department of Agriculture		Department of Health and Human Services			Department of Health and Human Services	
	10.558	10.558	16-HE-215	16-HA-115	16-HE-215	15-HC-215	
	(1)	(2)	(3)	(4)	(5)	(6)	
	Child Care Food Program 2015/2016	Child Care Food Program 2014/2015	Ohio Head Start Program IRN-77909-03/04	HEAP Admin. Program 16-HA-115	HEAP Energy Asst. Program 16-HE-215	HEAP Summer Cooling 15-HC-215	
Total			Subtotal				
REVENUE							
Grant and Contract Revenue							
Prior year's grant funds received in advance	\$ 845,390	\$ 0	\$ 0	\$ 144,270	\$ 0	\$ 0	
Current year awards	33,503,863	437,294	617,435	1,054,729	689,800	203,309	
Funds reprogrammed	0	0	0	0	0	0	
Funds repaid/deobligated	(343,235)	0	0	0	0	0	
Grant funds received in advance	(720,387)	0	0	(144,270)	(173,954)	(13,401)	
Total grant and contract revenue	33,285,631	437,294	617,435	1,054,729	515,846	189,908	
Interest income	0	0	0	0	0	0	
Transfers	0	0	0	0	5,136	0	
Donations	62,040	0	0	0	0	0	
Child care service fees	536,656	0	0	0	0	0	
Other income	31,094	0	0	0	0	0	
Amortized rent	54,243	0	0	0	0	0	
In-kind contributions	1,441,563	0	0	0	0	0	
Total Revenue	35,411,227	437,294	617,435	1,054,729	520,982	189,908	
EXPENSES							
Salaries/wages	13,890,803	109,727	203,111	312,838	295,980	0	
Fringe benefits	4,735,895	23,689	71,731	95,420	66,011	0	
Contractual	2,178,278	0	0	0	34,565	0	
Travel	295,456	0	0	0	202	0	
Space costs/property acquisition	1,769,802	0	0	0	30,437	0	
Supplies/food	2,488,088	282,238	295,167	577,405	1,683	0	
Delegate agencies	0	0	0	0	0	0	
Energy and other assistance payments	1,957,702	0	0	0	0	1,045,632	
Indirect costs	2,959,224	21,038	45,626	66,664	57,145	0	
Other	3,192,952	602	1,800	2,402	34,959	0	
Depreciation expense	550,768	0	0	0	0	0	
In-kind expenses	1,441,563	0	0	0	0	0	
Total Expenses	35,460,531	437,294	617,435	1,054,729	520,982	189,908	
Change in Net Assets	(49,304)	0	0	0	0	0	
Net assets (deficit) - Beginning of the Year	5,964,401	0	0	0	0	0	
NET ASSETS (DEFICIT) - End of the Year	\$ 5,915,097	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule A-2

Schedule of Program Activity

Year Ended January 31, 2016

	FEDERAL PROGRAMS							
	Department of Health and Human Services							
	93,569							
	HEAP Admin. Program 15-HA-115 (7)	HEAP Energy Asst. Program 15-HE-215 (8)	93,568 Subtotal	Community Services Block Grant 14-1516 (9)	Community Services Block Grant 16-1716 (10)	93,569 Subtotal	Step Up to Quality III (11)	Step Up to Quality V (12)
REVENUE								
Grant and Contract Revenue								
Prior Grant funds received in advance	\$ 107,787	\$ 547,972	\$ 655,759	\$ 0	\$ 0	\$ 0	\$ 551	\$ 5,703
Current year awards	671,641	500,000	3,397,250	3,185,119	0	3,185,119	0	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	(329,834)	(343,235)	(301,928)	301,928	0	0	0
Total grant and contract revenue	(1,543)	0	(462,365)	2,883,191	(83,231)	83,231	(551)	(703)
Total grant and contract revenue	777,885	718,138	3,247,409	2,883,191	218,697	3,101,888	0	5,000
Interest income	0	0	0	0	0	0	0	0
Transfers	(5,136)	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0
Child care service fees	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	772,749	718,138	3,247,409	2,883,191	218,697	3,101,888	0	5,000
EXPENSES								
Salaries/wages	410,249	0	706,229	1,239,242	108,748	1,347,990	0	0
Fringe benefits	154,183	0	220,194	466,574	12,373	478,947	0	0
Contractual	12,725	0	47,290	27,314	1,257	28,571	0	0
Travel	(470)	0	(268)	26,656	5,153	31,809	0	0
Space costs/property acquisition	42,116	0	72,553	236,603	17,515	254,118	0	0
Supplies/food	1,748	0	3,431	66,913	8,431	75,344	0	5,000
Delegate agencies	0	0	0	0	0	0	0	0
Energy and other assistance payments	0	718,138	1,953,678	0	0	0	0	0
Indirect costs	93,764	0	150,909	268,412	19,099	287,511	0	0
Other	58,434	0	93,393	551,477	46,121	597,598	0	0
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	772,749	718,138	3,247,409	2,883,191	218,697	3,101,888	0	5,000
Change in Net Assets	0	0	0	0	0	0	0	0
Net assets (deficit) - Beginning of the Year	0	0	0	0	0	0	0	0
NET ASSETS (DEFICIT) - End of the Year	0	0	0	0	0	0	0	0

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule A-3

Schedule of Program Activity

Year Ended January 31, 2016

	FEDERAL PROGRAMS										STATE & LOCAL	
	Department of Health and Human Services											
	93.600											
	93.575		93.600		93.600		93.600		93.600		93.600	
	Subtotal		Subtotal		Subtotal		Subtotal		Subtotal		Subtotal	
	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
	Step Up to Quality VI	Training & Technical Assistance	Early Head Start Program	Full-Year Part-Day	Minority Health Month	93.575	93.600	93.600	93.600	93.600	93.600	93.600
		05CH8334/03	05CH8334/03	05CH8334/03	15-23							
REVENUE												
Grant and Contract Revenue												
Grant funds received in advance	\$ 14,400	\$ 20,654	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 820,683	\$ 0	0
Current year awards	64,750	64,750	245,544	23,423,190	1,866,231	25,534,965	25,534,965	25,534,965	25,534,965	33,236,813	2,410	2,410
Funds reprogrammed	0	0	0	0	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0	0	(343,235)	0	0
Grant funds received in advance	(13,457)	(14,711)	0	0	0	0	0	0	0	(704,577)	0	0
Total grant and contract revenue	65,693	70,693	245,544	23,423,190	1,866,231	25,534,965	25,534,965	25,534,965	25,534,965	33,009,684	2,410	2,410
Interest income	0	0	0	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0	0	0	0
Child care service fees	0	0	0	536,656	0	536,656	536,656	536,656	536,656	536,656	0	0
Other income	0	0	0	0	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	1,897,068	0	1,897,068	1,897,068	1,897,068	1,897,068	1,897,068	0	0
Total Revenue	65,693	70,693	245,544	25,856,914	1,866,231	27,968,689	27,968,689	27,968,689	27,968,689	35,443,408	2,410	2,410
EXPENSES												
Salaries/wages	0	0	0	10,666,936	799,854	11,466,790	11,466,790	11,466,790	11,466,790	13,833,847	0	0
Fringe benefits	0	0	0	3,624,095	290,174	3,914,269	3,914,269	3,914,269	3,914,269	4,708,830	0	0
Contractual	0	0	1,044	2,069,927	0	2,070,971	2,070,971	2,070,971	2,070,971	2,146,832	0	0
Travel	0	0	122,687	129,691	3,240	255,618	255,618	255,618	255,618	287,159	0	0
Space costs/property acquisition	0	0	0	1,901,560	0	1,901,560	1,901,560	1,901,560	1,901,560	2,228,231	0	0
Supplies/food	28,094	33,094	6,938	1,253,115	423,518	1,683,571	1,683,571	1,683,571	1,683,571	2,372,845	1,345	1,345
Delegate agencies	0	0	0	0	0	0	0	0	0	0	0	0
Energy and other assistance payments	0	0	0	0	0	0	0	0	0	1,953,678	0	0
Indirect costs	0	0	0	2,262,972	173,071	2,436,043	2,436,043	2,436,043	2,436,043	2,941,127	0	0
Other	37,599	37,599	114,875	2,051,550	176,374	2,342,799	2,342,799	2,342,799	2,342,799	3,073,791	1,065	1,065
Depreciation expense	0	0	0	0	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	1,897,068	0	1,897,068	1,897,068	1,897,068	1,897,068	1,897,068	0	0
Total Expenses	65,693	70,693	245,544	25,856,914	1,866,231	27,968,689	27,968,689	27,968,689	27,968,689	35,443,408	2,410	2,410
Change in Net Assets	0	0	0	0	0	0	0	0	0	0	0	0
Net assets (deficit) - Beginning of the Year	0	0	0	0	0	0	0	0	0	0	0	0
NET ASSETS (DEFICIT) - End of the Year	0	0	0	0	0	0	0	0	0	0	0	0

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule A-4

Schedule of Program Activity

Year Ended January 31, 2016

STATE AND LOCAL PROGRAMS

	Pre-Kindergarten Classroom Setup PRE4CLE (18)	Universal Pre-Kindergarten (19)	Dollar Fuel - Fund 2 (20)	Dollar Fuel - Fund 3 (21)	Dollar Fuel - Fund 4 (22)	Early Childhood Education II (23)	Early Childhood Education III (24)	Update the Plate - L. Stokes Grant (25)
REVENUE								
Grant and Contract Revenue	\$ 0	\$ 0	\$ 24,707	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Grant funds received in advance	54,900	35,241	0	46,300	2,876	79,657	43,666	2,000
Current year awards	0	0	0	0	0	0	0	0
Funds reprogrammed	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0
Grant funds received in advance	0	(13,810)	0	0	0	0	0	(2,000)
Total grant and contract revenue	54,900	21,431	24,707	46,300	2,876	79,657	43,666	0
Interest income	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0
Child care service fees	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0
Total Revenue	54,900	21,431	24,707	46,300	2,876	79,657	43,666	0
EXPENSES								
Salaries/wages	0	0	0	0	0	30,533	24,050	0
Fringe benefits	0	0	0	0	0	13,527	13,538	0
Contractual	0	0	0	900	2,788	0	0	0
Travel	0	0	3,091	801	88	0	0	0
Space costs/property acquisition	0	0	3,435	8,764	0	0	0	0
Supplies/food	50,073	3,137	1,603	14,046	0	11,828	151	0
Delegate agencies	0	0	0	0	0	0	0	0
Energy and other assistance payments	0	0	0	0	0	0	0	0
Indirect costs	0	0	0	0	0	7,603	5,927	0
Other	4,827	18,294	16,578	21,789	0	16,166	0	0
Depreciation expense	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0
Total Expenses	54,900	21,431	24,707	46,300	2,876	79,657	43,666	0
Change in Net Assets	0	0	0	0	0	0	0	0
Net assets (deficit) - Beginning of the Year	0	0	0	0	0	0	0	0
NET ASSETS (DEFICIT) - End of the Year	0	0	0	0	0	0	0	0

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule A-5

Schedule of Program Activity

Year Ended January 31, 2016

	STATE & LOCAL		OTHER		CORPORATE ACTIVITY			
	Total State and Local Programs	Grant-Funded Equipment Fund (26)	Eliminate Non-GAAP In Kind (27)	TOTAL PROGRAMS	Rent Holiday (28)	Other Corporate Activity (29)	Total Discretionary Fund Account	
REVENUE								
Grant and Contract Revenue								
Grant funds received in advance	\$ 24,707	\$ 0	\$ 0	\$ 845,390	\$ 0	\$ 0	\$ 0	
Current year awards	267,050	0	0	33,503,863	0	0	0	
Funds reprogrammed	0	0	0	0	0	0	0	
Funds repaid/deobligated	0	0	(343,235)	0	0	0	0	
Total grant funds received in advance	(15,810)	0	(343,235)	(343,235)	0	0	0	
Grant funds received in advance	275,947	0	(343,235)	720,387	0	0	0	
Interest income	0	0	0	33,285,631	0	0	0	
Transfers	0	0	0	0	0	0	0	
Donations	0	0	0	0	0	0	0	
Child care service fees	0	0	0	0	0	62,040	62,040	
Other income	0	0	0	536,656	0	0	0	
Amortized rent	0	0	0	0	0	31,094	31,094	
In-kind contributions	0	0	(455,505)	1,441,563	54,243	0	54,243	
Total Revenue	275,947	0	(455,505)	35,263,850	54,243	93,134	147,377	
EXPENSES								
Salaries/wages	54,583	0	0	13,888,430	0	2,373	2,373	
Fringe benefits	27,065	0	0	4,735,895	0	0	0	
Contractual	3,688	0	0	2,150,520	0	27,758	27,758	
Travel	3,980	0	0	291,139	0	4,317	4,317	
Space costs/property acquisition	12,199	(470,628)	0	1,769,802	0	0	0	
Supplies/food	82,183	0	0	2,455,028	0	33,060	33,060	
Delegate agencies	0	0	0	0	0	0	0	
Energy and other assistance payments	0	0	0	1,953,678	0	4,024	4,024	
Indirect costs	13,530	0	0	2,954,657	0	4,567	4,567	
Other	78,719	0	0	3,152,510	0	40,442	40,442	
Depreciation expense	0	544,154	0	544,154	0	6,614	6,614	
In-kind expenses	0	0	(455,505)	1,441,563	0	0	0	
Total Expenses	275,947	73,526	(455,505)	35,337,376	0	123,155	123,155	
Change in Net Assets	0	(73,526)	0	(73,526)	54,243	(30,021)	24,222	
Net assets (deficit) - Beginning of the Year	0	5,486,889	0	5,486,889	(85,885)	563,397	477,512	
NET ASSETS (DEFICIT) - End of the Year	\$ 0	\$ 5,413,363	\$ 0	\$ 5,413,363	(\$ 31,642)	\$ 533,376	\$ 501,734	

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule B-1

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2016

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Year	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Passed through Ohio Department of Health					
(1) Child and Adult Care Food Program	10.558	IRN-077909	10/01/15-09/30/16	\$ 0	\$ 437,294
(2) Child and Adult Care Food Program	10.558	IRN-077909	10/01/14-09/30/15	0	617,435
Total Federal Expenditures CFDA 10.558				0	1,054,729
TOTAL U.S. DEPARTMENT OF AGRICULTURE PROGRAMS				0	1,054,729
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Ohio Department of Education					
(3) Ohio Head Start Program	93.558	IRN-77909-03/04	Ended in Prior Year	0	0
Passed through Ohio Development Services Agency					
(4) HEAP Administrative Program	93.568	16-HA-115	09/01/15-08/31/16	17,754	515,846
(5) HEAP Energy Assistance Program	93.568	16-HE-215	11/01/15-03/31/16	0	1,045,632
(6) HEAP Summer Cooling	93.568	14-HC-215	06/01/15-08/31/15	0	189,908
(7) HEAP Administrative Program	93.568	15-HA-115	09/01/14-08/31/15	12,725	777,885
(8) HEAP Energy Assistance Program	93.568	15-HE-215	11/01/14-03/31/15	0	718,138
Total Federal Expenditures CFDA 93.568				30,479	3,247,409
Passed through Ohio Development Services Agency					
(9) Community Services Block Grant	93.569	14-1516	01/01/14-12/31/15	94,473	2,883,191
(10) Community Services Block Grant	93.569	16-1716	01/01/16-12/31/16	7,454	218,697
Total Federal Expenditures CFDA 93.569				101,927	3,101,888
Passed through Ohio Child Care Resource and Referral Association					
(11) Step Up to Quality III	93.575	N/A	Ongoing	0	0
(12) Step Up to Quality V	93.575	N/A	Ongoing	0	5,000
(13) Step Up to Quality VI	93.575	N/A	Ongoing	0	65,693
Total Federal Expenditures CFDA 93.575				0	70,693
Direct Funding					
(14) Training and Technical Assistance	93.600	05CH8334/03	02/01/15-01/31/16	0	245,544
(15) Early Head Start Program	93.600	05CH8334/03	02/01/15-01/31/16	0	1,866,231
(16) Full-Year Part-Day	93.600	05CH8334/03	02/01/15-01/31/16	0	23,423,190
Total Federal Expenditures CFDA 93.600				0	25,534,965
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				132,406	31,954,955
TOTAL FEDERAL EXPENDITURES				\$ 132,406	\$ 33,009,684

Council for Economic Opportunities in Greater Cleveland

Schedule B-2

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2016

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Program Year</u>
STATE AND LOCAL PROGRAMS			
Passed through Commission on Minority Health			
(17) Minority Health Month	N/A	15-23	09/18/14-04/30/15
Passed through Ohio Department of Education			
(18) Pre-Kindergarten Classroom Start-up	N/A	N/A	07/16/15-06/15/16
(19) Universal Pre-Kindergarten	N/A	N/A	08/01/15-07/31/16
Passed through First Energy			
(20) Dollar Fuel Fund II	N/A	N/A	01/01/14-12/31/15
(21) Dollar Fuel Fund III	N/A	N/A	01/01/15-12/31/16
(22) Dollar Fuel Fund IV	N/A	N/A	01/01/16-12/31/16
Passed through Early Childhood			
(23) Early Childhood Education II	N/A	N/A	07/01/14-06/30/15
(24) Early Childhood Education III	N/A	N/A	10/01/15-06/30/16
Passed through George Gund Foundation			
(25) Update the Plate - L. Stokes Grant	N/A	N/A	01/01/16-12/31/17
OTHER PROGRAM ACTIVITY			
(26) Grant-Funded Equipment Fund	N/A	N/A	Ongoing
(27) Eliminate Non-GAAP In Kind	N/A	N/A	Ongoing
(28) Rental Holiday	N/A	N/A	Ongoing
(29) Other Corporate Activity	N/A	N/A	Ongoing

Notes to the Schedule of Expenditures of Federal Awards and List of Programs

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards and list of programs (the "Schedule") includes the federal award activity of Council for Economic Opportunities in Greater Cleveland under programs of the federal government for the year ended January 31, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Council for Economic Opportunities in Greater Cleveland, it is not intended to and does not present the financial position, changes in net assets or cash flows of Council for Economic Opportunities in Greater Cleveland.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Council for Economic Opportunities in Greater Cleveland has an approved Indirect Cost Rate and therefore has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Board of Directors
Council for Economic Opportunities in Greater Cleveland
Cleveland, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States 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 Council for Economic Opportunities in Greater Cleveland (a nonprofit organization), which comprise the statement of financial position as of January 31, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Council for Economic Opportunities in Greater Cleveland'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 Council for Economic Opportunities in Greater Cleveland's internal control. Accordingly, we do not express an opinion on the effectiveness of Council for Economic Opportunities in Greater Cleveland'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 Council for Economic Opportunities in Greater Cleveland'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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

Response to Finding

Council for Economic Opportunities in Greater Cleveland's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Council for Economic Opportunities in Greater Cleveland's response was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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* and in considering the Council for Economic Opportunities in Greater Cleveland's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Wipfli LLP

October 28, 2016
Madison, Wisconsin



Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance

Board of Directors
Council for Economic Opportunities in Greater Cleveland
Cleveland, Ohio

Report on Compliance for Each Major Federal Program

We have audited Council for Economic Opportunities in Greater Cleveland's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended January 31, 2016. Council for Economic Opportunities in Greater Cleveland's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility for Compliance

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

Auditor's Responsibility

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

Basis for Qualified Opinion on Head Start

As described in the accompanying schedule of findings and questioned costs, Council for Economic Opportunities in Greater Cleveland did not comply with requirements regarding CFDA #93.600 allowable costs as described in item 2016-001, enrollment levels, in-kind levels and serving children with disabilities as described in item 2016-002, 2016-003 and 2016-004, respectively for the matching, level of effort and earmarking requirement. Compliance with such requirements is necessary, in our opinion, for Council for Economic Opportunities in Greater Cleveland to comply with the requirements applicable to that program.

Qualified Opinion on Compliance For Head Start

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Head Start paragraph, Council for Economic Opportunities in Greater Cleveland complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Head Start program for the year ended January 31, 2016.

Unmodified Opinion on Each of the Other Federal Major Programs

In our opinion, Council for Economic Opportunities in Greater Cleveland complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended January 31, 2016.

Other Matter

Council for Economic Opportunities in Greater Cleveland's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Council for Economic Opportunities in Greater Cleveland's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Council for Economic Opportunities in Greater Cleveland 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 Council for Economic Opportunities in Greater Cleveland's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Council for Economic Opportunities in Greater Cleveland's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency 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.

Wipfli LLP

Wipfli LLP

October 28, 2016
Madison, Wisconsin

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs Year Ended January 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued?	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal and state programs:	
Material weaknesses identified?	Yes
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major program	Qualified, CFDA# 93.600
	Unmodified CFDA# 10.558

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	Yes
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Identification of major federal programs:

<u>Name of Federal Major Program or Cluster</u>	<u>CFDA No.</u>
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- **U.S. Department of Agriculture**

Child and Adult Care Food Program	10.558
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- **U.S. Department of Health and Human Services**

Head Start Program	93.600
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Dollar threshold used to distinguish between Type A and Type B programs:	\$990,291
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Auditee qualified as low-risk auditee?	No
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Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs Year Ended January 31, 2016

Section II - Financial Statement Findings

2016-001 ALLOWABLE COSTS – EQUIPMENT

Department of Health and Human Services

Head Start – CFDA #93.600, Grant #05CH8334/03, Grant period February 1, 2015 through January 31, 2016

Questioned Costs: \$276,528

How the questioned costs were computed: The questioned costs were computed as the entire budget line for equipment as the grant award was fully spent out and no equipment was purchased under the Head Start program.

Criteria

As part of our audit, Wipfli LLP compared the budget on the Head Start Notice of Award for Council for Economic Opportunities in Greater Cleveland's (CEOGC) to the actual expenses in the general ledger. We noted that CEOGC's budget included \$276,528 for the purchase of equipment. Based on a review of the general ledger and discussions with management, CEOGC did not expend the budgeted funds on equipment purchases. However, CEOGC did spend the entire Head Start budget on expenses for the operation of the program. It should be noted that CEOGC submitted a budget modification requesting the purchase of the equipment during the program year. The Notice of Award was signed by DHHS on December 7, 2015. After the budget modification was requested, CEOGC determined that the funds would be needed for operations and not equipment, but a budget modification was not completed by CEOGC.

Condition

According to the DHHS Grant Policy Statement, Section II, "Significant rebudgeting requires prior approval. Significant rebudgeting occurs when, under a grant with a Federal share exceeding \$100,000, cumulative transfers among direct cost budget categories for the current budget period exceed 25 percent of the total approved budget (which includes direct and indirect costs, whether chargeable to Federal funds or required matching or cost sharing) for that budget period or \$250,000, whichever is less."

Cause

CEOGC expended 100% of the Head Start grant award but did not purchase the approved equipment.

Effect

As a result of not purchasing equipment according to the approved budget and not requesting a budget modification for the \$250,000 change in budget, CEOGC was out of compliance with federal regulations and grant requirements.

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs Year Ended January 31, 2016

Section II - Financial Statement Findings (Continued)

2016-001 ALLOWABLE COSTS – EQUIPMENT (Continued)

Recommendation

We recommend that CEOGC work with DHHS to determine if the funds used under the equipment budget line item for operating costs will be approved as an allowable cost.

View of Responsible Officials

CEOGC agrees with this finding and is working with DHHS for a resolution.

Section III - Federal Award Findings and Questioned Costs

The conditions noted Finding 2016-001 related to the Head Start program is considered material noncompliance under the Uniform Guidance.

2016-002 EARMARKING – FUNDED ENROLLMENT

Department of Health and Human Services

Head Start – CFDA #93.600, Grant #05CH8334/03, Grant period February 1, 2015 through January 31, 2016

Questioned Costs: None

Criteria

During our audit, Wipfli LLP reviewed Council for Economic Opportunities in Greater Cleveland's (CEOGC) enrollment information for January 2016. Our testing included a count of all the children served under the Head Start program for the month of January 2016 with a comparison to funded enrollment. Based on the enrollment information provided to us, CEOGC did not maintain funded enrollment in the current year as indicated in the table below.

	<u>January</u>
Funded	3,057
Actual – HS and EHS	<u>2,656</u>
UNDER ENROLLED	(<u>401</u>)

This is a repeat finding, it was reported in the prior 3 audits as Finding 2015-001, 2014-001, 2013-001.

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2016

Section III - Federal Award Findings and Questioned Costs

2016-002 EARMARKING – FUNDED ENROLLMENT (Continued)

Condition

According to 42 USC 9837(g) (The Head Start Act) “*Each Head Start agency shall enroll 100 percent of its funded enrollment and maintain an active waiting list at all times with ongoing outreach to the community and activities to identify underserved populations.*”

Cause

CEOGC was unable to enroll enough children in the Head Start program. Procedures should be in place that provides reasonable assurance that CEOGC complies with DHHS regulations regarding funded enrollment.

Effect

As a result of not ensuring that the minimum enrollment level for children was maintained, CEOGC was out of compliance with federal regulations and grant requirements.

Recommendation

We recommend that CEOGC continue their outreach efforts and monitor the enrollment levels to ensure compliance going forward.

View of Responsible Officials

CEOGC agrees with this finding and is working to increase enrollments levels.

2016-003 MATCHING

Department of Health and Human Services

Head Start – CFDA #93.600, Grant #05CH8334/03, Grant period February 1, 2015 through January 31, 2016

Questioned Costs: None

Criteria

During our audit, Wipfli LLP tested Council for Economic Opportunities in Greater Cleveland’s (CEOGC) reported amount for non-federal share for the Head Start program. CEOGC required match was \$6,383,741. The match provided by CEOGC was \$1,897,068. CEOGC did not meet its required match.

CEOGC had applied for a waiver for the requirement with DHHS, however, as of the date of this report, a waiver had not been received.

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2016

Section III - Federal Award Findings and Questioned Costs (Continued)

2016-003 MATCHING

Department of Health and Human Services (Continued)

Condition

According to 45 CFR 1301.20 “*Federal financial assistance granted under the act for a Head Start program shall not exceed 80 percent of the total costs of the program*”

Cause

CEOGC was unable to meet its match requirement in the Head Start program. Procedures should be in place that provides reasonable assurance that CEOGC complies with DHHS regulations regarding matching.

Effect

As a result of not meeting its match requirement, CEOGC was out of compliance with federal regulations and grant requirements.

Recommendation

We recommend that CEOGC continue efforts to meet their match requirements going forward.

View of Responsible Officials

CEOGC agrees with this finding and has identified additional in-kind for the 2016-2017 year and has obtained a certified appraisal for donated facilities that will allow them to achieve their matching requirement.

2016-004 EARMARKING – CHILDREN WITH DISABILITIES

Department of Health and Human Services

Head Start – CFDA #93.600, Grant #05CH8334/03, Grant period February 1, 2015 through January 31, 2016

Questioned Costs: None

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs Year Ended January 31, 2016

Section III - Federal Award Findings and Questioned Costs (Continued)

2016-004 EARMARKING – CHILDREN WITH DISABILITIES (Continued)

Criteria

During our audit, Wipfli LLP reviewed Council for Economic Opportunities in Greater Cleveland's (CEOGC) enrollment information for January 2016. Our testing included a count of head start children served with disabilities for the month of January 2016. Based on the enrollment information provided to us, CEOGC did not meet its disability requirement in the current year as indicated in the table below:

	<u>January</u>
Actual HS enrollment	2,516
Required percentage	<u>10%</u>
Required children with disabilities	266
Actual number enrolled	<u>56</u>
UNDER ENROLLED	(<u>210</u>)

CEOGC had applied for a waiver for this requirement from DHHS, however, as of the date of our report, a waiver had not been granted by DHHS.

Condition

According to 42 USC 9835(d) (The Head Start Act) *“For Fiscal Year 2009 and thereafter, not less than 10 percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities determined to be eligible for special education and related services unless a waiver has been approved by ACF.”*

Cause

CEOGC was unable to enroll enough children with disabilities in the Head Start program. Procedures should be in place that provides reasonable assurance that CEOGC complies with DHHS regulations regarding serving children with disabilities.

Effect

As a result of not reaching the required enrollment level for children with disabilities, CEOGC was not in compliance with federal regulations and grant requirements.

Recommendation

We recommend that CEOGC continue their outreach efforts and monitor the enrollment levels of children with disabilities to ensure compliance going forward.

View of Responsible Officials

CEOGC agrees with this finding and is working to increase the level of children served with disabilities.

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs Year Ended January 31, 2016

Section IV - Summary Schedule of Prior Year Findings

2015-001 EARMARKING – FUNDED ENROLLMENT

Department of Health and Human Services

Head Start – CFDA #93.600, Grant #05CH8334/03, Grant period February 1, 2014 through January 31, 2015

Questioned Costs: None

Criteria

During our audit, Wipfli LLP reviewed Council for Economic Opportunities in Greater Cleveland’s (CEOGC) enrollment information for January 2015. Based on the enrollment information provided to us, CEOGC did not maintain funded enrollment as indicated in the table below.

	<u>January</u>
Funded	3,000
Actual	<u>2,509</u>

(UNDER) ENROLLED (491)

Condition

According to 42 USC 9837(g) (The Head Start Act) “*Each Head Start agency shall enroll 100 percent of its funded enrollment and maintain an active waiting list at all times with ongoing outreach to the community and activities to identify underserved populations.*”

Cause

CEOGC was unable to enroll enough children in the Head Start program. Procedures should be in place that provides reasonable assurance that CEOGC complies with DHHS regulations regarding funded enrollment.

Effect

As a result of not ensuring that the minimum enrollment level for children was maintained, Council for Economic Opportunities in Greater Cleveland was out of compliance with federal regulations and grant requirements.

Recommendation

We recommend that CEOGC continue their outreach efforts and monitor the enrollment levels to ensure compliance going forward.

Status of Prior Year Finding

Council for Economic Opportunities in Greater Cleveland was not able attain full enrollment in the current year. See current year finding at 2016-002.