

**Council for Economic Opportunities in
Greater Cleveland**

Cleveland, Ohio

Financial Statements and Supplementary Information
Year Ended January 31, 2017

Council for Economic Opportunities in Greater Cleveland

Financial Statements and Supplementary Information
Year Ended January 31, 2017

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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, 2017, 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, 2017, 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2017, 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 26, 2017
Madison, Wisconsin

Council for Economic Opportunities in Greater Cleveland

Statement of Financial Position

January 31, 2017

<i>Assets</i>	
Current assets:	
Cash	\$ 1,666,654
Grants receivable	1,476,642
Accounts receivable	77,921
Prepaid expenses	256,734
Total current assets	3,477,951
Property and equipment, net	5,104,938
TOTAL ASSETS	\$ 8,582,889
<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 888,414
Accrued payroll and related expenses	698,748
Accrued vacation	574,149
Grant funds received in advance	951,039
Total liabilities	3,112,350
Net assets:	
Unrestricted	446,384
Temporarily restricted - Grant-funded fixed assets	5,024,155
Total net assets	5,470,539
TOTAL LIABILITIES AND NET ASSETS	\$ 8,582,889

Council for Economic Opportunities in Greater Cleveland

Statement of Activities

Year Ended January 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue:			
Grant and contract revenue	\$ 34,290,818	\$ 153,334	\$ 34,444,152
Child care service fees	705,782	0	705,782
Other income	112,431	0	112,431
Amortized rent	31,642	0	31,642
In-kind contributions	6,275,649	0	6,275,649
Net assets released from restriction through satisfaction of program restrictions	542,542	(542,542)	0
Total revenue	41,958,864	(389,208)	41,569,656
Expenses:			
Salaries/wages	16,626,778	0	16,626,778
Fringe benefits	5,852,123	0	5,852,123
Contractual	3,642,061	0	3,642,061
Travel	300,128	0	300,128
Space costs	2,438,073	0	2,438,073
Supplies/food	1,587,296	0	1,587,296
Energy and other assistance payments	2,440,548	0	2,440,548
Other	2,302,402	0	2,302,402
Depreciation expense	549,156	0	549,156
In-kind expenses	6,275,649	0	6,275,649
Total expenses	42,014,214	0	42,014,214
Change in net assets	(55,350)	(389,208)	(444,558)
Net assets - Beginning of the year	501,734	5,413,363	5,915,097
Net assets - End of the year	\$ 446,384	\$ 5,024,155	\$ 5,470,539

See accompanying notes to financial statements.

Council for Economic Opportunities in Greater Cleveland

Statement of Cash Flows Year Ended January 31, 2017

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in net assets	(\$ 444,558)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	549,156
Amortized rent	(31,642)
Changes in operating assets and liabilities:	
Grants receivable	284,891
Accounts receivable	206,208
Prepaid expenses	(107,043)
Accounts payable	(76,601)
Accrued payroll and related expenses	235,888
Accrued vacation	34,018
Grant funds received in advance	230,652
Net cash provided by operating activities	880,969
Cash flows from investing activities:	
Cash - restricted	286,113
Net cash provided by investing activities	286,113
Cash flows from financing activities:	
Bond payable principal payment	(153,333)
Repayment of loan payable	(286,113)
Net cash used in financing activities	(439,446)
Change in cash	727,636
Cash - Beginning of the year	939,018
Cash - End of the year	\$ 1,666,654
Supplemental schedule of other cash activity:	
Interest paid and expensed	\$ 4,792

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 75% 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. The in-kind recorded on the statement of activities is primarily for donated use of facilities. The valuation is based on certified appraisals of the space. In addition, CEOGC received contributions of nonprofessional volunteers during the year with a value of \$383,548 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 26, 2017, 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.

Note 3: Grants Receivable

Grants receivable of \$1,476,642 at January 31, 2017, consisted of \$1,094,125 from federal programs, \$151,863 from state programs and \$230,654 from local programs.

Note 4: Property and Equipment

A summary of property and equipment as of January 31, 2017, is as follows:

	Temporarily Restricted	Unrestricted	Totals
Buildings	\$ 9,406,916	\$ 60,942	\$ 9,467,858
Buildings renovations	1,817,310	0	1,817,310
Vehicles/equipment	1,834,013	150,082	1,984,095
Total cost	13,058,239	211,024	13,269,263
Accumulated depreciation	(8,034,084)	(130,241)	(8,164,325)
Property and equipment, net	\$ 5,024,155	\$ 80,783	\$ 5,104,938

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 5: 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, 2017, consisted of the following:

Program Title	Funding Source/ Pass-Through Entity	Program Period	Program Amount
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	09/01/16-08/31/17	111,224
HEAP Energy Assistance Program 16-HE-215	Ohio Development Services Agency	11/01/16-03/31/17	275,471
Step Up to Quality	Ohio Child Care & Referral Association	On-going	9,391
Pre-Kindergarten Classroom Start-up	Ohio Department of Education	07/16/15-06/30/16	7
Universal Pre-Kindergarten	Ohio Department of Education	01/01/17-12/31/17	248,349
Universal Pre-Kindergarten (2)	Ohio Department of Education	08/01/16-07/31/17	36,576
Update the Plate	George Gund Foundation	01/01/17-12/31/17	751
First Energy Service Contract	First Energy	01/01/17-12/31/17	125,000
Total			\$ 951,039

Note 6: Operating Lease Agreements

CEOGC leases various facilities for operation of its programs. Lease expense for the year ended January 31, 2017, was \$1,659,960. The future minimum lease obligations under these leases are as follows:

2018	\$ 1,306,009
2019	639,578
2020	638,678
2021	312,287
2022	178,000
Thereafter	895,500
Total	\$ 3,970,052

Council for Economic Opportunities in Greater Cleveland

Notes to Financial Statements

Note 7: 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, 2017, were \$1,162,869.

Note 8: Functional Classification of Expenses

The following program and supporting services are reflected in the statement of activities for the year ended January 31, 2017:

Federal, state, and local programs:

Child education	\$ 30,463,072
Community service programs	3,454,738
Energy assistance	3,475,776
Food programs	991,327
Other	212,500
<hr/> Total program activities	<hr/> 38,597,413
Management and general expenses	3,368,772
Fund-raising	48,029
<hr/> Total expenses	<hr/> \$ 42,014,214

Note 9: Grant Awards

At January 31, 2017, CEOGC had commitments under various grant awards of approximately \$6,350,000. 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, 2017

	FEDERAL PROGRAMS								
	Department of Agriculture				93.568				
	Total	Child Care Food	Child Care Food	10.558	HEAP Admin.	HEAP	HEAP	HEAP Admin.	HEAP
		Program	Program	Subtotal	Program	Energy Asst.	Summer	Program	Energy Asst.
	2015/2016	2016/2017		17-HA-115	17-HE-215	16-HC-215	16-HA-115	16-HE-215	
	(1)	(2)		(3)	(4)	(5)	(6)	(7)	
REVENUE									
Grant and Contract Revenue									
Prior year's grant funds received in advance	\$ 720,387	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 173,954	\$ 286,868	
Current year awards	34,770,616	658,031	402,475	1,060,506	645,386	1,460,000	400,270	510,000	
Funds reprogrammed	0	0	0	0	0	0	0	0	
Funds repaid/deobligated	(95,812)	0	0	0	0	0	(3,012)	(64,232)	
Grant funds received in advance	(951,039)	0	0	0	(111,224)	(275,471)	0	0	
Total grant and contract revenue	34,444,152	658,031	402,475	1,060,506	534,162	1,184,529	397,258	732,636	
Transfers	0	0	0	0	0	0	0	0	
Donations	2,512	0	0	0	0	0	0	0	
Child care service fees	705,782	0	0	0	0	0	0	0	
Other income	109,919	0	0	0	0	0	0	0	
Amortized rent	31,642	0	0	0	0	0	0	0	
In-kind contributions	6,275,649	0	0	0	0	0	0	0	
Total Revenue	41,569,656	658,031	402,475	1,060,506	534,162	1,184,529	397,258	732,636	
EXPENSES									
Salaries/wages	16,626,778	187,793	94,522	282,315	300,911	0	399,901	0	
Fringe benefits	5,852,123	91,740	21,582	113,322	75,499	0	161,950	0	
Contractual	3,642,061	0	0	0	23,652	0	13,416	0	
Travel	300,128	0	0	0	739	0	4,308	0	
Space costs/property acquisition	2,438,073	0	0	0	30,271	0	50,513	0	
Supplies/food	1,587,296	329,298	265,923	595,221	1,117	0	290	0	
Energy and other assistance payments	2,440,548	0	0	0	0	1,184,529	397,258	732,636	
Indirect costs	0	48,191	20,016	68,207	64,893	0	94,868	0	
Other	2,302,402	1,009	432	1,441	37,080	0	63,984	0	
Depreciation expense	549,156	0	0	0	0	0	0	0	
In-kind expenses	6,275,649	0	0	0	0	0	0	0	
Total Expenses	42,014,214	658,031	402,475	1,060,506	534,162	1,184,529	397,258	732,636	
Change in Net Assets	(444,558)	0	0	0	0	0	0	0	
Net assets (deficit) - Beginning of the Year	5,915,097	0	0	0	0	0	0	0	
NET ASSETS (DEFICIT) - End of the Year	\$ 5,470,539	\$ 0	\$ 0	\$ 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, 2017

	FEDERAL PROGRAMS								
	Department of Health and Human Services (DHHS)								
	93.568		93.569		93.575			93.600	
	HEAP Energy Asst. Program 15-HA-115 (8)	93.568 Subtotal	Community Services Block Grant 16-1718 (9)	Step Up to Quality III (10)	Step Up to Quality V (11)	Step Up to Quality VI (12)	Step Up to Quality VII (13)	93.575 Subtotal	Head Start 05CH8334/04 (14)
REVENUE									
Grant and Contract Revenue									
Prior year's grant funds received in advance	\$ 1,543	\$ 462,365	\$ 83,231	\$ 551	\$ 703	\$ 13,457	\$ 0	\$ 14,711	\$ 0
Current year awards	0	3,657,957	3,167,820	0	0	1,369	100,450	101,819	25,875,366
Funds reprogrammed	0	0	0	0	0	0	0	0	0
Funds repaid/deobligated	(1,543)	(95,812)	0	0	0	0	0	0	0
Grant funds received in advance	0	(386,695)	0	0	(703)	0	(8,688)	(9,391)	0
Total grant and contract revenue	0	3,637,815	3,251,051	551	0	14,826	91,762	107,139	25,875,366
Transfers	0	0	0	(551)	0	0	0	(551)	0
Donations	0	0	0	0	0	0	0	0	0
Child care service fees	0	0	0	0	0	0	0	0	705,782
Other income	0	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	0	6,659,197
Total Revenue	0	3,637,815	3,251,051	0	0	14,826	91,762	106,588	33,240,345
EXPENSES									
Salaries/wages	0	700,812	1,460,292	0	0	0	0	0	11,553,898
Fringe benefits	0	237,449	484,167	0	0	0	0	0	4,361,498
Contractual	0	37,068	157,796	0	0	0	0	0	2,842,230
Travel	0	5,047	41,409	0	0	0	0	0	175,505
Space costs/property acquisition	0	80,784	353,806	0	0	297	0	297	2,035,645
Supplies/food	0	1,407	53,833	0	0	14,529	58,061	72,590	936,019
Energy and other assistance payments	0	2,314,423	122,315	0	0	0	0	0	0
Indirect costs	0	159,761	335,225	0	0	0	0	0	2,743,814
Other	0	101,064	242,208	0	0	0	33,701	33,701	1,932,539
Depreciation expense	0	0	0	0	0	0	0	0	0
In-kind expenses	0	0	0	0	0	0	0	0	6,659,197
Total Expenses	0	3,637,815	3,251,051	0	0	14,826	91,762	106,588	33,240,345
Change in Net Assets	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
NET ASSETS (DEFICIT) - End of the Year	\$ 0	\$ 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, 2017

	FEDERAL		STATE AND LOCAL PROGRAMS						
	TOTAL FEDERAL PROGRAMS	Minority Health Month 16-54 (15)	Pre-Kindergarten Classroom Setup (PRE4CLE) (16)	Universal Pre-Kindergarten (UPK) (17)	Universal Pre-Kindergarten (UPK-2) (18)	Ohio Head Start Program IRN-77909-03/04 (19)	Dollar Fuel Fund 4 (20)	Early Childhood Education (ECE) IV (21)	Early Childhood Education (ECE) III (22)
REVENUE									
Grant and Contract Revenue									
Grant funds received in advance	\$ 560,307	\$ 0	\$ 0	\$ 13,810	\$ 0	\$ 144,270	\$ 0	\$ 0	\$ 0
Current year awards	33,863,468	2,992	5,078	351,835	168,997	0	43,424	156,621	50,981
Funds reprogrammed	0	0	0	0	0	0	0	0	0
Funds repaid/deobligated	(95,812)	0	0	0	0	0	0	0	0
Grant funds received in advance	(396,086)	0	(7)	(248,349)	(36,576)	(144,270)	0	0	0
Total grant and contract revenue	33,931,877	2,992	5,071	117,296	132,421	0	43,424	156,621	50,981
Transfers	(551)	0	0	0	0	0	(12,526)	0	0
Donations	0	0	0	0	0	0	0	0	0
Child care service fees	705,782	0	0	0	0	0	0	0	0
Other income	0	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0	0
In-kind contributions	6,659,197	0	0	0	0	0	0	0	0
Total Revenue	41,296,305	2,992	5,071	117,296	132,421	0	30,898	156,621	50,981
EXPENSES									
Salaries/wages	13,997,317	0	0	77,988	95,240	0	0	105,908	27,924
Fringe benefits	5,196,436	0	0	5,475	12,009	0	0	29,430	4,293
Contractual	3,037,094	0	0	0	0	0	5,375	0	0
Travel	221,961	0	0	0	0	0	(88)	0	0
Space costs/property acquisition	2,470,532	0	0	0	0	0	5,841	0	0
Supplies/food	1,659,070	735	4,911	3,000	108	0	10,009	0	11,161
Energy and other assistance payments	2,436,738	0	0	0	0	0	0	0	0
Indirect costs	3,307,007	0	0	14,389	18,490	0	0	21,283	7,603
Other	2,310,953	2,257	160	16,444	6,574	0	9,761	0	0
Depreciation expense	0	0	0	0	0	0	0	0	0
In-kind expenses	6,659,197	0	0	0	0	0	0	0	0
Total Expenses	41,296,305	2,992	5,071	117,296	132,421	0	30,898	156,621	50,981
Change in Net Assets									
Net assets (deficit) - Beginning of the Year	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

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule A-4

Schedule of Program Activity

Year Ended January 31, 2017

	STATE AND LOCAL PROGRAMS				OTHER				TOTAL PROGRAMS
	Temporary Assistance for Needy Families (23)	Update the Plate L. Stokes Grant (24)	First Energy Service Grant (25)	Total State and Local Programs	Grant-Funded Equipment Fund (26)	Direct Cost Pools (27)	Indirect Costs (28)	Eliminate Non-GAAP In Kind (29)	
REVENUE									
Grant and Contract Revenue									
Grant funds received in advance		\$ 2,000	\$ 0	\$ 160,080	\$ 0	\$ 0	\$ 0	\$ 0	\$ 720,387
Current year awards	2,220	0	125,000	907,148	0	0	0	0	34,770,616
Funds reprogrammed	0	0	0	0	0	0	0	0	0
Funds repaid/deobligated	0	0	0	0	0	0	0	0	(95,812)
Grant funds received in advance	0	(751)	(125,000)	(554,953)	0	0	0	0	(951,039)
Total grant and contract revenue	2,220	1,249	0	512,275	0	0	0	0	34,444,152
Transfers	0	0	0	(12,526)	0	0	0	0	(13,077)
Donations	0	0	0	0	0	0	0	0	0
Child care service fees	0	0	0	0	0	0	0	0	705,782
Other income	0	0	0	0	0	0	0	0	0
Amortized rent	0	0	0	0	0	0	0	0	0
In-kind contributions	0	0	0	0	0	0	0	(383,548)	6,275,649
Total Revenue	2,220	1,249	0	499,749	0	0	0	(383,548)	41,412,506
EXPENSES									
Salaries/wages	0	0	0	307,060	0	587,304	1,734,707	0	16,626,388
Fringe benefits	0	0	0	51,207	0	174,489	429,963	0	5,852,095
Contractual	0	0	0	5,375	0	37,351	514,041	0	3,593,861
Travel	0	0	0	(88)	0	6,313	67,102	0	295,288
Space costs/property acquisition	0	0	0	5,841	0	(290,066)	234,071	0	2,420,378
Supplies/food	0	1,109	0	31,033	0	(235,595)	124,266	0	1,578,774
Energy and other assistance payments	0	0	0	0	0	0	0	0	2,436,738
Indirect costs	0	0	0	61,765	0	0	(3,368,772)	0	0
Other	2,220	140	0	37,556	(153,334)	(279,796)	264,622	0	2,180,001
Depreciation expense	0	0	0	0	542,542	0	0	0	542,542
In-kind expenses	0	0	0	0	0	0	0	(383,548)	6,275,649
Total Expenses	2,220	1,249	0	499,749	389,208	0	0	(383,548)	41,801,714
Change in Net Assets	0	0	0	0	(389,208)	0	0	0	(389,208)
Net assets (deficit) - Beginning of the Year	0	0	0	0	5,413,363	0	0	0	5,413,363
NET ASSETS (DEFICIT) - End of the Year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,024,155	\$ 0	\$ 0	\$ 0	\$ 5,024,155

See Independent Auditor's Report.

Council for Economic Opportunities in Greater Cleveland

Schedule A-5

Schedule of Program Activity

Year Ended January 31, 2017

	CORPORATE ACTIVITY		
	Rent Holiday	Other Corporate Activity	Total Discretionary Fund Account
	(30)	(31)	
REVENUE			
Grant and Contract Revenue			
Grant funds received in advance	\$ 0	\$ 0	\$ 0
Current year awards	0	0	0
Funds reprogrammed	0	0	0
Funds repaid/deobligated	0	0	0
Grant funds received in advance	0	0	0
Total grant and contract revenue	<u>0</u>	<u>0</u>	<u>0</u>
Transfers	0	13,077	13,077
Donations	0	2,512	2,512
Child care service fees	0	0	0
Other income	0	109,919	109,919
Amortized rent	31,642	0	31,642
In-kind contributions	0	0	0
Total Revenue	<u>31,642</u>	<u>125,508</u>	<u>157,150</u>
EXPENSES			
Salaries/wages	0	390	390
Fringe benefits	0	28	28
Contractual	0	48,200	48,200
Travel	0	4,840	4,840
Space costs/property acquisition	0	17,695	17,695
Supplies/food	0	8,522	8,522
Energy and other assistance payments	0	3,810	3,810
Indirect costs	0	0	0
Other	0	122,401	122,401
Depreciation expense	0	6,614	6,614
In-kind expenses	0	0	0
Total Expenses	<u>0</u>	<u>212,500</u>	<u>212,500</u>
Change in Net Assets	31,642	(86,992)	(55,350)
Net assets (deficit) - Beginning of the Year	(31,642)	533,376	501,734
NET ASSETS (DEFICIT) - End of the Year	<u>\$ 0</u>	<u>\$ 446,384</u>	<u>\$ 446,384</u>

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, 2017

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	\$ 658,031
(2) Child and Adult Care Food Program	10.558	IRN-077909	10/01/16-09/30/17	0	402,475
Total Federal Expenditures CFDA 10.558				0	1,060,506
TOTAL U.S. DEPARTMENT OF AGRICULTURE PROGRAMS				0	1,060,506
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Passed through Ohio Development Services Agency					
(3) HEAP Administrative Program	93.568	17-HA-115	09/01/16-08/31/17	0	534,162
(4) HEAP Energy Assistance Program	93.568	17-HE-215	11/01/16-03/31/17	0	1,184,529
(5) HEAP Summer Cooling	93.568	16-HC-215	07/01/15-08/31/16	0	397,258
(6) HEAP Administrative Program	93.568	16-HA-115	09/01/15-08/31/16	0	789,230
(7) HEAP Energy Assistance Program	93.568	16-HE-115	11/01/15-03/31/16		732,636
(8) HEAP Administrative Program	93.568	15-HE-215	Ended in Prior Year	0	0
Total Federal Expenditures CFDA 93.568				0	3,637,815
Passed through Ohio Development Services Agency					
(9) Community Services Block Grant	93.569	16-1718	01/01/16-12/31/17	0	3,251,051
Total Federal Expenditures CFDA 93.569				0	3,251,051
Passed through Ohio Child Care Resource and Referral Association					
(10) Step Up to Quality III	93.575	N/A	Ongoing	0	551
(11) Step Up to Quality V	93.575	N/A	Ongoing	0	0
(12) Step Up to Quality VI	93.575	N/A	Ongoing	0	14,826
(13) Step Up to Quality VII	93.575	N/A	Ongoing	0	91,762
Total Federal Expenditures CFDA 93.575				0	107,139
Total Federal Expenditures - CCDF Cluster - CFDA 93.575 and 93.596				0	107,139
Direct Funding					
(14) Head Start/Early Head Start Program	93.600	05CH8334/04	02/01/16-01/31/17	0	25,875,366
Total Federal Expenditures CFDA 93.600				0	25,875,366
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				0	32,871,371
TOTAL FEDERAL EXPENDITURES				\$ 0	\$ 33,931,877

STATE AND LOCAL PROGRAMS

Passed through Commission on Minority Health

(15) Minority Health Month N/A 16-54 09/18/15-04/30/16

Passed through Ohio Department of Education

(16) Pre-Kindergarten Classroom Start-up N/A N/A 07/16/15-06/15/16
 (17) Universal Pre-Kindergarten N/A N/A 08/01/15-07/31/16
 (18) Universal Pre-Kindergarten 2 N/A N/A 08/01/16-07/31/17
 (19) Ohio Head Start Program N/A IRN-77909-03/04 Ended in Prior Year

Council for Economic Opportunities in Greater Cleveland

Schedule B-2

Schedule of Expenditures of Federal Awards and List of Programs

Year Ended January 31, 2017

STATE AND LOCAL PROGRAMS (Continued)

Passed through First Energy

(20)	Dollar Fuel Fund IV	N/A	N/A	01/01/16-12/31/16
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Passed through Early Childhood

(21)	Early Childhood Education IV	N/A	N/A	11/01/16-06/30/17
(22)	Early Childhood Education III	N/A	N/A	10/01/15-06/30/16

Passed through Ohio Association of Community Action Agencies

(23)	Temporary Assistance for Needy Families	N/A	N/A	06/01/15-06/31/16
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Passed through George Gund Foundation

(24)	Update the Plate - L. Stokes Grant	N/A	N/A	01/01/16-12/31/17
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Passed through First Energy Company

(25)	First Energy Service Grant	N/A	N/A	Ongoing
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	Federal Grantor / Pass-Through Grantor / Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Program Year
OTHER PROGRAM ACTIVITY				
(26)	Grant-Funded Equipment Fund	N/A	N/A	Ongoing
(27)	Direct Cost Pool	N/A	N/A	Ongoing
(28)	Indirect Direct Cost	N/A	N/A	Ongoing
(29)	Eliminate Non-GAAP In Kind	N/A	N/A	Ongoing
(30)	Rental Holiday	N/A	N/A	Ongoing
(31)	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, 2017. 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.

Note 3 - Indirect Cost

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, 2017, 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 26, 2017.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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.

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, slightly slanted style.

Wipfli LLP

October 26, 2017
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 each of its major federal programs for the year ended January 31, 2017. Council for Economic Opportunities in Greater Cleveland's major federal programs are 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.

Opinion

In our opinion, 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 each of its major federal programs for the year ended January 31, 2017.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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

October 26, 2017
Madison, Wisconsin

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2017

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?	No

Federal Awards

Internal control over major federal and state programs:	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for major program	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]?	Yes

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 Health and Human Services**

Low-income Home Energy Assistance Program (LIHEAP)	93.568
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Community Services Block Grant (CSBG)	93.569
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Head Start Program	93.600
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Dollar threshold used to distinguish between Type A and Type B programs:	\$1,017,956
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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, 2017

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

2017-001 EARMARKING – FUNDED ENROLLMENT

Department of Health and Human Services

Head Start – CFDA #93.600, Grant #05CH8334/04, Grant period February 1, 2016 through January 31, 2017

Questioned Costs: None

Criteria

During our audit, Wipfli LLP reviewed Council for Economic Opportunities in Greater Cleveland’s (CEOGC) enrollment information for January 2017. Our testing included a count of all the children served under the Head Start program for the month of February 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>Head Start February</u>	<u>Early Head Start February</u>	<u>Total</u>
Funded enrollment	2,869	188	3,057
Actual enrollment	<u>2,436</u>	<u>140</u>	<u>2,576</u>
Under Enrolled	<u>(433)</u>	<u>(48)</u>	<u>(481)</u>

This is a repeat finding, it was reported in the prior 4 audits as Finding 2016-002, 2015-001, 2014-001, 2013-001.

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.

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2017

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

2017-001 EARMARKING – FUNDED ENROLLMENT (Continued)

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.

Section IV - Summary Schedule of Prior Year 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."

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2017

Section IV - Summary Schedule of Prior Year Findings (Continued)

2016-001 ALLOWABLE COSTS – EQUIPMENT (Continued)

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.

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.

Status of Prior Year Finding

We did not identify any similar transactions in the current year. HHS has not requested that Council for Economic Opportunities in Greater Cleveland repay the above funds.

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. Based on the enrollment information provided to us, CEOGC did not maintain funded enrollment as indicated in the table below.

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

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2017

Section IV - Summary Schedule of Prior Year Findings (Continued)

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, 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 2017-001.

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.

Council for Economic Opportunities in Greater Cleveland

Schedule of Findings and Questioned Costs
Year Ended January 31, 2017

Section IV - Summary Schedule of Prior Year Findings (Continued)

2016-003 MATCHING (Continued)

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.

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.

Status of Prior Year Finding

The finding has been resolved. Council for Economic Opportunities in Greater Cleveland was able to meet their required match in the current year.

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, 2017

Section IV - Summary Schedule of Prior Year Findings (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 is 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.

Status of Prior Year Finding

The finding has been resolved. Council for Economic Opportunities in Greater Cleveland was able to obtain a waiver for the current year.