



East Coast Migrant
Head Start Project

FINANCIAL STATEMENTS

December 31, 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Coast Migrant Head Start Project
Raleigh, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of East Coast Migrant Head Start Project (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Coast Migrant Head Start Project as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management 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 of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about East Coast

Migrant Head Start Project's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of East Coast Migrant Head Start Project's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about East Coast Migrant Head Start Project's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2024 on our consideration of the East Coast Migrant Head Start Project's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the East Coast Migrant Head Start Project's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Coast Migrant Head Start Project's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
September 19, 2024

**East Coast Migrant Head Start Project
Statement of Financial Position**

December 31,

2023

Assets

Current assets

| | |
|-----------------------------------|--------------|
| Cash and cash equivalents | \$ 1,336,052 |
| Grants receivable - DHHS | 2,088,014 |
| Grants receivable - USDA | 271,747 |
| Other receivables | 795 |
| Prepaid expenses and other assets | 926,302 |

Total current assets 4,622,910

Non-current assets

| | |
|--|------------|
| Property and equipment, net | 17,788,191 |
| Operating lease right of use assets, net | 8,166,788 |

Total non-current assets 25,954,979

Total assets \$ 30,577,889

Liabilities and Net Assets

Current liabilities

| | |
|--|--------------|
| Accounts payable | \$ 1,219,410 |
| Accrued liabilities | 1,737,087 |
| Due to sub-recipient agencies | 309,877 |
| Current portion of operating lease liabilities | 2,050,418 |

Total current liabilities 5,316,792

Long-term liabilities

| | |
|---|-----------|
| Operating lease liabilities, less current portion | 5,639,761 |
|---|-----------|

Total liabilities 10,956,553

Net assets

| | |
|----------------------------|------------|
| Without donor restrictions | 19,621,336 |
| With donor restrictions | - |

Total net assets 19,621,336

Total liabilities and net assets \$ 30,577,889

The accompanying notes are an integral part of these financial statements.

**East Coast Migrant Head Start Project
Statement of Activities**

| <i>For the year ended December 31,</i> | Without Donor Restrictions | With Donor Restrictions | 2023 Total |
|--|-------------------------------|----------------------------|-----------------------|
| Revenue and Other Support | | | |
| Grants - DHHS | \$ 81,209,602 | \$ - | \$ 81,209,602 |
| In-kind contributions | 2,615,059 | - | 2,615,059 |
| Grants - USDA | 1,428,084 | - | 1,428,084 |
| Program income | 232,677 | - | 232,677 |
| Grants - state | 150,862 | - | 150,862 |
| Grants - other | 194,849 | - | 194,849 |
| Contributions | 60,699 | - | 60,699 |
| Other income | 147,968 | - | 147,968 |
| Total revenue and other support | 86,039,800 | - | 86,039,800 |
| Expenses | | | |
| <i>Program services</i> | | | |
| Head Start and other program services | 68,789,547 | - | 68,789,547 |
| Training and technical assistance | 1,062,733 | - | 1,062,733 |
| Total program services | 69,852,280 | - | 69,852,280 |
| <i>Supporting services</i> | | | |
| General and administrative | 12,029,524 | - | 12,029,524 |
| Total expenses | 81,881,804 | - | 81,881,804 |
| Change in net assets | 4,157,996 | - | 4,157,996 |
| Net assets at beginning of year | 15,463,340 | - | 15,463,340 |
| Net assets at end of year | \$ 19,621,336 | \$ - | \$ 19,621,336 |

The accompanying notes are an integral part of these financial statements.

East Coast Migrant Head Start Project Statement of Functional Expenses

For the years ended December 31,

| | Program Services | | Supporting Services | | 2023 Total |
|-----------------------------------|---|---|---------------------------------|-------------------------------|----------------------|
| | Head Start and Other Program Services | Training and Technical Assistance | Program Services Subtotal | General and Administrative | |
| Salaries and benefits | \$ 45,860,600 | \$ 513,130 | \$ 46,373,730 | \$ 4,619,545 | \$ 50,993,275 |
| Sub-recipient agencies | 4,747,979 | - | 4,747,979 | 476,427 | 5,224,406 |
| Rent/utilities | 283,469 | - | 283,469 | 647,403 | 930,872 |
| Office supplies | 384,406 | 15 | 384,421 | 242,495 | 626,916 |
| Facility repairs and maintenance | 4,103,377 | - | 4,103,377 | 265 | 4,103,642 |
| Food service supplies | 1,400,739 | 29,686 | 1,430,425 | 29,954 | 1,460,379 |
| Miscellaneous | 2,366,263 | 70,199 | 2,436,462 | 646,783 | 3,083,245 |
| Classroom supplies | 1,732,656 | 519 | 1,733,175 | 14,794 | 1,747,969 |
| Depreciation and amortization | - | - | - | 3,346,777 | 3,346,777 |
| Vehicle repairs and maintenance | 1,098,569 | - | 1,098,569 | - | 1,098,569 |
| Travel/transportation | 1,910,738 | 290,622 | 2,201,360 | 397,900 | 2,599,260 |
| In-kind contributions | 2,607,289 | - | 2,607,289 | 7,770 | 2,615,059 |
| Communications | 540,885 | - | 540,885 | 47,554 | 588,439 |
| Insurance | 597 | - | 597 | 743,077 | 743,674 |
| Professional fees | 285,986 | - | 285,986 | 436,811 | 722,797 |
| Relocation | 785,622 | 252 | 785,874 | 1,000 | 786,874 |
| Training and staff development | 196,482 | 156,720 | 353,202 | 119,225 | 472,427 |
| Board of Directors/policy council | 135,879 | 35 | 135,914 | 155,535 | 291,449 |
| Equipment rental | 9,592 | - | 9,592 | 9,477 | 19,069 |
| Temporary staffing | 51 | - | 51 | 42,753 | 42,804 |
| Taxes | 74,841 | 805 | 75,646 | 10,947 | 86,593 |
| Equipment expense | 140,598 | - | 140,598 | 185 | 140,783 |
| Medical services | 122,929 | 750 | 123,679 | 32,847 | 156,526 |
| Total | \$ 68,789,547 | \$ 1,062,733 | \$ 69,852,280 | \$ 12,029,524 | \$ 81,881,804 |

The accompanying notes are an integral part of these financial statements.

East Coast Migrant Head Start Project Statement of Cash Flows

| <i>For the year ended December 31,</i> | 2023 |
|--|---------------------|
| Operating Activities | |
| Change in net assets | \$ 4,157,996 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities | |
| Depreciation | 1,138,231 |
| Amortization of right-of-use assets | 2,208,546 |
| Changes in operating assets and liabilities | |
| Grants receivable - DHHS | (2,079,614) |
| Grants receivable - USDA | (81,843) |
| Other receivables | 15,048 |
| Prepaid expenses and other assets | (456,217) |
| Accounts payable | 333,737 |
| Accrued liabilities | 206,926 |
| Due to sub-recipient agencies | (18,652) |
| Deferred revenue | (113,549) |
| Operating lease liability | (2,878,400) |
| Net cash provided by (used in) operating activities | 2,432,209 |
| Investing Activities | |
| Purchase of property and equipment | (2,272,772) |
| Proceeds from sale of property and equipment | 132,531 |
| Net cash provided by (used in) investing activities | (2,140,241) |
| Net change in cash and cash equivalents | 291,968 |
| Cash and cash equivalents at beginning of year | 1,044,084 |
| Cash and cash equivalents at end of year | \$ 1,336,052 |

| <i>For the year ended December 31,</i> | 2023 |
|--|--------------|
| Schedule of Noncash Transactions | |
| Lease liabilities arising from obtaining right-of-use assets | |
| Operating leases | \$ 1,758,405 |

| <i>For the year ended December 31,</i> | 2023 |
|--|-------------|
| Schedule of Certain Cash Flow Information | |
| Cash paid for interest | \$ 966 |

The accompanying notes are an integral part of these financial statements.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 1: DESCRIPTION OF THE ORGANIZATION

Organization

The East Coast Migrant Head Start Project (ECMHSP) was organized in 1974, by the Leadership Conference of Women's Religious to receive funds from the U.S. Department of Health and Human Services (DHHS), Office of Child Development. These federal funds were awarded to provide high quality and comprehensive Head Start services to the children of migrant farm workers. On September 23, 1981, ECMHSP was separately incorporated under the laws of the Commonwealth of Virginia. ECMHSP began operating as a nonprofit corporation independent of the Leadership Conference of Women's Religious on or about February 1, 1982.

For the fiscal year January 1, 2023, through December 31, 2023 (FY 2023), ECMHSP's primary source of revenue and support is through a Head Start grant award from DHHS, Administration for Children & Families (ACF), Office of Head Start. For FY 2023, ECMHSP provided high-quality and comprehensive Head Start services to agricultural worker children and families in educational campuses operated in ten states: Florida, Alabama, Georgia, South Carolina, North Carolina, Virginia, Pennsylvania, New Jersey, Indiana, and Oklahoma. The vast majority of these agricultural worker children and families were served directly by ECMHSP. However, in Pennsylvania and New Jersey, a total of six educational campuses were operated by two sub-recipient agencies: PathStone Corporation and Benedictine Sisters of Erie, PA.

Sub-recipient Agencies

ECMHSP has contracted with sub-recipient agencies to operate Head Start centers, providing continuity of the Head Start programs to children of migrant and seasonal farmworkers during the harvest season, while the workers and their families are moving up and down the East Coast of the United States. The sub-recipient centers are located in Pennsylvania and New Jersey.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Grants Receivable

Grants receivable represents pending reimbursements of program expenses incurred as of December 31, 2023, both billed and unbilled, and expected to be received from the funding sources in the subsequent year. Management considers receivables at December 31, 2023, to be fully collectible. Accordingly, no allowance for delinquent grants receivable was made in the accompanying financial statement.

Other Receivables

Other receivables represents monies owed from other funds, local monies, and miscellaneous receivables owed as of December 31, 2023, and expected to be received in the subsequent period. Management considers other receivables at December 31, 2023, to be fully collectible. Accordingly, no allowance for other receivables was made in the accompanying financial statements.

Property and Equipment

All acquisitions of property and equipment in excess of \$5,000 and all expenditures for maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Repairs and maintenance are expensed as incurred. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method.

Fixed assets purchased with federal funds are reported to the grantors as program expenses in the period purchased in order to obtain reimbursement under grant agreements. For financial reporting, these assets, with an initial cost over \$5,000, are capitalized at cost and depreciated on the straight-line basis over the estimated useful lives of the assets. Although grantor agencies may hold a reversionary interest in these assets, title rests with ECMHSP.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

ECMHSP leases space, vehicles, and equipment. ECMHSP determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities in the statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, ECMHSP uses a risk-free discount rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that ECMHSP will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of ECMHSP, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature, such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Program service fees and payments under cost-reimbursable contracts are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606), recognizing revenue when performance obligations under the terms of the contracts with customers are satisfied. Prior to the adoption of ASC 606, ECMHSP recognized revenue when persuasive evidence of an arrangement existed, delivery of products had occurred, the sales price was fixed or determinable and collectability was reasonably assured.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the conditions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as net assets without donor restrictions.

ECMHSP also receives funding from federal grants and contracts, which are conditioned upon certain performance requirements and/or occurrence of allowable qualifying expenses. Revenues are recognized when ECMHSP performs the contracted services or incurs expenditures in compliance with specific contract or grant provisions. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The funding for ECMHSP's operations is significantly dependent on the receipt of federal grants. It is always considered reasonably possible that a customer, grantor, or contributor will be lost in the near term. ECMHSP is awarded grant funds in five-year project periods. The Organization is in year five of the current award as of December 31, 2023.

Donated Assets

Donated investments and other noncash donations are recorded as contributions at their fair values at the date of donation.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by ECMHSP. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services that benefit from the costs based on an actual usage and percentage of resources devoted to aspects of ECMHSP's operations. General and administrative expenses include those expenses that provide for the overall support and direction of ECMHSP.

Advertising

ECMHSP uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During the year ended December 31, 2023, advertising costs were immaterial.

Income Taxes

ECMHSP has been granted an exemption from income taxes under Internal Revenue Code Section 501(c)(3) as a non-profit corporation. As required by Internal Revenue Service regulations, ECMHSP annually files Form 990 "Return of Agency Exempt from Income Tax" with the Internal Revenue Service.

ECMHSP's policy is to record interest and penalties related to taxes in interest expense on the financial statement; however, ECMHSP did not have any interest or penalties related to taxes in fiscal year 2023.

ECMHSP utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2023, ECMHSP has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 19, 2024. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements. There were no subsequent events to disclose.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

ECMHSP maintains its financial assets primarily in cash and cash equivalents to provide liquidity to ensure funds are available as ECMHSP's expenditures come due. The following reflects ECMHSP's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

| <i>December 31,</i> | <i>2023</i> |
|---|---------------|
| Total assets at year end | \$ 30,577,889 |
| Less non-financial assets | |
| Prepaid expenses and other assets | 926,302 |
| Property and equipment, net | 17,788,191 |
| Operating lease right-of-use assets, net | 8,166,788 |
| Financial assets at year-end | 3,696,608 |
| Less those not available for general expenditures within one year, due to contractual or donor-imposed restrictions | |
| Restricted by donor with time or purpose restrictions | - |
| Financial assets available to meet cash needs for general expenditures within one year | \$ 3,696,608 |

ECMHSP is principally supported by its grants and fees charged for the services it provides. Cash required for operating needs and contractual commitments is drawn-down from the grantor to meet current commitments. The funds are available within a day of the request for payment.

ECMHSP manages its liquidity and reserves following three guiding principles: Operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The entity forecasts its future cash flows and monitors liquidity on a regular basis.

Note 4: GRANTS RECEIVABLE

Grants receivable consist of the following:

| <i>December 31,</i> | <i>2023</i> |
|--|--------------|
| Department of Health and Human Services - Head Start | \$ 2,088,014 |
| U.S. Department of Agriculture | 271,747 |
| Total grants receivable | \$ 2,359,761 |

East Coast Migrant Head Start Project Notes to Financial Statements

Note 5: PROPERTY AND EQUIPMENT

The components of property and equipment at December 31, 2023, is as follows:

| | Estimated Useful Lives (in years) | 2023 |
|-----------------------------------|--------------------------------------|---------------|
| Building and related improvements | 30 and 10 | \$ 22,954,766 |
| Furniture, fixtures and equipment | 5 | 893,923 |
| Vehicles | 5 | 5,882,352 |
| | | 29,731,041 |
| Less accumulated depreciation | | (13,831,576) |
| | | 15,899,465 |
| Construction in progress | | 1,419,738 |
| Land | | 468,988 |
| | | 1,888,726 |
| Property and equipment, net | | \$ 17,788,191 |

Depreciation expense for the year ended December 31, 2023, amounted to \$1,138,231.

Note 6: LEASES

The Organization has operating leases for space, equipment, and vehicles. The leases have remaining lease terms of 1 to 13 years, some of which may include options to extend the leases, which management are not reasonably certain of exercise.

The components of lease expense were as follows:

| <i>For the year ended December 31,</i> | 2023 |
|--|--------------|
| Operating lease cost | \$ 2,113,577 |

Weighted average remaining lease term and discount rates consist of the following:

| <i>For the year ended December 31,</i> | 2023 |
|--|------------|
| Weighted average remaining lease term | |
| Operating leases | 2.75 years |
| Weighted average discount rate | |
| Operating leases | 2.10% |

**East Coast Migrant Head Start Project
Notes to Financial Statements**

Note 6: LEASES (Continued)

Future minimum lease payments under non-cancellable leases as of December 31, 2023 were as follows:

For the years ending December 31,

| | |
|-------------------------------------|--------------|
| 2024 | \$ 2,050,418 |
| 2025 | 1,587,851 |
| 2026 | 1,558,314 |
| 2027 | 1,343,507 |
| 2028 | 885,301 |
| Thereafter | 434,846 |
| <hr/> | |
| Total future minimum lease payments | 7,860,237 |
| Less imputed interest | (170,058) |
| <hr/> | |
| Present value of lease liabilities | \$ 7,690,179 |
| <hr/> | |

Note 7: ACCRUED LIABILITIES

Accrued liabilities at December 31, 2023 consists of the following:

| <i>December 31,</i> | 2023 |
|---------------------------------|--------------|
| Payroll and related liabilities | \$ 1,415,056 |
| Vacation leave | 322,031 |
| <hr/> | |
| Total accrued liabilities | \$ 1,737,087 |
| <hr/> | |

Note 8: DUE TO SUB-RECIPIENTS

Due to sub-recipients at December 31, 2023 consists of the following:

| <i>December 31,</i> | 2023 |
|----------------------------------|------------|
| Pathstone, Inc, (NJ/PA) | \$ 247,022 |
| Benedictine Sisters of Erie (PA) | 62,855 |
| <hr/> | |
| Total due to sub-recipients | \$ 309,877 |
| <hr/> | |

East Coast Migrant Head Start Project Notes to Financial Statements

Note 9: IN-KIND REVENUES

Donations for the Head Start grant were as follows:

| <i>December 31,</i> | 2023 |
|---|---------------------|
| Program supplies | \$ 161,162 |
| Professional services | 192,252 |
| Facilities | 2,261,645 |
| In-kind contributions reflected in statement of activities | 2,615,059 |
| Nonprofessional services | 3,143,542 |
| Total in-kind contributions | \$ 5,758,601 |

The program supplies category includes donations of classroom material and supplies.

The professional services category includes the services of attorneys, speech therapists, dentists, and doctors.

Facilities is comprised of land and building space and is needed to operate the programs administered by ECMHSP. The revenue is calculated based on estimated fair market rental values of space used.

ECMHSP also receives support from volunteers and other local agencies and individuals whose contributions do not meet the criteria for recognition as stated in Note 2. Therefore, the value of these contributions is not included in the financial statements.

Note 10: CONCENTRATIONS OF CREDIT RISK

Cash

The provisions of FASB ASC 825-10-50-21, Financial Instruments, identify deposits in excess of federally insured limits as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At times, ECMHSP has on deposit funds in excess of the FDIC maximum coverage of \$250,000. ECMHSP manages these risks by maintaining all deposits in high quality financial institutions.

Funding

The U.S. Department of Health and Human Services provided approximately 94% of ECMHSP's grant revenues for fiscal year 2023.

East Coast Migrant Head Start Project Notes to Financial Statements

Note 11: CONTINGENCIES

ECMHSP relies on funding from federal sources. Discontinuation of, or a significant reduction in the level of this funding would directly impact ECMHSP's activities and programs.

At times, ECMHSP is involved in litigation and claims arising in the ordinary course of business. In the opinion of legal counsel, the range of potential recoveries or liabilities in excess of insurance coverage, if any, is not reasonably determinable and no loss contingencies have been recorded.

Note 12: RETIREMENT PLAN

ECMHSP has a 403(b) plan that covers substantially all employees who meet eligibility requirements. ECMHSP contributes to the plan based on a percentage of gross wages paid and a discretionary match of 5%. ECMHSP's contribution to the retirement savings plan for year ended December 31, 2023, including match funds, was \$2,817,811.

Note 13: LINE OF CREDIT

ECMHSP has a \$1,000,000 revolving line of credit, of which \$1,000,000, was unused at December 31, 2023. Accrued interest is payable monthly and outstanding principal is due in full at the date of maturity. The note carries an interest rate equal to the sum of the Daily LIBOR Rate plus 225 basis points (2.25%). The line of credit is secured by substantially all assets of ECMHSP.

East Coast Migrant Head Start Project Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2023

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance Listing Number | Pass-Through Grantor No. | Passed Through to Subrecipients | Expenditures |
|---|---------------------------------|-----------------------------|------------------------------------|-------------------|
| U.S. Department of Health and Human Services | | | | |
| Direct programs | | | | |
| Head Start Grant No. 90CM009839-03 | 93.600 | N/A | \$ - | \$ (5,673) |
| Head Start Grant No. 90CM009839-04 | 93.600 | N/A | 4,526,423 | 68,186,655 |
| Head Start Grant No. 90CM009839-05 | 93.600 | N/A | 697,983 | 9,623,762 |
| COVID-19 -ARPA Head Start Grant No. 90HN000013-05-C6 | 93.600 | N/A | - | 531,691 |
| COVID-19 -CRRSA Head Start Grant No. 90HN000013-05-C5 | 93.600 | N/A | - | (767) |
| COVID-19 -CRRSA Head Start Grant No. 90HN000013-05-C3 | 93.600 | N/A | - | 171,596 |
| Head Start Grant No. 90WM000024-01 | 93.600 | N/A | - | 484,571 |
| Total Head Start Cluster/Subtotal for 93.600 | | | 5,224,406 | 78,991,835 |
| Total U.S. Department of Health and Human Services | | | 5,224,406 | 78,991,835 |
| U.S. Department of Agriculture | | | | |
| Passed through State of Florida | | | | |
| Department of Health and Human Services | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | S-83 | - | 900,001 |
| Passed through State of North Carolina | | | | |
| Department of Health and Human Services | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | 6705 | - | 231,299 |
| Passed through State of South Carolina | | | | |
| Department of Social Services | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | 195SC329N2020 | - | 15,693 |
| Passed through State of Indiana | | | | |
| Department of Education | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | 1930020 | - | 23,161 |
| Passed through State of Oklahoma | | | | |
| Department of Education | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | DC-11-129 | - | 17,845 |
| Passed through State of Virginia | | | | |
| Department of Health | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | 10444 | - | 25,459 |
| Passed through State of Alabama | | | | |
| Department of Education | | | | |
| Child and Adult Care Food Program (CACFP) | 10.558 | APN-000 | - | 101,077 |

-Continued-

**East Coast Migrant Head Start Project
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended December 31, 2023**

| Federal Grantor/Pass-Through Grantor/Program Title | Assistance | | Passed Through to Subrecipients | Expenditures |
|---|-------------------|-----------------------------|------------------------------------|----------------------|
| | Listing Number | Pass-Through Grantor No. | | |
| Passed through State of Florida | | | | |
| Department of Health and Human Services | | | | |
| COVID-19 Child and Adult Care Food Program (CACFP) | 10.558 | COVID-19 S-83 | - | 99,004 |
| Passed through State of South Carolina | | | | |
| Department of Social Services | | COVID-19 | | |
| COVID-19 Child and Adult Care Food Program (CACFP) | 10.558 | 195SC329N2020 | - | 1,345 |
| Passed through State of Virginia | | | | |
| Department of Health | | | | |
| COVID-19 Child and Adult Care Food Program (CACFP) | 10.558 | COVID-19 10444 | - | 617 |
| Passed through State of Alabama | | | | |
| Department of Education | | COVID-19 | | |
| COVID-19 Child and Adult Care Food Program (CACFP) | 10.558 | APN-000 | - | 12,583 |
| Total U.S. Department of Agriculture | | | - | 1,428,084 |
| Total Federal Expenditures | | | \$ 5,224,406 | \$ 80,419,919 |

East Coast Migrant Head Start Project Notes to Schedule of Expenditures of Federal Awards

Note 1: BASIS OF ACCOUNTING

This accompanying Schedule of Expenditures of Federal Awards (the "Schedule") was prepared on the modified accrual basis of accounting. The modified accrual basis differs from the full accrual basis of accounting in that expenditures for property, and equipment are expensed when incurred, rather than being capitalized and depreciated over their useful lives, and expenditures for the principal portion of debt service are expensed when incurred rather than being applied to reduce the outstanding principal portion of debt which conforms to the basis of reporting to grantors for reimbursement under the terms of ECMHSP's federal grants.

Note 2: INDIRECT COST

ECMHSP has not elected to use the 10% de Minimis indirect cost rate for the fiscal year ended December 31, 2023.

Note 3: BASIS OF PRESENTATION

The amounts reported in the Schedule were obtained from ECMHSP's general ledger. Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets and cash flows of ECMHSP.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly with the federal government and other pass-through entities. Payments received for goods or services provided as a vendor do not constitute federal awards for purposes of the Schedule. ECMHSP has obtained Assistance Listing Numbers (ALN) to ensure that all programs have been identified in the Schedule. ALN's have been appropriately listed by applicable programs. Federal programs with different ALN's that are closely related because they share common compliance requirements are defined as a cluster by the Uniform Guidance. One cluster was identified in the schedule as follows:

Head Start Cluster

This cluster provides awards to promote school readiness of low-income children (including American Indians, Alaska Natives, and migrant and seasonal farm workers) by enhancing children's cognitive, social and emotional development.

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS

The amounts reflected in the financial reports submitted to the awarding federal and/or pass-through agencies and the Schedule may differ. Some of the factors that may account for any difference include the following:

East Coast Migrant Head Start Project Notes to Schedule of Expenditures of Federal Awards

Note 4: RELATIONSHIP OF THE SCHEDULE TO PROGRAM FINANCIAL REPORTS (Continued)

- ECMHSP's fiscal year end may differ from the programs year-end.
- Accruals recognized in the Schedule, because of year-end procedures, may not be reported in the program financial reports until the next program-reporting period.
- Fixed asset purchases and the resultant depreciation charges may be recognized as fixed assets in ECMHSP's financial statements and as expenditures in the program financial reports and the Schedule.

Note 5: FEDERAL AND STATE PASS-THROUGH FUNDS

ECMSHP is also the sub-recipient of federal and state funds that have been subjected to testing and are reported as expenditures and listed as federal or state pass-through funds. Federal awards other than those indicated as "pass-through" are considered direct.

Note 6: CONTINGENCIES

Grant monies received and disbursed by ECMHSP are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. ECMHSP does not believe that such disallowance, if any, would have a material effect on its financial position. As of December 31, 2023, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

Note 7: NONCASH ASSISTANCE

ECMHSP did not receive any federal noncash assistance for the fiscal year ended December 31, 2023.

Note 8: SUBRECIPIENTS

ECMHSP provided federal funds to sub-recipients under ALN 93.600, totaling \$5,224,406, for the year ended December 31, 2023.

Note 9: LOANS AND LOAN GUARANTEES

ECMHSP did not have any loans or loan guarantee programs required to be reported on the Schedule for the fiscal year ending December 31, 2023.

Note 10: FEDERALLY FUNDED INSURANCE

ECMHSP did not have any federally funded insurance required to be reported on the Schedule for the fiscal year ending December 31, 2023.

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

Board of Directors
East Coast Migrant Head Start Project
Raleigh, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of East Coast Migrant Head Start Project (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Coast Migrant Head Start Project’s internal control over financial reporting (internal control) as a basis for designing 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 East Coast Migrant Head Start Project’s internal control. Accordingly, we do not express an opinion on the effectiveness of the East Coast Migrant Head Start Project’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 a 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Coast Migrant Head Start Project's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Carr, Riggs & Ingram, L.L.C.
CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
September 19, 2024

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
East Coast Migrant Head Start Project
Raleigh, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited East Coast Migrant Head Start Project’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of East Coast Migrant Head Start Project’s major federal programs for the year ended December 31, 2023. East Coast Migrant Head Start Project’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, East Coast Migrant Head Start Project 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 December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding East Coast Migrant Head Start Project's compliance with the compliance requirements referred to above and performing such other procedures, as we considered necessary in the circumstances.
- Obtain an understanding of East Coast Migrant Head Start Project's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of East Coast Migrant Head Start Project's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

CARR, RIGGS & INGRAM, L.L.C.

Enterprise, Alabama
September 19, 2024

East Coast Migrant Head Start Project Schedule Findings and Questioned Costs

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Type of auditor's report issued on compliance for major programs | Unmodified |
| 2. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? | No |
| 4. Identification of major programs | |

Assistance Listing

| Number | Federal Program |
|--------|--------------------|
| 93.600 | Head Start Cluster |

- | | |
|--|-------------|
| 5. Dollar threshold used to distinguish between type A and type B programs | \$2,412,598 |
| 6. Auditee qualified as low-risk under 2CFR 200.520 | Yes |

Section II – Financial Statement Findings

There are no findings to report.

Section III – Federal Award Findings and Questioned Costs

There are no findings to report.

**East Coast Migrant Head Start Project
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023**

There were no audit findings reported in the prior year.