

**Higher Horizons Day Care Center,  
Inc.**

Falls Church, Virginia

Financial Statements and Supplementary Information

Year Ended June 30, 2016

# Higher Horizons Day Care Center, Inc.

Financial Statements and Supplementary Information  
Year Ended June 30, 2016

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## **Independent Auditor's Report**

Board of Directors  
Higher Horizons Day Care Center, Inc.  
Falls Church, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Higher Horizons Day Care Center, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses 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 Higher Horizons Day Care Center, Inc. as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

## Other Matters

### *Other Information*

Our audit was performed 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 the 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. 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 December 15, 2016, on our consideration of Higher Horizons Day Care Center, Inc.'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 Higher Horizons Day Care Center, Inc.'s internal control over financial reporting and compliance.

  
Wipfli LLP

December 15, 2016  
Madison, Wisconsin

# Higher Horizons Day Care Center, Inc.

## Statement of Financial Position

June 30, 2016

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<i>Assets</i>	
Current assets:	
Cash	\$ 3,625
Grants receivable	217,027
Prepaid expenses	60,889
Total current assets	281,541
Property and equipment, net	177,647
<b>TOTAL ASSETS</b>	<b>\$ 459,188</b>

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<i>Liabilities and Net Assets</i>	
Current liabilities:	
Outstanding checks in excess of cash	\$ 48,667
Capital lease obligation	3,416
Accounts payable	11,760
Accrued payroll and related expenses	214,570
Total current liabilities	278,413
Unrestricted net assets	180,775
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 459,188</b>

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# Higher Horizons Day Care Center, Inc.

## Statement of Activities

Year Ended June 30, 2016

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Revenue:		
Federal grants and contracts	\$	3,139,177
Local grants and contracts		1,340,677
Other income		16,845
In-kind		228,725
<hr/>		
Total revenue		4,725,424
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Expenses:		
Program services:		
Head Start		1,043,197
Early Head Start		604,631
Early Head Start - 7 Corners		1,203,417
Day Care		999,686
USDA		212,298
<hr/>		
Total program services		4,063,229
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Management and general		673,931
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Total expenses		4,737,160
<hr/>		
Change in unrestricted net assets	(	11,736)
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Unrestricted net assets - Beginning of year		192,511
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Unrestricted net assets - End of year	\$	180,775

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# Higher Horizons Day Care Center, Inc.

## Statement of Functional Expenses Year Ended June 30, 2016

	Program Services							Management & General	Total
	Head Start	Early Head Start	Early Head Start 7 Corners	USDA	Day Care	Total			
<b>Personnel expenses</b>									
Salaries	\$ 629,710	\$ 390,831	\$ 715,595	\$ 0	\$ 723,633	\$ 2,459,769	\$ 466,964	\$ 2,926,733	
Fringes	122,444	64,174	130,458	0	132,041	449,117	77,274	526,391	
<b>Total personnel expenses</b>	<b>752,154</b>	<b>455,005</b>	<b>846,053</b>	<b>0</b>	<b>855,674</b>	<b>2,908,886</b>	<b>544,238</b>	<b>3,453,124</b>	
<b>Other expenses</b>									
Rent	0	175	135,625	0	0	135,800	0	135,800	
Telephone	7,478	5,221	11,927	0	12,186	36,812	2,716	39,528	
Building insurance/maintenance	5,878	3,513	6,207	0	5,745	21,343	0	21,343	
Vehicle operation and maintenance	266	0	968	0	284	1,518	0	1,518	
Field trips	1,168	795	226	0	966	3,155	0	3,155	
Travel	23	852	1,061	0	25	1,961	227	2,188	
Food	1,295	775	6,288	189,249	1,227	198,834	0	198,834	
Furniture and equipment, including repairs	14,657	8,154	8,660	2,017	3,173	36,661	0	36,661	
Supplies	29,775	23,420	23,120	17,982	16,985	111,282	1,849	113,131	
Consultants (MHS and other)	62,569	30,221	56,741	0	72,613	222,144	28,192	250,336	
Parent activities	3,252	1,853	2,686	0	3,069	10,860	0	10,860	
Contractors (payroll and accounting)	8,584	5,072	7,414	0	0	21,070	28,080	49,150	
Subscriptions	1,126	1,055	1,422	0	0	3,603	1,345	4,948	
Advertising	1,337	287	403	0	480	2,507	113	2,620	
Training	14,420	13,170	23,117	0	20,341	71,048	5,814	76,862	
Professional fees (audit and legal)	0	0	429	0	0	429	29,531	29,960	
Other program expense (special event, literacy, transition)	6,960	8,887	3,382	0	5,977	25,206	664	25,870	
Other general expense	187	195	6,333	3,050	1,230	10,995	1,685	12,680	
Interest	0	0	0	0	0	0	447	447	
Depreciation	4,575	1,211	37,667	0	1,959	45,412	0	45,412	
In-kind	144,217	55,511	749,613	0	0	949,341	30,873	980,214	
<b>Total other expenses</b>	<b>307,767</b>	<b>160,367</b>	<b>1,083,289</b>	<b>212,298</b>	<b>146,260</b>	<b>1,909,981</b>	<b>131,536</b>	<b>2,041,517</b>	
Total expenses before GAAP adjustments	1,059,921	615,372	1,929,342	212,298	1,001,934	4,818,867	675,774	5,494,641	
GAAP Adjustments	( 16,724)	( 10,741)	( 725,925)	0	( 2,248)	( 755,638)	( 1,843)	( 757,481)	
<b>Total Expenses</b>	<b>\$ 1,043,197</b>	<b>\$ 604,631</b>	<b>\$ 1,203,417</b>	<b>\$ 212,298</b>	<b>\$ 999,686</b>	<b>\$ 4,063,229</b>	<b>\$ 673,931</b>	<b>\$ 4,737,160</b>	

See accompanying notes to financial statements.

# Higher Horizons Day Care Center, Inc.

## Statement of Cash Flows

Year Ended June 30, 2016

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Increase (decrease) in cash	
Cash flows from operating activities:	
Change in unrestricted net assets	(\$ 11,736)
Adjustments to reconcile change in net assets to net used in operating activities:	
Depreciation	45,412
Changes in operating assets and liabilities:	
Grants receivable	( 50,270)
Prepaid expenses	( 55,414)
Accounts payable	( 52,771)
Accrued payroll and related expenses	( 81,742)
Grant funds received in advance	( 17,562)
Net cash used in operating activities	( 224,083)
Cash flows from financing activities:	
Outstanding checks in excess of cash	48,667
Payments on capital lease obligations	( 5,546)
Net cash provided by financing activities	43,121
Change in cash	( 180,962)
Cash - Beginning of year	184,587
Cash - End of year	\$ 3,625
<b>Supplemental schedule of other cash activity:</b>	
Interest paid	\$ 447

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See accompanying notes to financial statements.

# Higher Horizons Day Care Center, Inc.

## Notes to Financial Statements

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### **Note 1      Summary of Significant Accounting Policies**

#### **Nature of Operations**

Higher Horizons Day Care Center, Inc. (the “Organization”), a nonprofit organization formed in Falls Church, Virginia in 1963, provides quality early childhood development and family services for low-income families with children. The Organization receives 63% of its funding from a grant for Head Start, Early Head Start, and Day Care from Fairfax County through Virginia’s Office for Children (OFC) and 27% of its funding from an Early Head Start grant from the U.S. Department of Health and Human Services.

#### **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 the Organization 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 the Organization 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. Currently, the Organization does not have any temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization 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.

# Higher Horizons Day Care Center, Inc.

## Notes to Financial Statements

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### **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. The Organization considers items with a cost greater than \$5,000 and a useful life greater than one year to be property and equipment. Assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset. The assets are amortized over the lease term. Amortization of assets under capital leases is included in depreciation expense.

Property and equipment purchased with grant funds are owned by the Organization while used in the programs 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 by the funding source for use in specific programs operated by the Organization. The grant equipment net of depreciation was \$177,647 at June 30, 2016.

#### **Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from the tax statutes of the Commonwealth of Virginia.

The Organization 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. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

#### **In-Kind Contributions**

The Organization has recorded in-kind contributions for supplies and professional services in the statement of activities in accordance with generally accepted accounting principles. These principles require that only contributions of services received 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. These requirements are different than the in-kind requirements of several of the Organization's grant awards. The Organization received contributions of nonprofessional volunteers with a value of \$751,489 for its Head Start programs, which are not recorded in the statement of activities.

# Higher Horizons Day Care Center, Inc.

## Notes to Financial Statements

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

#### **Revenue Recognition**

Contributions are recognized when the donor makes a promise to give to the Organization 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 released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

Conditional promises to give are recognized only when the conditions in 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 are incurred. Amounts received in excess of expenses 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.

#### **Advertising**

Advertising costs are expensed when incurred.

#### **Cost Allocation**

Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all organization programs that cannot be readily identified with a final cost objective.

#### **Subsequent Events**

Subsequent events have been evaluated through December 15, 2016, which is the date the financial statements were available to be issued.

# Higher Horizons Day Care Center, Inc.

## Notes to Financial Statements

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### **Note 2**                    **Concentration of Credit Risk**

The Organization maintains cash balances at a bank. Balances in the bank account are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times during the year, balances in this account may exceed the insurance limits. Management believes the financial institution has a strong credit rating and the credit risk related to the deposits is minimal.

### **Note 3**                    **Grants Receivable**

Grants receivable at June 30, 2016, consist of the following:

Fairfax County	\$ 96,671
Department of Health and Human Services	101,854
United States Department of Agriculture	2,861
Other	15,641
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Total grants receivable	<u>\$ 217,027</u>

### **Note 4**                    **Property and Equipment**

A summary of property and equipment at June 30, 2016, is as follows:

Vehicle	\$ 25,115
Equipment	210,071
Leasehold improvements	255,795
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	490,981
Accumulated depreciation	( 313,334)
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Total	<u>\$ 177,647</u>

### **Note 5**                    **Retirement Plan**

The Organization has a defined contribution retirement plan that covers substantially all full-time employees who have completed six months of service. The plan operates under section 403(b) of the Internal Revenue Code and uses Teachers Insurance and Annuity Association (TIAA) and College Retirement Equities Fund (CREF) retirement annuities to provide benefits. The Organization makes a contribution to the plan based upon a percentage of eligible employees' salaries. The retirement plan expense was \$52,873 for the year ending June 30, 2016, and is included with personnel fringe benefits on the statement of functional expense.

### **Note 6**                    **Grant Awards**

At June 30, 2016, the Organization had commitments under various grants of approximately \$3,660,000. These commitments are not recognized in the accompanying financial statements as receivables and revenue as they are conditional awards.

# Higher Horizons Day Care Center, Inc.

## Notes to Financial Statements

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### Note 7 Capital Leases

The Organization entered into a lease for a copier in January 2013, which qualifies as a capital lease. The cost of the copier was \$20,887 with accumulated amortization of \$18,276 at June 30, 2016. The leasing arrangement expires January 2017.

The minimum future lease payments required under the capital lease beyond June 30, 2016, are as follows:

2017	\$	3,495
Total minimum lease payments		3,495
Amount representing interest	(	79)
Present value of minimum lease payments		3,416
Current maturity of capital leases	(	3,416)
<u>Long-term capital leases</u>	<u>\$</u>	<u>0</u>

### Note 8 Operating Leases

The Organization leases a facility for program operations. The lease is for ten years and began July 1, 2010. The Organization also rents office space on a month to month lease which is not included in the future minimum lease payments schedule. Rental expense was \$135,800 for the year ended June 30, 2016.

Future minimum lease payments on long term leases beyond 2016 are as follows:

2017	\$	96,212
2018		99,101
2019		102,075
2020		105,137
2021		44,345
<u>Total</u>	<u>\$</u>	<u>446,870</u>

# **Supplementary Information**

# Higher Horizons Day Care Center, Inc.

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Funding Source/ Pass-Through Entity</u>	<u>Expenditures</u>
<b>DEPARTMENT OF AGRICULTURE</b>			
Child & Adult Care Food Program #58362	10.558	U.S. Department of Agriculture	<u>\$ 212,443</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Head Start	93.600	Fairfax County Office for Children	1,711,856
Early Head Start #03CH3473/01		U.S. Department of Health and Human Services	654,797
Early Head Start #03CH3473-02-02		U.S. Department of Health and Human Services	<u>631,387</u>
		<b>Subtotal CFDA #93.600</b>	<u><b>2,998,040</b></u>
		<b>TOTAL FEDERAL PROGRAMS</b>	<u><u><b>\$ 3,210,483</b></u></u>

### Notes to Schedule of Expenditures of Federal Awards

#### Note 1 - General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the Federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

#### Note 2 - Basis of Accounting

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. Pass-through entity identifying numbers are presented where available.

#### Note 3 - 10% De minimis

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### Note 4 - Sub-Recipients

The Organization does not have sub-recipients of federal awards.



## **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  
Higher Horizons Day Care Center, Inc.  
Falls Church, Virginia

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 Higher Horizons Day Care Center, Inc., (a nonprofit organization) which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, functional expenses and cash flows for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated December 15, 2016.

### **Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of This Report**

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



Wipfli LLP

December 15, 2016  
Madison, Wisconsin



## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Directors  
Higher Horizons Day Care Center, Inc.  
Falls Church, Virginia

### **Report on Compliance for Each Major Federal Program**

We have audited Higher Horizons Day Care Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Higher Horizons Day Care Center, Inc.'s major federal program for the year ended June 30, 2016. Higher Horizons Day Care Center, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of federal findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Higher Horizons Day Care Center, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 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 Higher Horizons Day Care Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on Higher Horizons Day Care Center, Inc.'s compliance.

## Opinion on Each Major Federal Program

In our opinion, Higher Horizons Day Care Center, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

## Report on Internal Control Over Compliance

Management of Higher Horizons Day Care Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Higher Horizons Day Care Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express any opinion on the effectiveness of Higher Horizons Day Care Center, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Wipfli LLP

December 15, 2016  
Madison, Wisconsin

# Higher Horizons Day Care Center, Inc.

## Schedule of Federal Findings and Questioned Costs

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### Section I - Summary of Auditor's Results

#### Financial Statements

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

#### Federal Awards

Internal control over federal programs:	
Material weakness identified?	No
Significant deficiency 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)]?	No
Identification of major federal programs:	
<u>Name of Federal Major Program</u>	<u>CFDA No.</u>
Head Start	93.600
Dollar threshold used to distinguish between Type A and Type B programs:	
Federal	\$750,000
Auditee qualified as low-risk auditee?	Yes

### Section II - Financial Statement Findings

None

### Section III - Federal Award Findings and Questioned Costs

None

**Questioned Costs:** None

### Section IV – Summary Schedule of Prior Year Findings

None