

Return of Organization Exempt from Income Tax

2002

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except black lung benefit trust or private foundation)

Open to Public Inspection

Department of the Treasury Internal Revenue Service

The organization may have to use a copy of this return to satisfy state reporting requirements

A For the 2002 calendar year, or tax year beginning 5/01, 2002, and ending 4/30, 2003

- B Check if applicable: Address change, Name change, Initial return (checked), Final return, Amended return, Application pending

HEAD START OF EASTERN ORANGE COUNTY, INC
49 GIDNEY AVENUE
NEWBURGH, NY 12550

D Employer Identification Number: 01-0645244
E Telephone number: (845) 562-0380
F Accounting method: Accrual (checked)

Section 501(c)(3) organizations and 4947(a)(1) nonexempt charitable trusts must attach a completed Schedule A (Form 990 or 990-EZ)

- H (a) Is this a group return for affiliates? No (checked)
H (b) If Yes enter number of affiliates
H (c) Are all affiliates included?
H (d) Is this a separate return filed by an organization covered by a group ruling? No (checked)
I Enter 4-digit GEN
M Check if the organization is not required to attach Schedule B (Form 990, 990-EZ, or 990-PF)

G Web site: N/A

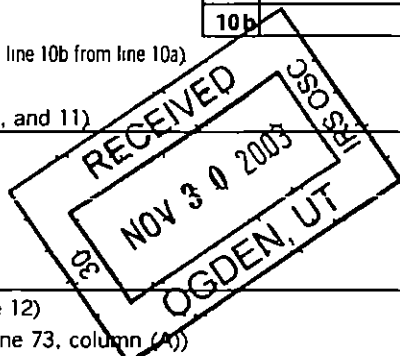
J Organization type: 501(c) 3 (checked)

K Check here if the organization's gross receipts are normally not more than \$25,000

L Gross receipts Add lines 6b, 8b, 9b, and 10b to line 12: 1,820,084

Part I Revenue, Expenses, and Changes in Net Assets or Fund Balances (See Instructions)

Table with 21 rows and multiple columns for revenue and expenses. Includes sub-rows for categories like contributions, program service revenue, membership dues, interest, dividends, gross rents, net rental income, other investment income, gross amount from sales of assets, special events, gross sales of inventory, other revenue, and total revenue/expenses.



FILMED DEC 20 2003

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Part II Statement of Functional Expenses All organizations must complete column (A) Columns (B), (C), and (D) are required for section 501(c)(3) and (4) organizations and section 4947(a)(1) nonexempt charitable trusts but optional for others

Do not include amounts reported on line 6b, 8b, 9b, 10b, or 16 of Part I		(A) Total	(B) Program services	(C) Management and general	(D) Fundraising
22	Grants and allocations (att sch) (cash \$ _____ non cash \$ _____)	22			
23	Specific assistance to individuals (att sch)	23			
24	Benefits paid to or for members (att sch)	24			
25	Compensation of officers, directors, etc	25	63,219	50,576	12,643
26	Other salaries and wages	26	1,012,163	891,980	120,183
27	Pension plan contributions	27			
28	Other employee benefits	28			
29	Payroll taxes	29			
30	Professional fundraising fees	30			
31	Accounting fees	31			
32	Legal fees	32			
33	Supplies	33	73,709	73,709	
34	Telephone	34			
35	Postage and shipping	35			
36	Occupancy	36	72,192	65,966	6,226.
37	Equipment rental and maintenance	37	58,543	57,904	639
38	Printing and publications	38			
39	Travel	39	17,514	7,188	10,326
40	Conferences, conventions, and meetings	40	22,516	20,249	2,267.
41	Interest	41			
42	Depreciation, depletion, etc (attach schedule)	42	3,151	2,409	742.
43	Other expenses not covered above (itemize)				
a	SEE STATEMENT 1	43a	317,174	234,165	83,009
b	-----	43b			
c	-----	43c			
d	-----	43d			
e	-----	43e			
44	Total functional expenses (add lines 22-43) Organizations completing columns (B) - (D), carry these totals to lines 13 - 15	44	1,640,181	1,404,146	236,035.

Joint Costs Check if you are following SOP 98-2
 Are any joint costs from a combined educational campaign and fundraising solicitation reported in (B) Program services? Yes No
 If 'Yes,' enter (i) the aggregate amount of these joint costs \$ _____, (ii) the amount allocated to program services \$ _____, (iii) the amount allocated to management and general \$ _____, and (iv) the amount allocated to fundraising \$ _____

Part III Statement of Program Service Accomplishments

What is the organization's primary exempt purpose? <input type="checkbox"/> SEE LINE A	Program Service Expenses (Required for 501(c)(3) and (4) organizations and 4947(a)(1) trusts but optional for others)
a TO OPERATE AND MAINTAIN DAYCARE FACILITIES AND PROVIDE EARLY EDUCATION TO CHILDREN OF LOW INCOME FAMILIES ----- (Grants and allocations \$ _____)	1,404,146
b ----- ----- (Grants and allocations \$ _____)	
c ----- ----- (Grants and allocations \$ _____)	
d ----- ----- (Grants and allocations \$ _____)	
e Other program services (Grants and allocations \$ _____)	
f Total of Program Service Expenses (should equal line 44, column (B), program services)	1,404,146.

Part IV Balance Sheets (See Instructions)

		(A) Beginning of year	(B) End of year
Note: Where required, attached schedules and amounts within the description column should be for end of year amounts only			
ASSETS	45 Cash – non interest-bearing		45 53,402
	46 Savings and temporary cash investments		46
	47a Accounts receivable	47a	
	b Less allowance for doubtful accounts	47b	47c
	48a Pledges receivable	48a	
	b Less allowance for doubtful accounts	48b	48c
	49 Grants receivable		49 78,324.
	50 Receivables from officers, directors, trustees, and key employees (attach schedule)		50
	51a Other notes & loans receivable (attach sch)	51a	
	b Less allowance for doubtful accounts	51b	51c
	52 Inventories for sale or use		52
	53 Prepaid expenses and deferred charges		53 15,927
	54 Investments – securities (attach schedule)	<input type="checkbox"/> Cost <input type="checkbox"/> FMV	54
	55a Investments – land, buildings, & equipment basis	55a	
b Less accumulated depreciation (attach schedule)	55b	55c	
56 Investments – other (attach schedule)		56	
57a Land, buildings, and equipment basis	57a 158,695		
b Less accumulated depreciation (attach schedule) STATEMENT 2	57b 3,151.	57c 155,544	
58 Other assets (describe ▶ _____)		58	
59 Total assets (add lines 45 through 58) (must equal line 74)	0	59 303,197	
LIABILITIES	60 Accounts payable and accrued expenses		60 56,763
	61 Grants payable		61
	62 Deferred revenue		62
	63 Loans from officers, directors, trustees, and key employees (attach schedule)		63
	64a Tax-exempt bond liabilities (attach schedule)		64a
	b Mortgages and other notes payable (attach schedule)		64b
	65 Other liabilities (describe ▶ SEE STATEMENT 3)		65 66,531
66 Total liabilities (add lines 60 through 65)	0.	66 123,294	
NET ASSETS OR FUND BALANCES	Organizations that follow SFAS 117, check here <input checked="" type="checkbox"/> and complete lines 67 through 69 and lines 73 and 74		
	67 Unrestricted		67 179,903
	68 Temporarily restricted		68
	69 Permanently restricted		69
	Organizations that do not follow SFAS 117, check here <input type="checkbox"/> and complete lines 70 through 74		
	70 Capital stock, trust principal, or current funds		70
	71 Paid in or capital surplus, or land, building, and equipment fund		71
	72 Retained earnings, endowment, accumulated income, or other funds		72
	73 Total net assets or fund balances (add lines 67 through 69 or lines 70 through 72, column (A) must equal line 19, column (B) must equal line 21)	0	73 179,903
	74 Total liabilities and net assets/fund balances (add lines 66 and 73)	0	74 303,197.

Form 990 is available for public inspection and for some people serves as the primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by the information presented on its return. Therefore, please make sure the return is complete and accurate and fully describes, in Part III, the organization's programs and accomplishments.

BAA

Part IV-A Reconciliation of Revenue per Audited Financial Statements with Revenue per Return (See instructions)			Part IV-B Reconciliation of Expenses per Audited Financial Statements with Expenses per Return		
a Total revenue, gains, and other support per audited financial statements	▶	a 2,118,764.	a Total expenses and losses per audited financial statements	▶	a 1,938,861
b Amounts included on line a but not on line 12, Form 990			b Amounts included on line a but not on line 17, Form 990		
(1) Net unrealized gains on investments	\$		(1) Donated services and use of facilities	\$	298,680
(2) Donated services and use of facilities	\$	298,680.	(2) Prior year adjustments reported on line 20, Form 990	\$	
(3) Recoveries of prior year grants	\$		(3) Losses reported on line 20, Form 990	\$	
(4) Other (specify)			(4) Other (specify)		
-----	\$		-----	\$	
Add amounts on lines (1) through (4)	▶	b 298,680	Add amounts on lines (1) through (4)	▶	b 298,680
c Line a minus line b	▶	c 1,820,084.	c Line a minus line b	▶	c 1,640,181.
d Amounts included on line 12, Form 990 but not on line a			d Amounts included on line 17, Form 990 but not on line a.		
(1) Investment expenses not included on line 6b, Form 990	\$		(1) Investment expenses not included on line 6b, Form 990	\$	
(2) Other (specify)			(2) Other (specify)		
-----	\$		-----	\$	
Add amounts on lines (1) and (2)	▶	d	Add amounts on lines (1) and (2)	▶	d
e Total revenue per line 12, Form 990 (line c plus line d)	▶	e 1,820,084	e Total expenses per line 17, Form 990 (line c plus line d)	▶	e 1,640,181

Part V List of Officers, Directors, Trustees, and Key Employees (List each one even if not compensated, see instructions)

(A) Name and address	(B) Title and average hours per week devoted to position	(C) Compensation (if not paid, enter -0-)	(D) Contributions to employee benefit plans and deferred compensation	(E) Expense account and other allowances
SEE ATTACHED	NONE	0.	0	0
ANN PAGLIARO 49 GIDNEY AVENUE NEWBURGH, NY 12550	EXECUTIVE DIREC 40	63,219	6,614.	0

75 Did any officer, director, trustee, or key employee receive aggregate compensation of more than \$100,000 from your organization and all related organizations, of which more than \$10,000 was provided by the related organizations? ▶ Yes No

If 'Yes,' attach schedule – see instructions

Part VI Other Information (See instructions)

Yes No

76	Did the organization engage in any activity not previously reported to the IRS? If 'Yes,' attach a detailed description of each activity	76		X
77	Were any changes made in the organizing or governing documents but not reported to the IRS? If 'Yes,' attach a conformed copy of the changes	77		X
78a	Did the organization have unrelated business gross income of \$1,000 or more during the year covered by this return?	78a		X
78b	If 'Yes,' has it filed a tax return on Form 990-T for this year?	78b	N/A	
79	Was there a liquidation, dissolution, termination, or substantial contraction during the year? If 'Yes,' attach a statement	79		X
80a	Is the organization related (other than by association with a statewide or nationwide organization) through common membership, governing bodies, trustees, officers, etc. to any other exempt or nonexempt organization?	80a		X
b	If 'Yes,' enter the name of the organization <u>N/A</u> and check whether it is <input type="checkbox"/> exempt or <input type="checkbox"/> nonexempt			
81a	Enter direct or indirect political expenditures See line 81 instructions	81a	0	
b	Did the organization file Form 1120-POL for this year?	81b		X
82a	Did the organization receive donated services or the use of materials, equipment, or facilities at no charge or at substantially less than fair rental value?	82a	X	
b	If 'Yes,' you may indicate the value of these items here Do not include this amount as revenue in Part I or as an expense in Part II (See instructions in Part III)	82b	298,680	
83a	Did the organization comply with the public inspection requirements for returns and exemption applications?	83a	X	
b	Did the organization comply with the disclosure requirements relating to quid pro quo contributions?	83b	X	
84a	Did the organization solicit any contributions or gifts that were not tax deductible?	84a		X
b	If 'Yes,' did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	84b		N/A
85	501(c)(4), (5), or (6) organizations a Were substantially all dues nondeductible by members?	85a		N/A
b	Did the organization make only in-house lobbying expenditures of \$2,000 or less? If 'Yes' was answered to either 85a or 85b, do not complete 85c through 85h below unless the organization received a waiver for proxy tax owed for the prior year	85b		N/A
c	Dues, assessments, and similar amounts from members	85c		N/A
d	Section 162(e) lobbying and political expenditures	85d		N/A
e	Aggregate nondeductible amount of section 6033(e)(1)(A) dues notices	85e		N/A
f	Taxable amount of lobbying and political expenditures (line 85d less 85e)	85f		N/A
g	Does the organization elect to pay the section 6033(e) tax on the amount on line 85f?	85g		N/A
h	If section 6033(e)(1)(A) dues notices were sent, does the organization agree to add the amount on line 85f to its reasonable estimate of dues allocable to nondeductible lobbying and political expenditures for the following tax year?	85h		N/A
86	501(c)(7) organizations Enter a Initiation fees and capital contributions included on line 12	86a		N/A
b	Gross receipts, included on line 12, for public use of club facilities	86b		N/A
87	501(c)(12) organizations Enter a Gross income from members or shareholders	87a		N/A
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	87b		N/A
88	At any time during the year, did the organization own a 50% or greater interest in a taxable corporation or partnership, or an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? If 'Yes,' complete Part IX	88		X
89a	501(c)(3) organizations Enter Amount of tax imposed on the organization during the year under section 4911 <u>0</u> , section 4912 <u>0</u> , section 4955 <u>0</u>			
b	501(c)(3) and 501(c)(4) organizations Did the organization engage in any section 4958 excess benefit transaction during the year or did it become aware of an excess benefit transaction from a prior year? If 'Yes,' attach a statement explaining each transaction	89b		X
c	Enter Amount of tax imposed on the organization managers or disqualified persons during the year under sections 4912, 4955, and 4958			0
d	Enter Amount of tax on line 89c, above, reimbursed by the organization			0
90a	List the states with which a copy of this return is filed <u>NEW YORK</u>			
b	Number of employees employed in the pay period that includes March 12, 2002 (See instructions)	90b		0
91	The books are in care of <u>SAM BREYER III</u> Telephone number <u>(845) 562-0380</u> Located at <u>49 GIDNEY AVE, NEWBURGH, NY</u> ZIP + 4 <u>12550</u>			
92	Section 4947(a)(1) nonexempt charitable trusts filing Form 990 in lieu of Form 1041 - Check here <input type="checkbox"/> and enter the amount of tax exempt interest received or accrued during the tax year <u>92</u>			N/A

Part VII Analysis of Income-Producing Activities (See instructions)

	Unrelated business income		Excluded by section 512, 513, or 514		(E) Related or exempt function income
	(A) Business code	(B) Amount	(C) Exclusion code	(D) Amount	
93 Program service revenue					
a UNIVERSAL PRE-K					31,500
b					
c					
d					
e					
f Medicare/Medicaid payments					
g Fees & contracts from government agencies					
94 Membership dues and assessments					
95 Interest on savings & temporary cash invmnts					
96 Dividends & interest from securities					
97 Net rental income or (loss) from real estate					
a debt financed property					
b not debt financed property					
98 Net rental income or (loss) from pers prop					
99 Other investment income					
100 Gain or (loss) from sales of assets other than inventory					
101 Net income or (loss) from special events					
102 Gross profit or (loss) from sales of inventory					
103 Other revenue a					
b MISCELLANEOUS			1	643	
c					
d					
e					
104 Subtotal (add columns (B), (D), and (E))				643	31,500
105 Total (add line 104, columns (B), (D), and (E))					32,143

Note Line 105 plus line 1d, Part I, should equal the amount on line 12, Part I

Part VIII Relationship of Activities to the Accomplishment of Exempt Purposes (See instructions)

Line No	Explain how each activity for which income is reported in column (E) of Part VII contributed importantly to the accomplishment of the organization's exempt purposes (other than by providing funds for such purposes)
93A	LOCAL GOVERNMENT REVENUE FOR EARLY EDUCATION TO CHILDREN OF LOW INCOME FAMILIES

Part IX Information Regarding Taxable Subsidiaries and Disregarded Entities (See instructions)

(A) Name, address, and EIN of corporation, partnership, or disregarded entity	(B) Percentage of ownership interest	(C) Nature of activities	(D) Total income	(E) End of year assets
N/A	%			
	%			
	%			
	%			

Part X Information Regarding Transfers Associated with Personal Benefit Contracts (See instructions)

- a** Did the organization, during the year, receive any funds, directly or indirectly, to pay premiums on a personal benefit contract? Yes No
- b** Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract? Yes No

Note If 'Yes' to (b), file Form 8870 and Form 4720 (see instructions)

Under penalties of perjury I declare that I have examined this return including accompanying schedules and statements and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Date 1/24/05

Finance Director

SCHEDULE A
(Form 990 or 990-EZ)

**Organization Exempt Under
Section 501(c)(3)**

OMB No 1545-0047

(Except Private Foundation) and Section 501(e), 501(f), 501(k),
501(n), or Section 4947(a)(1) Nonexempt Charitable Trust

2002

Department of the Treasury
Internal Revenue Service

▶ **MUST be completed by the above organizations and attached to their Form 990 or 990-EZ.**

Name of the organization: **HEAD START OF EASTERN ORANGE COUNTY, INC**
Employer identification number: **01-0645244**

Part I Compensation of the Five Highest Paid Employees Other Than Officers, Directors, and Trustees
(See instructions List each one If there are none, enter 'None')

(a) Name and address of each employee paid more than \$50,000	(b) Title and average hours per week devoted to position	(c) Compensation	(d) Contributions to employee benefit plans and deferred compensation	(e) Expense account and other allowances
SAM BREYER III 49 GIDNEY AVENUE, NEWBURGH NY 12550	FINANCE DIR 40	55,000.	4,798	0

Total number of other employees paid over \$50,000 ▶	0			

Part II Compensation of the Five Highest Paid Independent Contractors for Professional Services
(See instructions List each one (whether individuals or firms) If there are none, enter 'None')

(a) Name and address of each independent contractor paid more than \$50,000	(b) Type of service	(c) Compensation
ACELERO 3069 STATE ROUTE 66, CHATHAM, NY 12037	CONSULTING	156,631

Total number of others receiving over \$50,000 for professional services ▶	0	

Part III Statements About Activities (See instructions)

Yes No

1 During the year, has the organization attempted to influence national, state, or local legislation, including any attempt to influence public opinion on a legislative matter or referendum? If 'Yes,' enter the total expenses paid or incurred in connection with the lobbying activities **\$ N/A**
 (Must equal amounts on line 38, Part VI-A, or line 1 of Part VI-B)

1 X

Organizations that made an election under section 501(h) by filing Form 5768 must complete Part VI A. Other organizations checking 'Yes,' must complete Part VI B AND attach a statement giving a detailed description of the lobbying activities

2 During the year, has the organization, either directly or indirectly, engaged in any of the following acts with any substantial contributors, trustees, directors, officers, creators, key employees, or members of their families, or with any taxable organization with which any such person is affiliated as an officer, director, trustee, majority owner, or principal beneficiary? (If the answer to any question is 'Yes,' attach a detailed statement explaining the transactions)

a Sale, exchange, or leasing of property?

2a X

b Lending of money or other extension of credit?

2b X

c Furnishing of goods, services, or facilities?

2c X

SEE FORM 990, PART V

d Payment of compensation (or payment or reimbursement of expenses if more than \$1,000)?

2d X

e Transfer of any part of its income or assets?

2e X

3 Does the organization make grants for scholarships, fellowships, student loans, etc? (See Note below)

3 X

4 Do you have a section 403(b) annuity plan for your employees?

4 X

Note Attach a statement to explain how the organization determines that individuals or organizations receiving grants or loans from it in furtherance of its charitable programs 'qualify' to receive payments

Part IV Reason for Non-Private Foundation Status (See instructions)

The organization is not a private foundation because it is (Please check only **ONE** applicable box)

5 A church, convention of churches, or association of churches Section 170(b)(1)(A)(i)

6 A school Section 170(b)(1)(A)(ii) (Also complete Part V)

7 A hospital or a cooperative hospital service organization Section 170(b)(1)(A)(iii)

8 A Federal, state, or local government or governmental unit Section 170(b)(1)(A)(v)

9 A medical research organization operated in conjunction with a hospital Section 170(b)(1)(A)(iii) Enter the hospital's name, city, and state

10 An organization operated for the benefit of a college or university owned or operated by a governmental unit Section 170(b)(1)(A)(iv) (Also complete the **Support Schedule** in Part IV A)

11 a An organization that normally receives a substantial part of its support from a governmental unit or from the general public Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV A)

11 b A community trust Section 170(b)(1)(A)(vi) (Also complete the **Support Schedule** in Part IV A)

12 An organization that normally receives (1) more than 33-1/3% of its support from contributions, membership fees, and gross receipts from activities related to its charitable, etc, functions - subject to certain exceptions, and (2) no more than 33-1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2) (Also complete the **Support Schedule** in Part IV A)

13 An organization that is not controlled by any disqualified persons (other than foundation managers) and supports organizations described in (1) lines 5 through 12 above, or (2) section 501(c)(4), (5), or (6), if they meet the test of section 509(a)(2) (See section 509(a)(3))

Provide the following information about the supported organizations (See instructions)

(a) Name(s) of supported organization(s)	(b) Line number from above

14 An organization organized and operated to test for public safety Section 509(a)(4) (See instructions)

Part IV-A Support Schedule (Complete only if you checked a box on line 10, 11, or 12) *Use cash method of accounting*

Note You may use the worksheet in the instructions for converting from the accrual to the cash method of accounting

Calendar year (or fiscal year beginning in)	(a) 2001	(b) 2000	(c) 1999	(d) 1998	(e) Total
15 Gifts, grants, and contributions received (Do not include unusual grants. See line 28.)					
16 Membership fees received					
17 Gross receipts from admissions, merchandise sold or services performed, or furnishing of facilities in any activity that is related to the organization's charitable, etc., purpose					
18 Gross income from interest, dividends, amounts received from payments on securities loans (section 512(a)(5)), rents, royalties, and unrelated business taxable income (less section 511 taxes) from businesses acquired by the organization after June 30, 1975					
19 Net income from unrelated business activities not included in line 18					
20 Tax revenues levied for the organization's benefit and either paid to it or expended on its behalf					
21 The value of services or facilities furnished to the organization by a governmental unit without charge. Do not include the value of services or facilities generally furnished to the public without charge.					
22 Other income. Attach a schedule. Do not include gain or (loss) from sale of capital assets.					
23 Total of lines 15 through 22					
24 Line 23 minus line 17					
25 Enter 1% of line 23					

26 Organizations described on lines 10 or 11:

a Enter 2% of amount in column (e), line 24 ▶ 26a

b Prepare a list for your records to show the name of and amount contributed by each person (other than a governmental unit or publicly supported organization) whose total gifts for 1998 through 2001 exceeded the amount shown in line 26a. Do not file this list with your return. Enter the total of all these excess amounts ▶ 26b

c Total support for section 509(a)(1) test. Enter line 24, column (e) ▶ 26c

d Add: Amounts from column (e) for lines 18 _____ 19 _____ ▶ 26d
 22 _____ 26b _____

e Public support (line 26c minus line 26d total) ▶ 26e

f **Public support percentage (line 26e (numerator) divided by line 26c (denominator))** ▶ 26f 0 %

27 Organizations described on line 12 N/A

a For amounts included in lines 15, 16, and 17 that were received from a 'disqualified person,' prepare a list for your records to show the name of, and total amounts received in each year from, each 'disqualified person.' Do not file this list with your return. Enter the sum of such amounts for each year:
 (2001) _____ (2000) _____ (1999) _____ (1998) _____

b For any amount included in line 17 that was received from each person (other than 'disqualified persons'), prepare a list for your records to show the name of, and amount received for each year, that was more than the larger of (1) the amount on line 25 for the year or (2) \$5,000. (Include in the list organizations described in lines 5 through 11, as well as individuals.) Do not file this list with your return. After computing the difference between the amount received and the larger amount described in (1) or (2), enter the sum of these differences (the excess amounts) for each year:
 (2001) _____ (2000) _____ (1999) _____ (1998) _____

c Add: Amounts from column (e) for lines 15 _____ 16 _____ ▶ 27c
 17 _____ 20 _____ 21 _____ ▶ 27d

d Add: Line 27a total _____ and line 27b total _____ ▶ 27e

e Public support (line 27c total minus line 27d total) ▶ 27e

f Total support for section 509(a)(2) test. Enter amount from line 23, column (e) ▶ 27f

g **Public support percentage (line 27e (numerator) divided by line 27f (denominator))** ▶ 27g %

h **Investment income percentage (line 18, column (e) (numerator) divided by line 27f (denominator))** ▶ 27h %

28 Unusual Grants: For an organization described in line 10, 11, or 12 that received any unusual grants during 1998 through 2001, prepare a list for your records to show, for each year, the name of the contributor, the date and amount of the grant, and a brief description of the nature of the grant. Do not file this list with your return. Do not include these grants in line 15.

Part V Private School Questionnaire (See instructions)
 (To be completed ONLY by schools that checked the box on line 6 in Part IV)

N/A

		Yes	No
29	Does the organization have a racially nondiscriminatory policy toward students by statement in its charter, bylaws, other governing instrument, or in a resolution of its governing body?		
30	Does the organization include a statement of its racially nondiscriminatory policy toward students in all its brochures, catalogues, and other written communications with the public dealing with student admissions, programs, and scholarships?		
31	Has the organization publicized its racially nondiscriminatory policy through newspaper or broadcast media during the period of solicitation for students, or during the registration period if it has no solicitation program, in a way that makes the policy known to all parts of the general community it serves? If 'Yes,' please describe, if 'No,' please explain (If you need more space, attach a separate statement) ----- ----- -----		
32	Does the organization maintain the following		
	a Records indicating the racial composition of the student body, faculty, and administrative staff?		
	b Records documenting that scholarships and other financial assistance are awarded on a racially nondiscriminatory basis?		
	c Copies of all catalogues, brochures, announcements, and other written communications to the public dealing with student admissions, programs, and scholarships?		
	d Copies of all material used by the organization or on its behalf to solicit contributions? If you answered 'No' to any of the above, please explain (If you need more space, attach a separate statement) ----- -----		
33	Does the organization discriminate by race in any way with respect to		
	a Students' rights or privileges?		
	b Admissions policies?		
	c Employment of faculty or administrative staff?		
	d Scholarships or other financial assistance?		
	e Educational policies?		
	f Use of facilities?		
	g Athletic programs?		
	h Other extracurricular activities? If you answered 'Yes' to any of the above, please explain (If you need more space, attach a separate statement) ----- -----		
34a	Does the organization receive any financial aid or assistance from a governmental agency?		
	b Has the organization's right to such aid ever been revoked or suspended? If you answered 'Yes' to either 34a or b, please explain using an attached statement		
35	Does the organization certify that it has complied with the applicable requirements of sections 4 01 through 4 05 of Rev Proc 75 50, 1975 2 C B 587, covering racial nondiscrimination? If 'No,' attach an explanation		

Part VI-A Lobbying Expenditures by Electing Public Charities (See instructions)
 (To be completed **ONLY** by an eligible organization that filed Form 5768)

N/A

Check **a** if the organization belongs to an affiliated group Check **b** if you checked **a** and 'limited control' provisions apply

Limits on Lobbying Expenditures		(a) Affiliated group totals	(b) To be completed for ALL electing organizations
(The term 'expenditures' means amounts paid or incurred)			
36	Total lobbying expenditures to influence public opinion (grassroots lobbying)	36	
37	Total lobbying expenditures to influence a legislative body (direct lobbying)	37	
38	Total lobbying expenditures (add lines 36 and 37)	38	
39	Other exempt purpose expenditures	39	
40	Total exempt purpose expenditures (add lines 38 and 39)	40	
41	Lobbying nontaxable amount Enter the amount from the following table –		
	If the amount on line 40 is –		
	Not over \$500,000		
	Over \$500,000 but not over \$1,000,000		
	Over \$1,000,000 but not over \$1,500,000		
	Over \$1,500,000 but not over \$17,000,000		
	Over \$17,000,000		
	The lobbying nontaxable amount is –		
	20% of the amount on line 40		
	\$100,000 plus 15% of the excess over \$500,000		
	\$175,000 plus 10% of the excess over \$1,000,000	41	
	\$225,000 plus 5% of the excess over \$1,500,000		
	\$1,000,000		
42	Grassroots nontaxable amount (enter 25% of line 41)	42	
43	Subtract line 42 from line 36 Enter -0- if line 42 is more than line 36	43	
44	Subtract line 41 from line 38 Enter -0- if line 41 is more than line 38	44	
Caution If there is an amount on either line 43 or line 44, you must file Form 4720			

4 -Year Averaging Period Under Section 501(h)

(Some organizations that made a section 501(h) election do not have to complete all of the five columns below
 See the instructions for lines 45 through 50)

Calendar year (or fiscal year beginning in) ▶	Lobbying Expenditures During 4-Year Averaging Period				
	(a) 2002	(b) 2001	(c) 2000	(d) 1999	(e) Total
45 Lobbying nontaxable amount					
46 Lobbying ceiling amount (150% of line 45(e))					
47 Total lobbying expenditures					
48 Grassroots non taxable amount					
49 Grassroots ceiling amount (150% of line 48(e))					
50 Grassroots lobbying expenditures					

Part VI-B Lobbying Activity by Nonelecting Public Charities

(For reporting only by organizations that did not complete Part VI A) (See instructions)

N/A

During the year, did the organization attempt to influence national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of

- a** Volunteers
- b** Paid staff or management (Include compensation in expenses reported on lines c through h)
- c** Media advertisements
- d** Mailings to members, legislators, or the public
- e** Publications, or published or broadcast statements
- f** Grants to other organizations for lobbying purposes
- g** Direct contact with legislators, their staffs, government officials, or a legislative body
- h** Rallies, demonstrations, seminars, conventions, speeches, lectures, or any other means
- i** Total lobbying expenditures (add lines c through h)

Yes	No	Amount

If 'Yes' to any of the above, also attach a statement giving a detailed description of the lobbying activities

CLIENT HEADSTAR

HEAD START OF EASTERN ORANGE COUNTY, INC

01-0645244

9/22/03

09 10AM

STATEMENT 1
FORM 990, PART II, LINE 43
OTHER EXPENSES

	(A)	(B)	(C)	(D)
	TOTAL	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING
CHILDREN'S FOOD	35,025	35,025		
CONTRACTED PRO SERVICES	54,866	53,075	1,791	
INSURANCE	11,401	845	10,556.	
OFFICE	56,743	15,969	40,774	
OTHER	27,969	19,801.	8,168	
PROFESSIONAL FEES	131,170	109,450	21,720	
TOTAL	<u>\$ 317,174</u>	<u>\$ 234,165</u>	<u>\$ 83,009</u>	<u>\$ 0</u>

STATEMENT 2
FORM 990, PART IV, LINE 57
LAND, BUILDINGS, AND EQUIPMENT

CATEGORY	BASIS	ACCUM DEPREC.	BOOK VALUE
IMPROVEMENTS	\$ 147,617	\$ 2,371	\$ 145,246
MISCELLANEOUS	11,078	780	10,298
TOTAL	<u>\$ 158,695</u>	<u>\$ 3,151</u>	<u>\$ 155,544</u>

STATEMENT 3
FORM 990, PART IV, LINE 65
OTHER LIABILITIES

ACCRUED SALARIES & RELATED	\$ 61,755.
COMPENSATED ABSENCES	4,776
TOTAL	<u>\$ 66,531</u>

Statement Form 990, Part V
Head Start of Eastern Orange County, Inc.
49 Gidney Avenue
Newburgh, New York 12550

Board of Directors

Marion Hawkins Parker, Chair
49 Gidney Avenue
Newburgh, NY 12550

Retired Children's and Elementary School Librarian
35 yrs Experience with City of Newburgh Families & Children
Head Start Parent in 1967

Michael Costa, Treasurer
49 Gidney Avenue
Newburgh, NY 12550

Stockbroker, Financial Advisor
Extensive service on non-profit boards in Newburgh community
Former School Board Member

Rhonda W Velasco, Secretary
49 Gidney Avenue
Newburgh, NY 12550

Policy Council Chairperson, 2002/2003 School Year
Former Head Start Parent
Employed by City of Newburgh Housing Authority

Peter Gonzalez
49 Gidney Avenue
Newburgh, NY 12550

Bi-Lingual Liaison - Newburgh Schools
Cert N-6 Bilingual Endorsement - Early Childhood Education
Kindergarten Teacher 13 years

Cynthia Beadle
49 Gidney Avenue
Newburgh, NY 12550

Head Start Parent
Member Community Assoc Lander St Housing
Certified Nurses Assistant

Ms Anabel Franceschini, Esq
49 Gidney Avenue
Newburgh, NY 12550

Attorney at Finkelstein & Partners - Managing Attorney
Public Service Work and Outreach to the Latino Community
Attended Head Start as a child in Puerto Rico

Rose Lisi
49 Gidney Avenue
Newburgh, NY 12550

Advocate for Children/Families with Disabilities

Sister Francis Berski, OP
49 Gidney Avenue
Newburgh, NY 12550

Mount Saint Mary College
Assistant Professor of Education

Dr Rae Fallon
49 Gidney Avenue
Newburgh, NY 12550

Associate Professor Psychology
Early Childhood Specialist - Orange County BOCES
Assistant Head Start Teacher 1966

Head Start of Eastern Orange County, Inc
Revised May 2003

CEO and CFO

Ann M. Pagliaro, RN, Executive Director
49 Gidney Avenue
Newburgh, NY 12550

Head Start Director
20 years Head Start Experience, 15 years as Director

Sam Breyer, Finance Director
49 Gidney Avenue
Newburgh, NY 12550

BS Accounting
10 years progressive financial and accounting positions
Previously CFO \$7 million non-profit corporation

**HEAD START OF EASTERN ORANGE
COUNTY, INC.**

Financial Statements

April 30, 2003

HEAD START OF EASTERN ORANGE COUNTY, INC.

Financial Statements

April 30, 2003

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Head Start of Eastern Orange County, Inc

We have audited the accompanying statement of financial position of Head Start of Eastern Orange County, Inc as of April 30, 2003 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Head Start of Eastern Orange County, Inc's management. 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 of America 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Head Start of Eastern Orange County, Inc as of April 30, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2003, on our consideration of Head Start of Eastern Orange County, Inc's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Head Start of Eastern Orange County, Inc taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

June 27, 2003

Wojcik & Co CPAs, PC

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statement of Financial Position

April 30, 2003

ASSETS

CURRENT ASSETS

Cash	\$	53,402
Grants receivable		78,324
Prepaid expenses and other assets		<u>15,927</u>

TOTAL CURRENT ASSETS 147,653

PROPERTY AND EQUIPMENT

Leasehold improvements		138,918
Software		11,077
Construction in progress		<u>8,700</u>
		158,695
Less accumulated depreciation		<u>(3,151)</u>
		<u>155,544</u>
	\$	<u>303,197</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$	56,763
Accrued salaries and related items		61,755
Compensated absences		<u>4,776</u>

TOTAL CURRENT LIABILITIES 123,294

NET ASSETS, unrestricted		<u>179,903</u>
	\$	<u>303,197</u>

See accompanying notes to financial statements

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statement of Activities

For the Year Ended April 30, 2003

REVENUES AND SUPPORT

Federal government - Head Start	\$ 1,726,489
Contributed materials and services	298,680
Federal government - Child and Adult Care Food Program	56,005
State government	31,500
Donations	5,447
Other	643

TOTAL REVENUES AND SUPPORT 2,118,764

EXPENSES

Early Childhood Services	1,550,992
Administration	236,035
Food Services	151,834

TOTAL EXPENSES 1,938,861

CHANGE IN NET ASSETS 179,903

Net assets at beginning of year -

NET ASSETS AT END OF YEAR \$ 179,903

See accompanying notes to financial statements

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statement of Functional Expenses

For the Year Ended April 30, 2003

	Program Services			Support	Total
	Early Childhood Services	Food Services	Administration	Services	
FUNCTIONAL EXPENSES					
Salaries and employee benefits	\$ 879,755	\$ 62,801	\$ 132,826	\$	1,075,382
Contributed materials and services	298,680	-	-	-	298,680
Professional fees	106,145	3,305	21,720		131,170
Program supplies	50,707	23,002	-		73,709
Occupancy expense	62,594	3,372	6,226		72,192
Equipment repair	34,918	22,986	639		58,543
Office supplies	15,408	561	40,774		56,743
Contracted professional services	53,075	-	1,791		54,866
Children's food	542	34,483	-		35,025
Conferences, meetings and training	20,209	40	2,267		22,516
Travel and vehicle	7,188	-	10,326		17,514
Insurance	845	-	10,556		11,401
Depreciation	2,276	133	742		3,151
Other	18,650	1,151	8,168		27,969
	<u>\$ 1,550,992</u>	<u>\$ 151,834</u>	<u>\$ 236,035</u>	<u>\$</u>	<u>1,938,861</u>

See accompanying notes to financial statements

HEAD START OF EASTERN ORANGE COUNTY, INC.

Statement of Cash Flows

For the Year Ended April 30, 2003

OPERATING ACTIVITIES	
Change in net assets	\$ 179,903
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	3,151
Changes in operating assets and liabilities	
Grants receivable	(78,324)
Prepaid expenses and other assets	(15,927)
Accounts payable and accrued expenses	56,763
Accrued salaries and related items	61,755
Compensated absences	<u>4,776</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	212,097
INVESTING ACTIVITIES	
Purchases of property and equipment	<u>(158,695)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(158,695)</u>
NET INCREASE IN CASH	53,402
Cash at beginning of year	<u>-</u>
CASH AT END OF YEAR	<u>\$ 53,402</u>

See accompanying notes to financial statements

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements

April 30, 2003

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Head Start of Eastern Orange County, Inc (the Organization) was established and incorporated March, 2002. The Organization's purpose is to establish, maintain and operate daycare – Head Start Centers in Eastern Orange County, New York and to provide a developmentally appropriate early education and care program on a non-discriminatory basis for children of low income families.

A summary of significant accounting policies for the Organization follows.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting whereby all assets and liabilities are recorded during the period in which they were incurred.

Cash

Cash consists of demand deposits at banks.

Grants Receivable

The Organization considers all grants receivable to be fully collectible, accordingly, no allowance for doubtful accounts is required.

Property and Equipment

Property and equipment is recorded at cost, or in the case of donations or bequests, at fair market value at the date of acquisition. The Organization's policy is to capitalize additions costing more than \$5,000. The carrying amounts of assets and related accumulated depreciation are removed from the accounts when such assets are disposed of and the related gain or loss is included in operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are charged to expense as incurred.

Revenue Recognition

Substantially all of the Organization's revenue is derived from cost reimbursement contracts that provide for the recovery of direct costs, subject to audit. Grants and contracts awarded for program activities are recognized only to the extent of direct costs incurred or when such costs are eligible for reimbursement.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE A--ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Tax Status

The Internal Revenue Service has determined that the Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B--OPERATING LEASES

The Organization leases a facility under a noncancelable operating lease. Future minimum lease payments required under the operating lease is as follows:

Year ended April 30	
2004	\$ 56,332
2005	58,336
2006	60,332
2007	62,332
2008	63,000
Thereafter	<u>273,000</u>
	<u>\$ 573,332</u>

Rent expense for the year ended April 30, 2003 was approximately \$37,000

NOTE C--EMPLOYEE BENEFIT PLANS

The Organization offers a Simplified Employee Pension Plan. Annually, the employer determines the discretionary amount they will contribute for the current year for all eligible employees. The Organization's contribution to the plan for the year ended April 30, 2003 was approximately \$97,000.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE C--EMPLOYEE BENEFIT PLANS--Continued

The Organization also offers a Retirement Savings Program pursuant to Section 403(b) of the Internal Revenue Code for elective employee deferrals of compensation

NOTE D--CONTRIBUTED MATERIALS AND SERVICES

The fair market value of contributed materials and services totaled \$298,680 for the year ended April 30, 2003. The corresponding fair market value expense for contributed materials and services is also included in the financial statements.

NOTE E--CONCENTRATION OF CREDIT RISK

Concentration by revenue source

Although the Organization receives support from various grantors and other sources, approximately 84% of the Organization's total support was received from the federal government for the year ended April 30, 2003.

Concentration by financial institution

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash accounts in financial institutions, which from time to time exceed Federal depository insurance coverage limits. Cash exceeding federally insured limits totaled approximately \$172,000 at April 30, 2003.

NOTE F--COMMITMENTS AND CONTINGENCIES

During the year ended April 30, 2003, the Organization entered into a contract with a consulting company to provide administrative and programmatic management services. The contract expires May 1, 2005 and is payable in monthly installments. The approximate base price for each year of the contract is \$190,000, however, total fees for products and services provided will not be less than 10% of the Organization's total Head Start funding. Additional expenses incurred outside of the base contract rate will be billed as incurred. Fees paid to the consulting company during the year ended April 30, 2003 were approximately \$157,000.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Financial Statements--Continued

NOTE G--SUBSEQUENT EVENT

On May 1, 2003, the Organization signed an agreement to lease another building that they intend to purchase in the near future. The lease payments are \$1,200 per month and will expire upon the purchase of the building.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended April 30, 2003

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<u>U S Department of Health and Human Services</u>			
Passed through Administration for Children and Families			
Head Start	93 600	02CH9916/01	\$ 1,710,562
 <u>U.S Department of Agriculture</u>			
Passed through Food and Nutrition Service			
Passed through New York State Health Department			
Child and Adult Care Food Program	10 558	2438	<u>53,660</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,764,222</u></u>

See accompanying notes to schedule of expenditures of federal awards

HEAD START OF EASTERN ORANGE COUNTY, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended April 30, 2003

NOTE A--BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Head Start of Eastern Orange County, Inc and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B--MATCHING CONTRIBUTIONS

Required matching contributions for program costs related to the Head Start program were made by the Organization. The matching contributions totaled approximately \$405,000 for the program year May 1, 2002 to April 30, 2003.



**REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of Head Start of Eastern Orange County, Inc

We have audited the financial statements of Head Start of Eastern Orange County, Inc as of April 30, 2003 and for the year then ended, and have issued our report thereon dated June 27, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Head Start of Eastern Orange County, Inc's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to the management of Head Start of Eastern Orange County, Inc in a separate letter dated June 27, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Head Start of Eastern Orange County, Inc's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A

material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance, which we have reported to management in a separate letter dated June 27, 2003.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

June 27, 2003

Wojcik & Co CPAs, P.C.



**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of Head Start of Eastern Orange County, Inc

Compliance

We have audited the compliance of Head Start of Eastern Orange County, Inc with the types of compliance requirements described in the *US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended April 30, 2003. Head Start of Eastern Orange County, Inc's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Head Start of Eastern Orange County, Inc's management. Our responsibility is to express an opinion on Head Start of Eastern Orange County, Inc's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Head Start of Eastern Orange County, 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. Our audit does not provide a legal determination of Head Start of Eastern Orange County, Inc's compliance with those requirements.

In our opinion, Head Start of Eastern Orange County, Inc complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended April 30, 2003

Internal Control Over Compliance

The management of Head Start of Eastern Orange County, Inc is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Head Start of Eastern Orange County, Inc's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of noncompliance, which we have reported to management in a separate letter dated June 27, 2003

This report is intended for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

June 27, 2003

Wojcik & Co CPAs, P.C.

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Findings and Questioned Costs

Year Ended April 30, 2003

SUMMARY OF AUDIT RESULTS

- 1 The auditor's report expresses an unqualified opinion on the financial statements of Head Start of Eastern Orange County, Inc
- 2 No instances of noncompliance material to the financial statements of Head Start of Eastern Orange County, Inc , which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit
- 3 The auditor's report on compliance for the major federal award programs for Head Start of Eastern Orange County, Inc expresses an unqualified opinion on all major federal programs
- 4 Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule
- 5 The program tested as a major program was Head Start, CFDA No 93 600
- 6 The threshold for distinguishing Types A and B programs was \$300,000
- 7 Head Start of Eastern Orange County, Inc was not determined to be a low-risk auditee In order to be considered low-risk, an entity must obtain single audits in accordance with the provisions of the 1997 Circular A-133 in the previous two years

HEAD START OF EASTERN ORANGE COUNTY, INC.

Schedule of Findings and Questioned Costs--Continued

Year Ended April 30, 2003

FINDINGS--FINANCIAL STATEMENT AUDIT

None

**FINDINGS AND QUESTIONED COSTS--MAJOR FEDERAL AWARD
PROGRAM AUDIT**

None