

Head Start Annual Report



2013-
2014





INCA Head Start



Serving Atoka, Johnston, Marshall, and Murray Counties

202 S. Capitol
PO Box 68
Tishomingo, OK 73460

Phone: (580) 371-2352
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Executive Director
LaQuita Thornley

Head Start Director
Mary Spence

October 31, 2014

Dear Parents, Friends, and Partners of INCA Head Start,

It is with great pleasure that we present the 2013-2014 Annual INCA Annual Head Start Report in compliance with the Head Start Reauthorization Act of 2007 to you.

The Reauthorization Act states that each Head Start Grantee must make available, in a public report, information (not individually identifiable information) from the prior year including:

- Total amount of public and private funds received and the amount from each source.
- An explanation of budgetary expenditures and proposed budget for the fiscal year
- Total number of children and families served, the average monthly enrollment (as a percentage of funded enrollment), and the percentage of eligible children served.
- Results of the most recent review by the Secretary and the financial audit.
- Percentage of enrolled children that received medical and dental exams.
- Information about parent involvement activities
- Agency's efforts to prepare children for kindergarten.

The hard work of dedicated staff and volunteers has made a positive impact on the families served as well as the community through partnerships and collaborations. Our accomplishments are a direct result of parents, staff and community volunteers working together.

We look forward to another year of excellence as we continue to break the cycle of poverty for the children and families of INCA Head Start. If you would like additional information, please contact Mary Spence, Head Start Director @ m.spence@incacaa.org .

Sincerely,

Mary Spence
Head Start Director

LaQuita Thornley
INCA Executive Director

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
INCA Community Services, Inc.

We have audited the accompanying financial statements of INCA Community Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of January 31, 2014, 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 of America; 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 of America and the standards applicable to financial audits contained in *Governmental 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 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 INCA Community Services, Inc. as of January 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. In addition, the accompanying supplemental information, as listed in the preceding table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 June 12, 2014 on our consideration of INCA Community Services, Inc.'s internal control over financial reporting and on our tests of 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 INCA Community Services, Inc.'s internal control over financial reporting and compliance.

Saunders & Associates PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

June 12, 2014



**INCA HEAD START
ANNUAL REPORT TO THE PUBLIC
2013-2014**



Mission Statement:

INCA Head Start is a Pre-School Program that is dedicated to providing excellence in education by investing in the future of families in rural communities, thus empowering them with skills and knowledge to meet challenges throughout life.

PUBLIC SCHOOL COLLABORATIONS

INCA Head Start provides services in Atoka, Johnston, Marshall and Murray Counties in rural Southeastern Oklahoma. In 2013—2014 we collaborated with the public school districts in Atoka, Caney, Wapanucka, Tishomingo, Milburn, Mill Creek, Sulphur, Davis, Kingston, and Madill.

ANNUAL AUDIT

INCA Community Services, Inc. is audited yearly by an independent auditor to analyze the financial health of the agency. This audit reported that in “all material respects, the financial position of INCA Community Services, Inc. as of January 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

The one-page independent Auditor’s report is attached to this document. The full report can be found at: http://s3amazonaws.com/schoolfiles/108/audit-_ending_january_31_2013.pdf or by contacting Mary Spence, INCA Head Start Director, at (580)371-2352 ext.252 or by e-mailing your request to her at m.spence@incacaa.org.

INCOME 2013-2014

The following table shows a breakdown of dollars, funding sources, and designated use of funds.

Source	Designated Use	Amount
Federal	General Operations	\$2,162,408.00
Federal	T/TA	\$35,185.00
State Appropriated Funds	General Operations	\$62,385.00
Public School Collaboration	General Operations	\$148,897.00
USDA/CACFP	Child & Adult Care Foods Program	\$236,205.00
ERATE	Basic Telephone, Internet Services, etc	\$ 203,353.00
	TOTAL OPERATION FUNDS	\$2,848,433.00

PROJECTED EXPENSES 2014-2015

Budget Category	Program Operations	T/TA	TOTAL	X25% Total In-Kind
Personnel	\$1,351,712	\$ 2,824	\$1,354,536	\$338,634
Fringe Benefits	\$ 493,514	\$ 882	\$ 494,396	\$123,599
Travel	\$ 14,500	\$ 4,784	\$ 19,284	\$ 4,821
Supplies	\$ 71,334	\$ 6,606	\$ 77,940	\$ 19,485
Contractual	\$ 17,843	\$ 8,834	\$ 26,677	\$ 6,669.25
Other	\$ 241,616	\$11,255	\$ 252,871	\$ 63,217.75
Total Direct Charges	\$2,190,519	\$35,185	\$2,225,704	\$556,426

ENROLLMENT 2013-2014

INCA Head Start was funded for 369 children. During the 2013-2014 school year, the total cumulative enrollment was 446 and 427 families were served. Average monthly enrollment was 369 or 100 %.

According to the **2013 data** from **OKLAHOMA** Kids Count Data Center, **Statewide**, 27 % of Oklahoma children under 5 are living at or below the poverty level. ***The percentage of children in Atoka County that are living in poverty is 33.6%, Johnston County is 34.3%, Marshall County is 27.3%, and Murray County is 22.6%.*** The total number of 3-5 year old children living in Atoka, Johnston, Marshall and Murray Counties in 2013 was approximately 2,247. INCA Head Start served 446 children, 68.3% of those who were considered income and/or age eligible.

FEDERAL MONITORING REVIEW

INCA Head Start was reviewed by a Federal Team in March, 2013. We received one non-compliance due to classroom arrangement at the Madill #3 & #4 Center. We were given 90 days to make changes to the classroom arrangement and divide the room into two distinct classroom areas. This was completed during the summer of 2013, with pictures and videos sent to the Regional VI Office as documentation that the changes had been completed. Mary Spence, Melissa Manning, Chuck Coulter, Sandra Trevino, and Janet Davis were interviewed via telephone by the Regional Office. October 30, 2013 we received a letter from the Office of Head Start stating that the previously identified finding had been corrected and closed.

HEALTH SERVICES

By the end of the 2013-2014 school years, 96.8% of the children enrolled in INCA Head Start were covered by some form of health insurance. Of these children, 91.9% had been determined to be up to date on all immunizations appropriate for their age, 32 other children were determined to have received all immunizations possible at this time, and 4 children had met the Oklahoma guidelines for an exemption from immunizations. 89% of these children were determined to be up to date on a schedule of age appropriate preventative and primary health care health services according to the Oklahoma EPSDT schedule. Dental care was provided by a dentist to 85.5% with 6 children identified as needing dental follow-up, and 4 receiving treatment with the other 2 children having future appointments scheduled.

DISABILITIES SERVICES

During the 2013-2014 school year, INCA Head Start enrolled 44 children (10%) that were determined to have a diagnosed disability leading to IEP's (Individual Education Plans). All 44 children received special education services coordinated through their local School District LEA.

- Health Impairment-----1 child
- Speech/Language-----39 children
- Visual Impairment-----1 child
- Non-Categorical/Development Delay -----3 children

MENTAL HEALTH SERVICES

All enrolled children received a Social/Emotional Screening within the first 45 days of enrollment. Mental Health professionals provided classroom observations two times during the school year for all classrooms. From the screenings, observations, and parent/teacher recommendations Mental Health Professionals consulted with program staff concerning 42 children. Of this number one child received more than three consultation since the 2013 PIR; six parents consulted with the MH Professionals; one child received a referral that lead to mental health services.

NUTRITION SERVICES

- Obesity: It's a Nationwide Epidemic
- One-third of U.S. kids are overweight, obese or at risk of becoming overweight
- In the U.S. obesity in kids had doubled in the last 20 years. In adolescents, it has tripled.
- The increase in overweight children is twice that seen in adults
- Oklahoma is 43rd in overall health (United Health Foundation)
- Since 1990, prevalence of obesity increased by 148% (United Health Foundation)
- Many diseases that lead to early deaths are obesity-related (heart disease, stroke, diabetes)
- One out of two adult Oklahomans is overweight, one out of five is obese

The 2013-2014 Program Information Report (PIR) indicates that 262 INCA Head Start children were considered to be at a healthy weight for their age and sex. There were 54 children that were considered to be overweight with 100 children considered obese for their age and sex. INCA Head Start recognizes the importance of good nutrition and movement in children in alleviating obesity. Some of the activities that were used to help in this endeavor include:

- Working with the child and family to increase social and nutritional skills by placing Nutrition Procedure Fact Sheets on the INCA Community Services website.
- My Plate curriculum and puppets have been purchased for each classroom and will be used in combination with Chef Combo, Food Groupies, and Building Blocks for Fun and Healthy Meals, etc.
-

- INCA provides training for staff and families through various resources such as Nutrition Nuggets Newsletter that is sent home monthly in English and Spanish.
- In-Service Training, Parent Committee Meeting, Policy Council and Health Advisory Trainings.
- INCA currently incorporates more fresh fruits and vegetables to our classroom menu cycle.
- INCA contracts with CACFP following established guidelines of components and servings, offering foods high in nutrients, low in sugar, fat, and salt. Annually we have our state child nutrition consultant provide training to all food service staff.
- Increased physical activity for children and staff through I'm Moving, I'm Learning, Choosy, outdoor play, etc.

During the 2013-2014 school year INCA Head Start recorded:

- 250 families received WIC services
- 179 families acquired services through SNAP (government assisted program to help assist low income households attain nutritious food items)

TRANSPORTATION

INCA Head Start provided direct transportation services for a total of 158 children, with Caney, Kingston, Madill, Milburn, Mill Creek, Sulphur, and Wapanucka school districts provided transportation for 168 children. Parents provided transportation for the remaining 120 children at no cost to the INCA Head Start program.

This is the documentation that was collected from each classroom in the 2013-2014 school years to apply for the Transportation Waiver in 2014-2015.

Center	Children Enrolled	Public School	Head Start	JAMM Transit	Parents	Number of Buses
Caney	20	14	0	0	6	3
Atoka 1	20	0	12	0	8	1
Atoka 2	17	0	11	0	6	1
Atoka 3	17	0	10	0	7	1
Wapanucka	20	8	0	0	12	2
Milburn	20	9	0	0	11	3
Tishomingo 1	19	0	0	6	13	3
Tishomingo 2	16	0	0	2	14	1
Oakland 1	15	0	0	5	10	1
Oakland 2	15	0	0	5	10	1
Madill 1	20	10	0	6	4	6
Madill 2	20	6	0	3	11	5
Madill 3	15	0	0	2	13	1
Madill 4	15	0	0	4	11	1
Kingston 1	16	11	0	0	5	7
Kingston 2	16	13	0	0	3	7
Mill Creek	19	8	0	0	11	3
Sulphur 1	20	2	0	4	14	2
Sulphur 2	15	0	0	3	12	1
Sulphur 3	17	2	0	3	12	2
Davis 1	17	0	0	0	17	0
Davis 2	0	0	0	0	0	0
Total	369	83	33	43	210	52

EDUCATION-----SCHOOL READINESS

Curriculum: During the 2013-2014 school years, INCA Head Start used *Creative Curriculum for Preschool*, an award winning curriculum for preschool success. Using exploration and discovery as a way of learning, children are able to develop confidence, creativity and lifelong critical thinking skills.

The Creative Curriculum for Preschool:

- Is based on 38 objectives for development and learning, which are fully aligned with the Head Start Child Development and Early Learning Framework as well as early learning standards for every state.
- Presents knowledge building volumes and daily practice resources
- Offers opportunities to individualize instruction, helping teachers meet the needs of every type of learner
- Addresses all the important areas of learning from social-emotional and math to technology and the arts throughout the day
- Offers daily built-in opportunities for observations helping teachers see the strong relationship between curriculum and assessment
- Offers support for English and dual languages learners
- Contains guidance for working with all learners including advanced learners and children with learning challenges

Assessment: Children are assessed 3 times a year with the LAP-D Assessment tool (Learning Accomplishment Profile—Diagnostic Edition)

This assessment tool provides a method for observing children functioning in the 30-72 month age range. This tool assesses individual skill development in four major domains, each containing two subscales, Fine Motor, Cognitive, Language, and Gross Motor.

The program-based report reveals the completion of the third or Post Assessment for the children enrolled in our Head Start program. The table below reflects the difference between what the children knew when they entered our program in August to what they have learned through completion of the third or Post assessment.

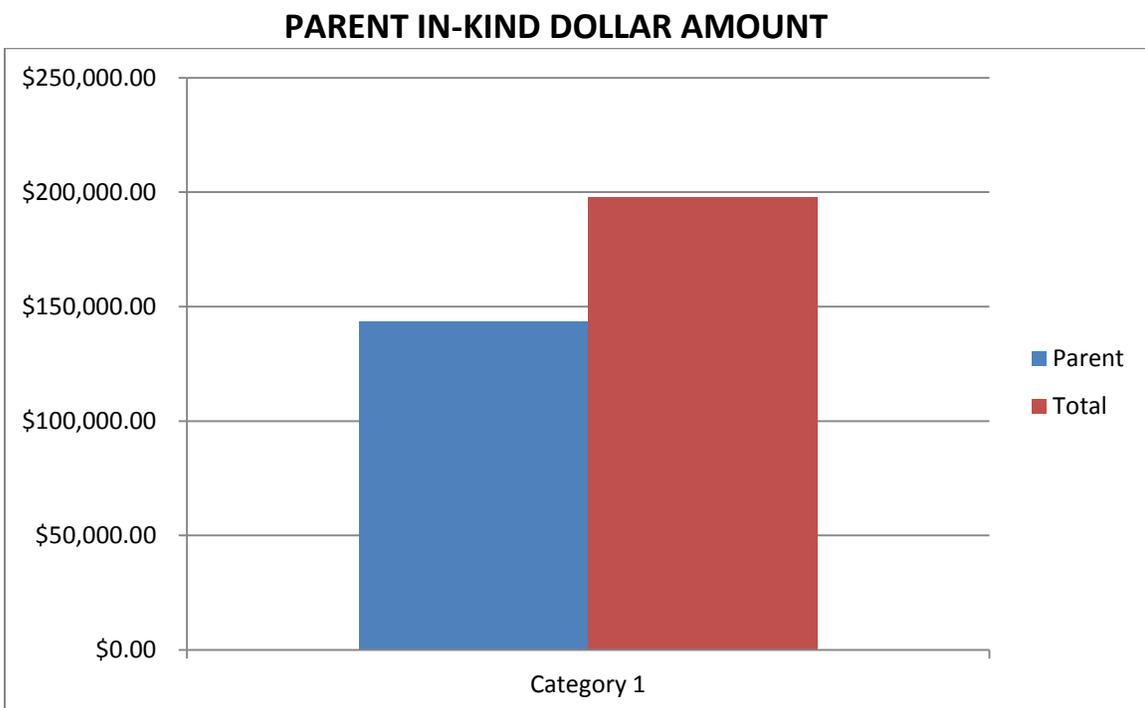
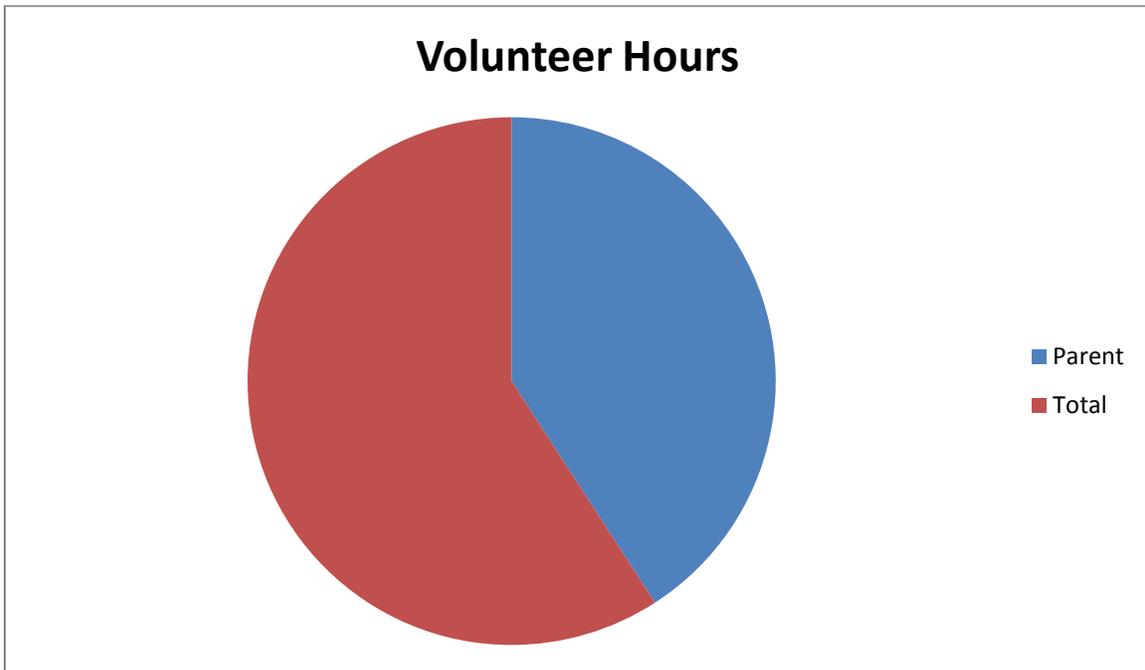
2013-2014 LAP-D Report

Domain	Checkpoint			Change		
	Pre	Mid-Yr	Post	Pre/Mid	Mid/Post	Pre/Post
Language Development	83.63	90.19	93.69	6.56	3.49	10.06
Literacy	42.21	49.08	55.63	6.87	6.56	13.42
Mathematics	53.75	62.28	69.08	8.52	6.80	15.32
Science	40.51	53.28	62.64	12.77	9.36	22.13
Creative Arts	67.42	71.57	74.59	4.16	3.02	7.18
Social/Emotional Dev	68.89	73.05	75.38	4.16	2.33	6.49
Approaches to Learning	52.25	64.47	72.18	12.32	7.61	19.93
Physical Health & Dev	68.13	73.16	77.35	5.04	4.19	9.22

VOLUNTEERS

A Head Start organization cannot exist without the dedication and commitment of the parents of enrolled children and community members. Head Start Performance Regulations states that Head Start programs must use volunteers to the fullest extent possible. Grantees must develop and implement a system to actively recruit, train, and utilize volunteers in the program.

In 2013-2014 school year, 631 volunteers (435 were parents) assisted INCA by helping in the classrooms, donating equipment, supplies, classroom space and other services totaling \$184,957.75 In-Kind. We had 7 volunteers who volunteered in more than one site and 4 of those were parents or former parents.



PARENT INVOLVEMENT

Classroom Parent Involvement Opportunities includes the following:

Activity	Details
The opportunity to develop a Family Partnership Agreement with Family Goals	Offered to all enrolled families
Parent Committee Center Meetings	All sites have parent meetings monthly during the school year
Policy Council Meetings	Members are current Head Start parents with Sub-Part Committee Meeting prior to each Policy Council Meeting. These include Subpart B, Subpart C, and Subpart D
Parent Trainings	Pedestrian and Bus Safety Child Abuse Oral Health Nutrition Immunizations Health Literacy Transition Activities and meetings with the School Districts Kindergarten Teacher IDEA
Volunteer in the Classroom	Based on individual participation
Self-Assessment	Participation in self-assessment planning and observation of classrooms
Health Advisory Committee	Parent participation on committee
Home Visits and Parent Teacher Conference	Each family offered 2 educational home visits and 2 parent teacher conferences each year
Transition Activities---Kindergarten	Includes visits to Elementary schools, transition Parent Meeting, kindergarten enrollment assistance
Transition Activities---3Yr Classroom to 4 Yr Classroom or Pre-K	Includes visits to classroom the child will be enrolled in next year along with a transition Parent Meeting with Teacher and assistance in enrollment where needed

INCA COMMUNITY SERVICES, INC.
Tishomingo, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended January 31, 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES

Organization – INCA Community Services, Inc. is a private non-profit corporation. The agency was originally established under the name of Indian Nations Community Action in 1966. It later was incorporated under the name of INCA in August 1975, to serve Atoka, Johnston, Marshall, and Murray Counties. The agency is the grantee of numerous federal and state programs. It operates and lends administrative support to a multi-program operation. Program services available are: Neighborhood Centers, Outreach and Referral Services, Food Banks, Clothing Banks, Head Start Program, Weatherization, Home Owner Occupied Rehabilitation, Retired Senior Volunteer Program, Homeless Assistance, Emergency Food and Shelter Program, Career Opportunities Workshop, Transportation, Free Income Tax Preparation, Asset Development, Housing Revitalization and Rx Oklahoma.

A summary of the significant accounting policies applied in the preparation of the accompanying basic financial statements for INCA Community Services, Inc. (INCA) for the year ended January 31, 2014 is as follows:

Basis of Accounting - The accrual basis of accounting is used by INCA Community Services, Inc. Under the accrual basis of accounting, grant and contract funds are recognized as revenue when expenses are incurred and a receivable represents that portion of the grant which INCA Community Services, Inc. has requested, but not received. Expenses are recorded when the liability is incurred. Other revenue (e.g. donations) is recognized when received or earned. Net asset balances represent the cumulative excess of revenue recognized over expenses incurred for each grant or program fund. These amounts may be subject to recall or re-obligation at the discretion of the granting agencies or may be carried over to the next program year.

Financial Statement Presentation - The organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the organization is required to present a statement of cash flows. The organization has no permanently restricted assets.

Cash and Cash Equivalents - Cash and cash equivalents consist of demand deposits maintained at financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are carried at cost. Bank balances at year-end are categorized as follows to give an indication of the level of risk assumed by the organization. Cash in these financial statements consists of demand deposits.

INCA COMMUNITY SERVICES, INC.
Tishomingo, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

For the Year Ended January 31, 2014

NOTE 1: SUMMARY OF ACCOUNTING POLICIES, CONTINUED

Restrictions on Assets - Substantially all of the restrictions on assets at January 31, 2014 relate to funds restricted to meet specific programmatic goals established by various funding agencies. Upon satisfaction of the restrictions placed upon these funds (i.e., expenses or obligation of funds for allowable program-related costs), these funds are reclassified as unrestricted and the funds expended.

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

Grants and Accounts Receivable - Receivables are deemed by management to be fully collectible. As the receivables are expected to be collected at their stated amounts, no provision for bad debt expense or valuation allowances has been recorded.

Fixed Assets - Additions of fixed assets are recorded as expenses when purchased in accordance with contract agreements. They are, however, carried on the statement of financial position for informational purposes. A contra-account, "Investment in Fixed Assets," is maintained and reflects the net difference between the value of the fixed assets, related depreciation, and any liability held against the assets. Assets with a value of \$2,500 or more are capitalized. The cost of these assets is recorded in the fixed assets subsidiary detail records. The original cost is removed from the fixed assets subsidiary detail when assets are stolen, lost, or become useless and are retired. Donated assets are recorded at fair market value.

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives used are as follows:

Buildings	25 years
Furniture and fixtures	5-10 years
Equipment	3-5 years
Vehicles	5 years

A summary of fixed assets and accumulated depreciation by program is presented as a separate schedule on page 49. Depreciation expense for the fiscal year totaled \$381,447.

Property Held for Sale - Property held for sale is carried at cost based on INCA's original cost in the property and the costs of any additions to ready the property for sale.

In-Kind Expenses - Certain grants require in-kind match. INCA utilizes the fair market value of office space, furniture and equipment, and donated services as in-kind expenses. In-kind matching funds are included in both revenue and expenses. The value of donated services included in in-kind for fiscal year ended January 31, 2014 totaled \$227,730.

Income Taxes and Uncertain Tax Positions

Income Tax Status - The Organization qualifies as an organization exempt from income taxes under Section 501(c)(3) of the *Internal Revenue Code* and is subject to a tax on income from any unrelated business, as defined by Section 509(a)(1) of the Code. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded.

INCA COMMUNITY SERVICES, INC.
Tishomingo, Oklahoma

NOTES TO THE FINANCIAL STATEMENTS - CONT'D

For the Year Ended January 31, 2014

NOTE 5: CONTINGENT LIABILITIES

The organization participates in a number of federal and state assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act Amendments of 1996*, if applicable, in accordance with the required levels of federal financial assistance. These programs are subject to audit by the grantors or their representatives. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under the terms of the grant.

NOTE 6: PENSION PLAN

The organization provides its employees the opportunity to participate in a 401(k) retirement plan. Employees can contribute a maximum of 15%. INCA will match 100% of the first 10%. For the fiscal year ended January 31, 2014, INCA contributed \$82,299 in matching contributions.

Total contributions made by employees during the year were \$86,716.

NOTE 7: RELATED PARTY TRANSACTION

The Board members of INCA also serve as members of INCA, L.L.C. During the fiscal year ended January 31, 2014, INCA received \$1,608 in reimbursements from INCA, L.L.C. There were no amounts due from or to INCA, L.L.C. as of January 31, 2014.

NOTE 8: SUBSEQUENT EVENTS

Date of Management Evaluation – Management of INCA Community Services, Inc. has evaluated subsequent events through June 12, 2014 which is the date the financial statements were available to be issued.

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street * P. O. Box 1406 * Ada, Oklahoma 74820 * (580) 332-8548 * FAX: (580) 332-2272
Website: www.saunderscpas.com

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
INCA Community Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of INCA Community Services, Inc. (a non-profit organization), which comprise the statement of financial position as of January 31, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered INCA Community Services, 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 INCA Community Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of INCA Community Services, 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 INCA Community Services, Inc.'s financial statements are free of 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 INCA Community Services, 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 INCA Community Services, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saunders & Associates PLLC

SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

June 12, 2014

Saunders & Associates, PLLC

Certified Public Accountants

630 East 17th Street • P. O. Box 1406 • Ada, Oklahoma 74820 • (580) 332-8548 • FAX: (580) 332-2272
Website: www.saunderscpas.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
INCA Community Services, Inc.

Report on Compliance for Each Major Program

We have audited INCA Community Services, Inc.'s compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of INCA Community Services, Inc.'s major federal programs for the year ended January 31, 2014. INCA Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of INCA Community Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 INCA Community Services, 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 each major federal program. However, our audit does not provide a legal determination of INCA Community Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, INCA Community Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended January 31, 2014.

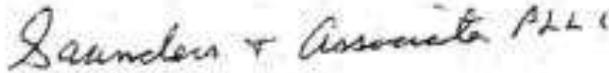
Report on Internal Control Over Compliance

Management of INCA Community Services, 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 INCA Community Services, 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 an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of INCA Community Services, 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 in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.


SAUNDERS & ASSOCIATES, PLLC
Certified Public Accountants
Ada, Oklahoma

June 12, 2014

INCA COMMUNITY SERVICES, INC.
Tishomingo, Oklahoma

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

For the Year Ended January 31, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of INCA Community Services, Inc., under programs of the federal and state government for the year ended January 31, 2014. The information in the schedule of expenditures of federal awards is presented in accordance with the requirement of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedules present only a selected portion of the operations of INCA Community Services, Inc., they are not intended to and do not present the financial position, changes in net assets or cash flows.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained on OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3: CONTINGENT LIABILITIES

INCA Community Services, Inc. participates in a number of federal and state assisted programs. These programs are audited in accordance with *Government Auditing Standards* and the *Single Audit Act amendments of 1996*, if applicable, in accordance with the required levels of Federal Financial assistance. Audits of prior years have not resulted in any significant disallowed costs. Additionally, the grant programs are subject to audits by the grantors or their representatives, the purpose of which is to insure compliance with conditions precedent to the granting of the funds. Such audits could lead to requests for reimbursement to the grantor agency for expenses disallowed under the terms of the grant.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with the grantor agencies because of accruals made in the schedule which will be included in future reports with agencies.

INCA COMMUNITY SERVICES, INC.
Tishomingo, Oklahoma

STATUS OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

January 31, 2014

Section II - Financial Statement Findings and Questioned Costs:

None reported.

Section III - Federal Awards Findings and Questioned Costs:

None reported.

INCA COMMUNITY SERVICES, INC.
Tishomingo, Oklahoma

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended January 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control Over Financial Reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal Control Over Major Programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified not considered to be material weakness(es)? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.00

Auditee qualified as low-risk auditee? Yes No

Identification of Major Programs

<u>CFDA #</u>	<u>PROGRAM TITLE</u>
93.600	Headstart
20.509	Section 5311 Rural Public Transportation
10.855	Distance Learning and Telemedicine Loans and Grants

Section II - Financial Statement Findings and Questioned Costs:

None reported.

Section III - Federal Awards Findings and Questioned Costs:

None reported.

* The accompanying notes are an integral part of the financial statements.