

READING AND BEYOND

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

ENTITY IDENTIFICATION NO.: 77-0508471

READING AND BEYOND
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015

TABLE OF CONTENTS

	PAGE
GENERAL INFORMATION	1
INDEPENDENT AUDITORS' REPORT	2 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 20
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal and State Awards	21
Notes to Schedule of Expenditures of Federal and State Awards	22
Combining Statement of Activities	23
Combining Schedule of Expenditures by State Categories	24
Reconciliation of CDE and GAAP Expense Reporting	25
Schedule of Reimbursable Equipment Expenditures	26
Schedule of Reimbursable Expenditures for Renovations and Repairs	27
Schedule of Reimbursable Administrative Costs	28
AUDITED ATTENDANCE AND FISCAL REPORTS/AUDITED FISCAL REPORTS	
AUD 8501 California State Preschool Program (CSPP-5079)	29 - 32
AUD 9529 Prekindergarten and Family Literacy (CPKS-5013)	33
AUD 9530-A Reserve Account Activity Report	34
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	35 - 36
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	37 - 38
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	39 - 40
SUMMARY OF PRIOR YEAR AUDIT FINDINGS	41

GENERAL INFORMATION

Name of Agency:	Reading and Beyond
Program Name and Contract No.:	
California State Preschool Program	CSPP-5079
Prekindergarten and Family Literacy (Support)	CPKS-5013
Type of Agency:	Nonprofit Corporation
Address of Agency:	4670 E. Butler Avenue Fresno, California 93702
Names of Executive Director and Financial Manager	
Executive Director	Luis Santana
Financial Manager	Rich Coon
Telephone Number:	(559) 342-8600
Period Covered by Audit:	Fiscal Year July 1, 2015 to June 30, 2016
Number of Days of Operations by Agency:	248
Scheduled Hours of Operation Each Day:	7:00 a.m. to 5:30 p.m.



Moore Grider & Company

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

*A Partnership Including
Accountancy Corporations*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.,
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A.,
Accountancy Corporation

Pamela J. Gallemore, C.P.A.,
Accountancy Corporation

Karl L. Noyes, C.P.A.,
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Tom Collins, C.P.A.

Rena R. Avedikian, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Carrie M. Wiebe, C.P.A., C.F.E.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.F.E.

Abel M. Cabello, E.A.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

Board of Directors
Reading and Beyond
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Reading and Beyond, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading and Beyond as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years 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. On pages 21 and 22 the accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information on pages 23 to 34 is presented for purposes of additional analysis, as required by the CDE Audit Guide issued by the California Department of Education, and is also not a required part of the financial statements. Such information and the schedule of expenditures of federal and state awards 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 in conformity with the CDE Audit Guide 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 November 15, 2016, on our consideration of Reading and Beyond's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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 Reading and Beyond's internal control over financial reporting and compliance.

Moore Gilder & Company

Fresno, California
November 15, 2016

READING AND BEYOND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	TEMPORARILY RESTRICTED	UNRESTRICTED	TOTAL 2016	TOTAL 2015
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Note 2)	\$ 41,721	\$ 909,428	\$ 951,149	\$ 1,055,420
Short-term investments (Note 3)	0	1,716,157	1,716,157	1,226,000
Accounts receivable	0	5,841	5,841	3,296
Grants and contracts receivable (Note 5)	0	457,818	457,818	238,467
Escrow deposit	0	735	735	20,000
Rental deposit	0	5,392	5,392	0
Prepaid expenses	0	124,899	124,899	179,120
TOTAL CURRENT ASSETS	41,721	3,220,270	3,261,991	2,722,303
INVESTMENT IN SECURITIES (Note 4)	0	1,311,430	1,311,430	1,300,829
PROPERTY AND EQUIPMENT , net of accumulated depreciation (Note 6)	0	336,781	336,781	72,436
LICENSE RIGHTS	0	132,000	132,000	132,000
TOTAL ASSETS	41,721	5,000,481	5,042,202	4,227,568
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	0	13,426	13,426	110,944
Accrued liabilities	0	311,733	311,733	228,481
Credit card payable	0	21,557	21,557	13,180
Grant advances (Note 7)	0	679,882	679,882	387,092
Child development reserve (Note 8)	0	22,912	22,912	8,601
TOTAL CURRENT LIABILITIES	0	1,049,510	1,049,510	748,298
COMMITMENTS AND CONTINGENCIES (Note 11)	0	0	0	0
NET ASSETS				
Unrestricted	0	3,950,971	3,950,971	3,479,270
Temporarily restricted (Note 9)	41,721	0	41,721	0
TOTAL NET ASSETS	41,721	3,950,971	3,992,692	3,479,270
TOTAL LIABILITIES AND NET ASSETS	\$ 41,721	\$ 5,000,481	\$ 5,042,202	\$ 4,227,568

See Accompanying Notes to Financial Statements

READING AND BEYOND
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	TEMPORARILY RESTRICTED	UNRESTRICTED	TOTAL	
			2016	2015
REVENUE AND SUPPORT				
Contributions	\$ 51,148	\$ 15,372	\$ 66,520	\$ 15,646
Grants and contracts - Foundations and others	0	595,257	595,257	575,118
Grants and contracts - Governments	0	3,860,329	3,860,329	2,319,976
Child care food program	0	46,049	46,049	31,301
Family fees - certified	0	23,431	23,431	10,705
Family fees - noncertified	0	8,215	8,215	44,036
Transfer from CD reserves	0	10,000	10,000	0
Program service fee revenues - tuition	0	8,216	8,216	38,077
Donated goods and services (Note 12)	0	484,277	484,277	506,844
Rental income	0	83,725	83,725	93,301
Special event income, net of expenses of \$3,298 in 2016 and \$1,106 in 2015	0	(634)	(634)	5,149
Investment income, net of investment expenses of \$6,414 in 2016 and \$6,496 in 2015 (Notes 3 and 4)	0	32,855	32,855	28,049
Realized gain (loss) on investments (Note 4)	0	(14,027)	(14,027)	6
Unrealized gain (loss) on investments (Note 4)	0	943	943	(24,118)
Miscellaneous	0	3,499	3,499	2,890
Loss on disposal of assets	0	(880)	(880)	(434)
Net assets released from restrictions (Note 9)	(9,427)	9,427	0	0
TOTAL REVENUE AND SUPPORT	41,721	5,166,054	5,207,775	3,646,546
EXPENSES				
Program services	0	4,043,402	4,043,402	3,065,319
Management and general	0	648,954	648,954	534,381
Fundraising expenses	0	1,997	1,997	2,914
TOTAL EXPENSES	0	4,694,353	4,694,353	3,602,614
INCREASE IN NET ASSETS	41,721	471,701	513,422	43,932
NET ASSETS, beginning of year	0	3,479,270	3,479,270	3,435,338
NET ASSETS, end of year	\$ 41,721	\$ 3,950,971	\$ 3,992,692	\$ 3,479,270

See Accompanying Notes to Financial Statements

READING AND BEYOND

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2016 AND 2015

	2016				2015				
	MANAGEMENT AND GENERAL		FUNDRAISING	TOTAL	PROGRAM SERVICES		MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES:									
Alarm and security	\$ 1,545	\$ 98	\$ 0	\$ 1,643	\$ 2,099	\$ 53	\$ 0	\$ 0	\$ 2,152
Bad debt expense	0	0	0	0	6,812	0	1,239	0	8,051
Board and committee meetings	0	509	68	577	0	906	0	0	906
Consulting expense	4,975	625	0	5,600	14,833	0	0	1,125	15,958
Contracted instructors	35,672	0	1,332	37,004	3,524	0	0	0	3,524
Depreciation	53,163	8,266	0	61,429	44,194	9,598	0	0	53,792
Dues and subscriptions	1,023	4,968	0	5,991	25	5,763	0	0	5,788
Fingerprinting expense	7,823	901	0	8,724	6,011	502	0	0	6,513
In-kind expense - goods	14,727	0	0	14,727	29,854	6,006	0	0	35,860
In-kind expense - services	462,700	6,850	0	469,550	440,025	36,965	0	0	476,990
Insurance	3,609	20,530	0	24,139	2,529	16,810	0	0	19,339
Investment expense	0	6,414	0	6,414	0	6,496	0	0	6,496
Legal and accounting	0	20,500	0	20,500	0	21,000	0	0	21,000
Licenses and fees	766	2,770	0	3,536	710	2,854	0	0	3,564
Marketing and public relations	25,100	0	0	25,100	1,764	143	49	0	1,956
Other employee benefits	309,026	33,587	14	342,627	186,265	28,982	5	0	215,252
Outreach/volunteer retention	368	1,795	31	2,194	0	1,474	0	0	1,474
Payroll processing and bank fees	1,169	12,579	283	14,031	660	10,600	55	0	11,315
Payroll taxes	245,313	31,411	33	276,757	190,653	25,935	46	0	216,634
Postage	38	52	0	90	64	478	0	0	542
Printing and copying	14,855	1,907	0	16,762	10,938	1,743	8	0	12,689
Property taxes	443	0	0	443	0	0	0	0	0
Rent and janitorial	50,187	20,065	0	70,252	15,361	12,393	10	0	27,764
Special event expense	0	3,298	0	3,298	0	0	1,106	0	1,106
Special program expense	367,309	62,520	0	429,829	49,592	0	0	0	49,592
Subcontractors	40,000	0	0	40,000	10,800	0	0	0	10,800
Supplies and food	4,140	12,544	0	16,684	198,613	7,035	33	0	205,681
Telephone and internet	21,919	11,503	0	33,422	5,551	3,811	0	0	9,362
Travel/conference expense	34,132	4,779	0	38,911	45,119	3,330	0	0	48,449
Utilities	46,406	23,716	0	70,122	43,843	24,199	0	0	68,042
Wages	2,296,994	366,479	236	2,663,709	1,755,480	313,801	344	0	2,069,625
TOTAL EXPENSES BY FUNCTION	\$ 4,043,402	\$ 658,666	\$ 1,997	\$ 4,704,065	\$ 3,065,319	\$ 540,877	\$ 4,020	\$ 0	\$ 3,610,216
LESS EXPENSES INCLUDED WITH REVENUE AND SUPPORT:									
Investment expense	0	(6,414)	0	(6,414)	0	(6,496)	0	0	(6,496)
Special event expense	0	(3,298)	0	(3,298)	0	0	(1,106)	0	(1,106)
TOTAL NET EXPENSES	\$ 4,043,402	\$ 648,954	\$ 1,997	\$ 4,694,353	\$ 3,065,319	\$ 534,381	\$ 2,914	\$ 0	\$ 3,602,614

See Accompanying Notes to Financial Statements

READING AND BEYOND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 513,422	\$ 43,932
Adjustments to reconcile increase in net assets to net cash provided from operating activities		
Depreciation	61,429	53,792
Realized loss (gain) on investments	14,027	(6)
Unrealized loss (gain) on investments	(943)	24,118
Loss on disposal of assets	880	434
Bad debt expense	0	8,051
Changes in:		
Accounts receivable	(2,545)	1,323
Grants and contracts receivable	(219,351)	(7,933)
Escrow deposit	19,265	(20,000)
Rental deposit	(5,392)	0
Prepaid expenses	54,221	(34,064)
Accounts payable	(97,518)	89,277
Accrued liabilities	83,252	(6,758)
Credit card payable	8,377	2,422
Grant advances	292,790	(25,913)
Child development reserve	14,311	1,197
	<u>736,225</u>	<u>129,872</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	1,057,658	637,524
Purchase of investments	(1,571,500)	(914,105)
Reclassification of license rights to expense	0	10,650
Purchase of property and equipment	(326,654)	(8,877)
	<u>(840,496)</u>	<u>(274,808)</u>
NET CASH USED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES	<u>0</u>	<u>0</u>
NET DECREASE IN CASH	(104,271)	(144,936)
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,055,420</u>	<u>1,200,356</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 951,149</u>	<u>\$ 1,055,420</u>
NON-CASH INVESTING ACTIVITIES		
Reclassification of license rights to prepaid expenses	<u>\$ 0</u>	<u>\$ 71,000</u>
Transfer of construction in progress to property and equipment	<u>\$ 0</u>	<u>\$ 517</u>

See Accompanying Notes to Financial Statements

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Reading and Beyond (the Organization), formerly known as the Fresno Covenant Foundation, was established in March 1999. The Organization is a nonprofit organization committed to helping academically at-risk children improve their academic performance and foster their development into successful students and thriving members of the community. The Organization’s after-school tutoring centers are located in low-income neighborhoods as a way to serve students in different areas of the City of Fresno. The number of open sites they operate depend on availability of funding.

The Organization is supported primarily by federal and state grants and contracts.

Basis of accounting – The financial statements are prepared using the accrual basis of accounting in which support and revenue are recognized when earned or due and expenses are recognized when incurred.

Recognition of donor restrictions – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents – Cash and cash equivalents consist of cash held in checking, savings, money market, and certificate of deposit accounts with an initial maturity of three months or less. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Grants and contract receivables – Grants and contract receivables are stated at the amount management expects to collect from outstanding balances. At June 30, 2016 and 2015, the Organization considers all amounts to be fully collectible; therefore, no allowance for doubtful amounts is reflected.

Investment in securities – The organization’s investment in securities is classified as “available for sale” securities and is carried on the financial statements at fair value.

Property and equipment – Property and equipment are carried at cost. Acquisitions of fixed assets in excess of \$1,000 are capitalized. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions or property and equipment are recorded as unrestricted support.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. Routine repairs and maintenance are expensed as incurred.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (continued)

Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

License rights – During 2013, the Organization paid \$119,825 for license rights to the online database solution for the Promise Neighborhoods grant. The remaining portion of the license rights of \$93,825 was received as an in-kind donation. During the year ended June 30, 2015, the value of the licenses was reevaluated by the Organization and the vendor, and the value was reduced to total \$132,000, and resulted in \$10,650 being reclassified to expense and \$71,000 reclassified to prepaid expense. The license rights have indefinite lives that are subject to annual impairment tests.

Compensated absences – The cost of compensated leave is accrued as it is vested to the employee. Accrued compensated absences are included in accrued liabilities on the statements of financial position.

Grant advances – Grant revenue received in advance of expenditures is deferred and recognized over the period to which the expenditure relates.

Restrictions on assets – Restricted funds are reported as follows:

Temporarily restricted net assets – represent resources that have been designated by donors and funding agencies for specific projects and programs.

Donated goods and services – The organization receives various donated goods and services. The estimated fair value of the donation is recorded as support and expense in the period received. Unpaid volunteers make significant contributions of their time to assist the organization. The value of volunteer time is not reflected in these statements because it is not susceptible to objective measurement or valuation.

Income taxes – The organization is incorporated as a non-profit California corporation and is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Tax returns are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2016 and 2015, interest and penalties totaled \$0.

Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state tax returns are more likely than not to be sustained upon examination.

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures 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.

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on personnel time and space utilized for the related activities. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of the Organization. (See Note 14)

Reconciliation of CDE and GAAP Expense Reporting – The supplementary Combining Statement of Activities and basic financial statements present financial data in conformity with GAAP. The other supplementary financial data presented in the audit, including data in the Combining Schedule of Expenditures by State Categories, present expenditures according to CDE reporting requirements. However, reporting differences arise because CDE contract funds must be expended during the contract period (usually one year). For example, program amounts that are capitalized and depreciated over multiple years under GAAP are expensed in the contract period under CDE requirements. To address such reporting differences, the audit report includes a Reconciliation of CDE and GAAP Expense Reporting.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassification had no impact on previously-reported net income or cash flow information.

NOTE 2: CASH AND CASH EQUIVALENTS

At June 30, 2016 and 2015, cash and cash equivalents consist of the following:

		2016	2015
Bank of the Sierra	Business checking	\$ 406,629	\$ 401,677
Bank of the Sierra	Business savings	51,333	11,075
Bank of the Sierra	Money market fund	150,232	300,024
Citibank	Money market fund	342,855	342,469
Change fund		100	100
Other		0	75
		<u>\$ 951,149</u>	<u>\$ 1,055,420</u>

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2016 and 2015, cash and cash equivalents included \$951,149 and \$1,055,420, respectively, held in commercial banks. The Federal Deposit Insurance Corporation (FDIC) insures total deposit cash balances up to \$250,000 per bank. At June 30, 2016 and 2015, the organization had accounts with combined balances of \$557,540 and \$561,778, respectively, which were not FDIC insured.

NOTE 3: SHORT-TERM INVESTMENTS

Investments as of June 30, 2016 and 2015, are summarized as follows:

		2016	2015
BBVA Compass Bank	Certificate of deposit	\$ 241,052	\$ 0
Beneficial State Bank	Certificate of deposit	246,065	0
Citizens Business Bank	Certificate of deposit	0	245,185
Fresno First Bank	Certificate of deposit	246,641	245,284
Murphy Bank	Certificate of deposit	250,803	248,301
Security First Bank	Certificate of deposit	245,894	245,155
State Bank of India	Certificate of deposit	240,553	0
United Security Bank	Certificate of deposit	0	242,075
Valley Business Bank	Certificate of deposit	245,149	0
		<u>\$ 1,716,157</u>	<u>\$ 1,226,000</u>

The certificates bear interest ranging from 0.30% to 1.40% and have maturities ranging from six months to twenty-four months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

At June 30, 2016 and 2015, with the exception of the Murphy Bank certificate, all investments held in commercial banks were fully insured by the Federal Deposit Insurance Corporation.

The following schedule summarizes the investment return and its classification in the Statements of Activities for the years ended June 30, 2016 and 2015:

	2016	2015
Investment income	<u>\$ 12,915</u>	<u>\$ 6,458</u>

Investment earnings have been reinvested and are included in the cost of the investments.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 4: INVESTMENT IN SECURITIES

Investment in securities as of June 30, 2016, is summarized as follows:

	Quoted Market Value	Unrealized Gain
Available-for-sale securities:		
Money market	\$ 16,787	\$ 784
Fixed income	861,629	39,608
Equities	<u>433,014</u>	<u>19,894</u>
	<u>\$ 1,311,430</u>	<u>\$ 60,286</u>

Investment in securities as of June 30, 2015, is summarized as follows:

	Quoted Market Value	Unrealized Gain
Available-for-sale securities:		
Money market	\$ 9,106	\$ 415
Fixed income	918,385	41,896
Equities	<u>373,338</u>	<u>17,032</u>
	<u>\$ 1,300,829</u>	<u>\$ 59,343</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2016 and 2015:

	2016	2015
Investment return:		
Investment income, net of expenses of \$6,414 in 2016 and \$6,496 in 2015	\$ 19,904	\$ 21,579
Realized gain (loss)	(14,027)	6
Unrealized gain (loss)	<u>943</u>	<u>(24,118)</u>
	<u>\$ 6,820</u>	<u>\$ (2,533)</u>

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5: GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2016 and 2015, amounts due to the Organization for expenditures that are reimbursable by the granting or contracting agency are as follows:

	2016	2015
Boys & Girls Club of Fresno County	\$ 5,250	\$ 3,583
California Department of Education	14,822	25,329
Central Unified School District	0	1,430
First 5 Fresno County	10,898	12,248
Focus Forward	0	11,598
Fresno County DBH	9,103	12,693
Fresno County DSS	245,522	10,258
Fresno County Office of Education	131,680	146,062
Fresno Housing Authority	10,500	0
Fresno Unified School District	21,844	0
West Park Unified School District	8,125	0
Other	<u>74</u>	<u>15,266</u>
	<u>\$ 457,818</u>	<u>\$ 238,467</u>

NOTE 6: PROPERTY AND EQUIPMENT

At June 30, 2016 and 2015, property and equipment consist of the following:

	2016	2015
Land	\$ 35,000	\$ 0
Building	140,445	0
Equipment	115,825	84,764
Leasehold improvements	<u>288,735</u>	<u>169,995</u>
	580,005	254,759
Less: Accumulated depreciation	<u>(243,224)</u>	<u>(182,323)</u>
	<u>\$ 336,781</u>	<u>\$ 72,436</u>

Depreciation expense was \$61,429 and \$53,792 for the years ended June 30, 2016 and 2015, respectively.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7: GRANT ADVANCES

At June 30, 2016 and 2015, grant advances consist of the following:

	2016	2015
AT&T	\$ 27,484	\$ 21,029
Bank of America	29,828	36,467
California Endowment	20,067	17,114
Central Valley Community Foundation	140,185	134,205
Citibank	49,921	0
Fresno County DSS	0	6,500
Golden1 Credit Union	45,000	30,000
Insurance Industry Charitable Foundation	6,074	6,500
James Irvine Foundation	215,707	46,055
Kaiser Permanente	2,500	6,365
Rotary Club of Fresno Foundation	0	10,000
Sierra Health Foundation	18,720	15,391
Walter Johnson Foundation	0	11,983
Wesley Foundation	25,000	0
Wells Fargo Foundation	94,397	39,983
Other	4,999	5,500
	<u>\$ 679,882</u>	<u>\$ 387,092</u>

NOTE 8: CHILD DEVELOPMENT RESERVE ACCOUNT

Child development contractors with the California Department of Education (CDE) are allowed, with prior CDE approval, to maintain a reserve account from earned but unexpended child development contract funds for three types of programs: Center-Based, Resource and Referral, and Alternative Payment. Transfers from a reserve account are considered restricted income for child development programs, but may be applied to any of the contracts that are eligible to contribute to that particular program type.

Reading and Beyond maintains a reserve account for Center-Based contracts, and funds are deposited into an interest bearing account. The reserve account balance at June 30, 2016 and 2015 was \$22,912 and \$8,601, respectively, which is recorded as an asset in the cash account.

This page space left blank intentionally.
See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8: CHILD DEVELOPMENT RESERVE ACCOUNT (Continued)

Also, upon termination of all child development center-based contracts with CDE, Reading and Beyond would have to return the reserve funds to CDE, therefore, the reserve account is recorded as a liability (deferred revenue).

The reserve account balance at June 30, 2016 and 2015 includes interest of \$36 and \$12, respectively, that the bank paid during each respective year.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2016 and 2015, consist of the following:

	2016	2015
Family Success Zone	<u>\$ 41,721</u>	<u>\$ 0</u>

Net assets released from restrictions by incurring expenses satisfying the restricted purpose during the year ended June 30, 2016, are:

Family Success Zone	<u>\$ 9,427</u>
---------------------	-----------------

This page space left blank intentionally.
See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described below:

- | | |
|---------|--|
| Level 1 | Quoted prices for identical assets or liabilities traded in active markets. |
| Level 2 | Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means. |
| Level 3 | Inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Money market funds: Valued at authorized cost, which approximates fair value.

Fixed income: Valued at the closing price reported in the active market in which the individual securities are traded.

Equities: Valued at the closing price reported in the active market in which the individual equities are traded.

Donated goods and services: Value based upon vendor invoices and current market price.

This page space left blank intentionally.
See next page for continuation of notes.

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

NOTE 10: FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the level within the hierarchy at which assets are measured at June 30, 2016 and 2015:

		2016						
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3			
Recurring:								
Available for sale equity securities:								
Money market	\$	16,787	\$	16,787	\$	0	\$	0
Fixed income		861,629		861,629		0		0
Equities		433,014		433,014		0		0
Total available for sale equity securities		1,311,430	1,311,430	0	0			
Nonrecurring:								
Donated goods and services		484,277	0	484,277	0			
	\$	1,795,707	\$	1,311,430	\$	484,277	\$	0
		2015						
		TOTAL	LEVEL 1	LEVEL 2	LEVEL 3			
Recurring:								
Available for sale equity securities:								
Money market	\$	9,106	\$	9,106	\$	0	\$	0
Fixed income		918,385		918,385		0		0
Equities		373,338		373,338		0		0
Total available for sale equity securities		1,300,829	1,300,829	0	0			
Nonrecurring:								
Donated goods and services		506,844	0	506,844	0			
	\$	1,807,673	\$	1,300,829	\$	506,844	\$	0

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11: COMMITMENTS AND CONTINGENCIES

Grants

In connection with federal and state grant programs, the Organization is obligated to administer the programs in accordance with regulatory restrictions, and is subject to audit by grantor agencies. In case of noncompliance, the agencies involved may require the Organization to refund program monies. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

The Organization is contingently liable in connection with claims and contracts arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

The possibility exists that federal and state grants may decrease in the future. In the event such revenue were significantly decreased, the Organization would need to seek other funding sources to maintain operations at current levels.

Operating Leases

The Organization conducts its administrative activities from facilities that are leased under an operating lease that expires May 31, 2021. The lease agreement grants use of the facilities without payment of use fees. For the years ended June 30, 2016 and 2015, in-kind contributions of \$160,200 have been recorded. See Note 11.

The Organization subleases a portion of the administrative facilities to the County of Fresno. The lease is for the period September 1, 2011 – May 31, 2016 for a fee of \$6,500 per month. As of June 1, 2016, the sublease converted to a month-to-month operating lease.

The Organization conducts certain program activities from facilities that are leased under a month-to-month operating lease. The lease agreement grants use of the facilities without payment of use fees. However, the Organization is required to pay 50% of gas and electricity on the entire facility. This lease was terminated effective September 30, 2014. For the years ended June 30, 2016 and 2015, in-kind contributions of \$0 and \$24,075 have been recorded, respectively. See Note 11.

The Organization conducts certain program activities from seven facilities that are leased under operating leases. All seven leases expire December 31, 2018.

Rent expense for the years ended June 30, 2016 and 2015 was \$40,245 and \$11,160, respectively.

This page space left blank intentionally.
See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11: COMMITMENTS AND CONTINGENCIES (Continued)

Operating leases (continued)

Future minimum lease payments on these leases are as follows:

	YEAR ENDING JUNE 30,			
	2017	2018	2019	TOTAL
Reedley	\$ 12,000	\$ 12,000	\$ 6,000	\$ 30,000
Central Fresno	8,796	8,796	4,398	21,990
El Dorado Park	10,560	10,560	5,280	26,400
Pinedale	7,482	7,830	4,002	19,314
Kerman	13,136	13,136	6,569	32,841
Selma	9,513	9,794	4,966	24,273
West Fresno	9,000	9,000	4,500	22,500
TOTAL	\$ 70,487	\$ 71,116	\$ 35,715	\$ 177,318

NOTE 12: DONATED GOODS AND SERVICES

Donated goods and services consist of the following:

	2016	2015
Free use of facilities (admin and program sites), services and related utilities	\$ 469,550	\$ 476,990
Activities supplies	14,727	29,854
	\$ 484,277	\$ 506,844

NOTE 13: RETIREMENT PLAN

The Organization has a salary reduction plan (401k) in place, which is available to all employees who have worked 12 months and more than 1,000 hours during the calendar year. The amount of the salary reduction is paid directly to an independent administrator and applied directly to the employee retirement investment account. The Organization makes matching contributions of up to 4%. The vesting schedule of the employee is 20% after one year and an additional 20% per year until fully vested at the end of year five. For the years ended June 30, 2016 and 2015, the matching amount contributed to the plan was \$47,791 and \$31,725, respectively. The contribution is included in Other Employee Benefits expense on the statements of functional expenses.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 14: COST ALLOCATION PLAN

The Organization updates its cost allocation plan annually. Its cost allocation plan is on file in the Organization's Fiscal office. The Organization allocates its costs based on the benefits received by the programs and activities, or whether the costs incurred benefit all programs and activities. Accordingly, the Organization applies the following methods for allocating costs:

Direct Costs: Costs identified 100% to a specific program or activity are charged directly to that program or activity.

Shared Direct Costs: Costs identified that benefit specific multiple programs or activities are shared and expensed based upon a full-time equivalent allocation method.

Indirect (Administrative) Costs: Costs that benefit the operations of the entire Organization and all programs and activities, which cannot be identified to specific programs or activities, are accumulated into an indirect cost pool and allocated across all of the various programs, activities and functions using the Modified Total Direct Cost Allocation method.

NOTE 15: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 15, 2016 (date financial statements available to be issued) and determined no events have occurred subsequent to June 30, 2016 that would require adjustment to, or disclosure in the financial statements.

READING AND BEYOND

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2016

Agency Name/Pass-Through Agency Program Title	CFDA Number	Grantor's Number	Award Amount		Expenditures	
			Federal	State	Federal	State
U.S. Department of Agriculture						
Passed through California Department of Education:						
Child and Adult Care Food Program	10.558	05232-CACFP-10-NP-1C	\$ 46,049	0 \$	\$ 46,049	\$ 0
Passed through California Department of Social Services						
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	14-3038	99,048	0	\$ 9,603	0
Passed through County of Fresno:						
Supplemental Nutrition Assistance Program	10.551	A-15-023-1	2,379,636	0	\$ 535,660	0
Supplemental Nutrition Assistance Program Employment & Training Pilot Project	10.596	A-15-603	11,747,968	0	\$ 710,826	0
U.S. Department of Health & Human Services						
Passed through County of Fresno						
Temporary Assistance for Needy Families (TANF)	93.558	15-156	626,940	0	125,388	0
Temporary Assistance for Needy Families (TANF)	93.558	A-13-544	368,879	0	353,228	0
			995,819	0	478,616	0
U.S. Department of Labor						
Passed through Fresno Regional Workforce Investment Board						
Environmental Workforce Development & Job Training	66.815	723	6,336	0	173	0
California Department of Education						
California State Preschool Program	93.596/93.575	CSPP-5079	92,218	339,820	92,218	270,748
Prekindergarten and Family Literacy (Support)		CPKS-5013	0	2,500	0	2,500
First 5 Fresno County						
Promise Neighborhood		2014-0947	0	49,148	0	49,148
Fresno County Office of Education						
QRIS Block Grant		63216	0	48,000	0	48,000
Total Federal and State Awards			\$ 15,367,074	\$ 439,468	\$ 1,873,145	\$ 370,396

READING AND BEYOND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2016

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122, *Costs Principles for Non-profit Organizations*, or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Reading and Beyond has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C: CLAIM PREPARATION

Monthly CACFP claims were prepared in accordance with the Fixed Percentage Claim method.

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016, WITH COMPARATIVE TOTALS FOR 2015

	CSPP 5079	CPKS 5013	Total CDE CD Contracts	Non-CDE Programs	TOTAL	
					2016	2015
REVENUE AND SUPPORT						
Contributions	\$ 0	\$ 0	\$ 0	\$ 66,520	\$ 66,520	\$ 15,646
Grants and contracts - Foundations and others	1,542	0	1,542	593,715	595,257	575,118
Grants and contracts - Governments	363,029	2,500	365,529	3,494,800	3,860,329	2,319,976
Child care food program, #05232-CACFP-10-NP-IC	46,049	0	46,049	0	46,049	31,301
Family fees - certified	23,431	0	23,431	0	23,431	10,705
Family fees - noncertified	8,215	0	8,215	0	8,215	44,036
Transfer from CD reserves	10,000	0	10,000	0	10,000	0
Program service fee revenues - tuition	0	0	0	8,216	8,216	38,077
Donated goods and services	0	0	0	484,277	484,277	506,844
Rental income	0	0	0	83,725	83,725	93,301
Special event income (loss)	0	0	0	(634)	(634)	5,149
Investment income	29	0	29	32,826	32,855	28,049
Realized loss on investment	0	0	0	(14,027)	(14,027)	6
Unrealized gain (loss) on investments	0	0	0	943	943	(24,118)
Miscellaneous	0	0	0	3,499	3,499	2,890
Loss on disposal of asset	0	0	0	(880)	(880)	(434)
TOTAL REVENUE AND SUPPORT	452,295	2,500	454,795	4,752,980	5,207,775	3,646,546
EXPENSES						
Alarm and security	936	0	936	707	1,643	2,152
Bad debt expense	0	0	0	0	0	8,051
Board and committee meetings	0	0	0	577	577	906
Consulting expense	0	0	0	5,600	5,600	15,958
Contracted instructors	0	0	0	37,004	37,004	3,524
Depreciation	27,212	0	27,212	34,217	61,429	53,792
Dues and subscriptions	423	0	423	5,568	5,991	5,788
Fingerprinting expense	2,310	0	2,310	6,414	8,724	6,513
Indirect costs	28,142	186	28,328	(28,328)	0	0
In-kind expense - goods	0	0	0	14,727	14,727	35,860
In-kind expense - services	0	0	0	469,550	469,550	476,990
Insurance	500	0	500	23,639	24,139	19,339
Legal and accounting	4,100	0	4,100	16,400	20,500	21,000
Licenses and fees	546	0	546	2,990	3,536	3,564
Marketing and public relations	0	0	0	25,100	25,100	1,956
Other employee benefits	45,233	0	45,233	297,394	342,627	215,252
Outreach/volunteer retention	0	0	0	2,194	2,194	1,474
Payroll processing and bank fees	590	0	590	13,441	14,031	11,315
Payroll taxes	21,501	0	21,501	255,256	276,757	216,634
Postage	45	0	45	45	90	542
Printing and copying	1,085	0	1,085	15,677	16,762	12,689
Property taxes	0	0	0	443	443	0
Rent and janitorial	12,158	0	12,158	58,094	70,252	27,764
Special program expense	8,120	2,314	10,434	276,185	286,619	49,592
Subcontractors	0	0	0	40,000	40,000	10,800
Supplies and food	82,682	0	82,682	77,212	159,894	205,681
Telephone and internet	780	0	780	32,642	33,422	9,362
Travel/conference expense	5,270	0	5,270	33,641	38,911	48,449
Utilities	7,508	0	7,508	62,614	70,122	68,042
Wages	203,154	0	203,154	2,460,555	2,663,709	2,069,625
TOTAL EXPENSES	452,295	2,500	454,795	4,239,558	4,694,353	3,602,614
CHANGE IN NET ASSETS	\$ 0	\$ 0	\$ 0	\$ 513,422	\$ 513,422	\$ 43,932

See Accompanying Notes to Financial Statements

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

YEAR ENDED JUNE 30, 2016

		<u>CSPP 5079</u>	<u>CPKS 5013</u>	<u>TOTAL CDE CD CONTRACTS</u>
1000	Certificated salaries	\$ 36,563	\$ 0	\$ 36,563
2000	Classified salaries	166,592	0	166,592
3000	Employee benefits	66,734	0	66,734
4000	Books and supplies	90,801	2,314	93,115
5000	Services and other operating expenses	36,251	0	36,251
6100/6200	Other approved capital outlay	0	0	0
6400	New equipment (program-related)	0	0	0
6500	Replacement equipment (program-related)	0	0	0
	Depreciation or use allowance	27,212	0	27,212
	Start-up expenses - service level exemption	0	0	0
	Budget impasse credit	0	0	0
	Indirect costs	<u>28,142</u>	<u>186</u>	<u>28,328</u>
	Total Expenses Claimed for Reimbursement	452,295	2,500	454,795
	Total Supplemental Expenses	<u>49,119</u>	<u>0</u>	<u>49,119</u>
	Total Expenditures	<u>\$ 501,414</u>	<u>\$ 2,500</u>	<u>\$ 503,914</u>

Notes:

(a) A written indirect cost allocation plan for the current fiscal year, approved by the Board of Directors, is on file in the main accounting office of Reading and Beyond.

(b) Any food expenses have been allocated to the appropriate contracts.

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING

YEAR ENDED JUNE 30, 2016

	<u>CSPP 5079</u>	<u>CPKS 5013</u>	<u>TOTAL CDE CD CONTRACTS</u>
Schedule of Expenditures by State Categories (CDE)	\$ 501,414	\$ 2,500	\$ 503,914
Adjustments to Reconcile Differences in Reporting:	<u>0</u>	<u>0</u>	<u>0</u>
Combining Statement of Activities (GAAP)	<u>\$ 501,414</u>	<u>\$ 2,500</u>	<u>\$ 503,914</u>

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES

YEAR ENDED JUNE 30, 2016

	CSPP 5079	CPKS 5013	Total Costs
<u>Unit Cost Under \$7,500 per Item:</u>			
None	\$ 0	\$ 0	0
<u>Unit Cost Over \$7,500 With Prior CDE Approval:</u>			
None	0	0	0
<u>Unit Cost Over \$7,500 Without Prior CDE Approval</u>			
None	0	0	0
Total Equipment Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>

Note:

Reading and Beyond's capitalization threshold is \$1,000, or more.

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

SCHEDULE OF REIMBURSABLE EXPENDITURES FOR RENOVATIONS AND REPAIRS

YEAR ENDED JUNE 30, 2016

	CSPP 5079	CPKS 5013	Total Costs
<u>Unit Cost Under \$10,000 per Item:</u>			
None	\$ 0	\$ 0	0
<u>Unit Cost Over \$10,000 With Prior CDE Approval:</u>			
None	0	0	0
<u>Unit Cost Over \$10,000 Without Prior CDE Approval:</u>			
None	0	0	0
Total Renovation and Repair Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>

Note:
Reading and Beyond's capitalization threshold is \$1,000, or more.

See Accompanying Notes to Financial Statements

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS

YEAR ENDED JUNE 30, 2016

	<u>CSPP 5079</u>	<u>CPKS 5013</u>	<u>TOTAL COSTS</u>
Administrative salaries	\$ 18,419	\$ 0	\$ 18,419
Administrative benefits/payroll taxes	5,139	0	5,139
Postage	41	0	41
Professional fees	4,100	0	4,100
Indirect costs	<u>28,142</u>	<u>186</u>	<u>28,328</u>
Total Administrative Costs	<u>\$ 55,841</u>	<u>\$ 186</u>	<u>\$ 56,027</u>

See Accompanying Notes to Financial Statements

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: Reading and Beyond

Vendor No. Z642

Fiscal Year Ended: June 30, 2016

Contract No. CSPP 5079

Independent Auditor's Name: _____

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time	5,221		5,221	1.0000	5,221.000
Three-quarters-time	658		658	0.7500	493.500
One-half-time	744	(26)	718	0.6195	444.801
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6195	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time	2,886		2,886	1.1000	3,174.600
Three-quarters-time	562		562	0.8250	463.650
One-half-time	526		526	0.6195	325.857
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6195	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6195	-
TOTAL DAYS OF ENROLLMENT	10,597	(26)	10,571		10,123.408
DAYS OF OPERATION	248		248		
DAYS OF ATTENDANCE	10,582		10,582		

☐ NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

Adjustments made to account for over-reporting 26 days of one-half-time enrollment for 2 children.

At reimbursement rate of \$38.53/day, net effect is \$620.60.

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: Reading and Beyond

Vendor No. Z642

Fiscal Year Ended: June 30, 2016

Contract No. CSPP 5079

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children. DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus			-	1.6520	-
Full-time			-	1.4000	-
Three-quarters-time			-	1.0500	-
One-half-time			-	0.7700	-
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time	181		181	1.0000	181.000
Three-quarters-time	87		87	0.7500	65.250
One-half-time	4		4	0.6195	2.478
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time			-	1.2000	-
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6195	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time	4		4	0.6195	2.478
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6195	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6195	-
TOTAL DAYS OF ENROLLMENT	276	-	276		251.206

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: Reading and Beyond Vendor No. Z642

Fiscal Year End: June 30, 2016 Contract No. CSPP 5079

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$46,049		\$46,049
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$46,049	\$0	\$46,049
Transfer from Reserve - General	10,000		10,000
Transfer from Reserve - Professional Development			0
Subtotal	\$10,000	\$0	\$10,000
Family Fees for Certified Children	23,431		23,431
Interest Earned on Apportionments	29		29
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	8,215		8,215
Head Start Program (EC § 8235(b))			0
Other (Specify): General Fund	1,542		1,542
Other (Specify):			0
TOTAL REVENUE	\$89,266	\$0	\$89,266

SECTION IV - REIMBURSABLE EXPENSES

<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	36,563		36,563
2000 Classified Salaries	166,592		166,592
3000 Employee Benefits	66,734		66,734
4000 Books and Supplies	89,486	1,315	90,801
5000 Services and Other Operating Expenses	37,568	(1,317)	36,251
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance	27,210	2	27,212
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 7.09% (Rate is Self-Calculating)	28,142		28,142
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$452,295	\$0	\$452,295
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$55,841		\$55,841

FOR CDE-A&I USE ONLY

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

Adjustments made to reclassify expenses previously reported.
Net effect is zero.

☐ NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: Reading and Beyond

Vendor No. Z642

Fiscal Year End: June 30, 2016

Contract No. CSPP 5079

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding			\$0
Other (Specify): General Fund	1,119		1,119
Other (Specify): FCOE QRIS Block Grant	48,000		48,000
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$49,119	\$0	\$49,119

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries			\$0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies	2,370		2,370
5000 Services and Other Operating Expenses	4,727		4,727
6000 Equipment/Other Capital Outlay	31,206		31,206
Depreciation or Use Allowance			0
Indirect Costs	3,556		3,556
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay	7,260		7,260
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$49,119	\$0	\$49,119

COMMENTS - If necessary, attach additional sheets to explain adjustments:

**AUDITED FISCAL REPORT
for Child Development Support Contracts**

Agency Name: Reading and Beyond Vendor No. Z642

Fiscal Year End: June 30, 2016 Contract No. CPKS 5013

Multi-Year Contract? (Check "No" Box or Enter Contract Period): No: ☒ or Period: _____

Independent Auditor's Name: Moore Grider & Company

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	PRIOR YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
SECTION I - REVENUE				
RESTRICTED INCOME				
Match Requirement				\$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
Other (Specify):				0
Subtotal	\$0	\$0	\$0	\$0
INTEREST EARNED ON APPORTIONMENTS				0
UNRESTRICTED INCOME				
Other (Specify):				0
Other (Specify):				0
TOTAL REVENUE	\$0	\$0	\$0	\$0

SECTION II - REIMBURSABLE EXPENSES

1000 Certificated Salaries				\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies		2,314		2,314
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (program-related)				0
6500 Replacement Equipment (program-related)				0
Depreciation or Use Allowance				0
Indirect Costs Rate: 8.04%		186		186
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$0	\$2,500	\$0	\$2,500
TOTAL ADMINISTRATIVE COSTS (included in section II above)		\$186		\$186
FOR CDE-A&I USE ONLY:				

COMMENTS - If necessary, attach additional sheets to explain adjustments:

☒ NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box & omit page 2 if there are no supplemental revenues or expenses to report.

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: Reading and Beyond

Fiscal Year End: June 30, 2016

Vendor No. Z642

Independent Auditor's Name: Moore Grider & Company

RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
<input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$8,601		\$8,601
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CSPP-4081	\$24,275		\$24,275
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	\$24,275	\$0	\$24,275
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$32,876	\$0	\$32,876
THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$36		\$36
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
CSPP - General			
Contract No. CSPP-5079	\$10,000		\$10,000
Contract No.			0
CSPP - Professional Development			
Contract No.			\$0
Contract No.			0
Subtotal	\$10,000	\$0	\$10,000
Other Contracts			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Subtotal	\$0	\$0	\$0
Total Transferred to Contracts from Reserve Account	\$10,000	\$0	\$10,000
7. Ending Balance on June 30, 2016 (column A must agree with this year's CDFS 9530-A, Section IV)	\$22,912	\$0	\$22,912
COMMENTS - If necessary, attach additional sheets to explain adjustments:			



Moore Grider & Company
Certified Public Accountants

*A Partnership Including
Accountancy Corporations*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.,
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A.,
Accountancy Corporation

Pamela J. Gallemore, C.P.A.,
Accountancy Corporation

Karl L. Noyes, C.P.A.,
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Tom Collins, C.P.A.

Rena R. Avedikian, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Carrie M. Wiebe, C.P.A., C.F.E.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.F.E.

Abel M. Cabello, E.A.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

**INDEPENDENT AUDITORS' 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
Reading and Beyond
Fresno, California**

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 Reading and Beyond, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Reading and Beyond'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 Reading and Beyond's internal control. Accordingly, we do not express an opinion on the effectiveness of Reading and Beyond's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Moore Gilder & Company

Fresno, California
November 15, 2016



Moore Grider & Company
Certified Public Accountants

*A Partnership Including
Accountancy Corporations*

Richard L. Holland, C.P.A.

Thomas L. Bell, C.P.A.,
Accountancy Corporation

Denise S. Hurst, C.P.A.

Kenneth J. Labendeira, C.P.A.,
Accountancy Corporation

Pamela J. Gallemore, C.P.A.,
Accountancy Corporation

Karl L. Noyes, C.P.A.,
Accountancy Corporation

Cory J. Bell, C.P.A.

Kendall K. Wheeler, C.P.A.

Tom Collins, C.P.A.

Rena R. Avedikian, C.P.A.

Kelli D. Steele, C.P.A.

Julie B. Fillmore, C.P.A.

Carrie M. Wiebe, C.P.A., C.F.E.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.F.E.

Abel M. Cabello, E.A.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Reading and Beyond
Fresno, California

Report on Compliance for Each Major Federal Program

We have audited Reading and Beyond's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Reading and Beyond's major federal programs for the year ended June 30, 2016. Reading and Beyond'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Reading and Beyond'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 audit requirement of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reading and Beyond'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 Reading and Beyond's compliance.

Opinion on Each Major Federal Program

In our opinion, Reading and Beyond 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of Reading and Beyond 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 Reading and Beyond's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reading and Beyond'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moore Gilder & Company

Fresno, California
November 15, 2016

READING AND BEYOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of auditors' report issued: Unmodified opinion
- Internal control over financial reporting:
 - Material weakness identified: No
 - Significant deficiencies identified: None reported
- Noncompliance material to the financial statements noted: No

Federal Awards

- Internal control over major programs:
 - Material weakness identified: No
 - Significant deficiencies identified: None reported
- Type of auditors' report issued on compliance for major programs: Unmodified opinion
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): No
- Major Programs:

CFDA Number

Name of Federal Program or Cluster

93.558

Temporary Assistance for Needy Families
(TANF)

- Dollar threshold used to distinguish between Type A and Type B programs for program determination: \$750,000
- Reading and Beyond qualified as low-risk auditee: Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - MAJOR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

READING AND BEYOND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

16-01. Attendance Over-reported

Program Information: California State Preschool Program – CFDA No. 93.596/93.575;
Grant No. CSPP 5079; Grant period – Year ended June 30, 2016

Criteria: Attendance should be reported accurately based upon attendance noted on each child's monthly attendance sheet.

Condition: During our review of eligibility files, we noted that the October 2015 attendance was over-reported for two certified non-LEP children. A total of 26 one-half-time days were over-reported for the month of October 2015.

Questioned costs: \$621. Calculation: 26 days x \$38.53 x .6195 adjustment factor.

Effect and Context: Attendance was over-reported by 26 one-half-time days.

Cause: Policies and procedures are in place for program staff to verify attendance per the child's monthly attendance sheet equals that which is reported on the monthly Attendance and Fiscal Report (CDFS 8501). The Organization was inconsistent in following these policies and procedures.

Recommendation: We recommend that attendance on the child's monthly attendance sheets be reviewed to verify it matches the documentation used to prepare the monthly Attendance and Fiscal Report (CDFS 8501) and that attendance is reported accurately.

Views of Responsible Officials and Planned Corrective Actions: Reading and Beyond Management agrees with the results of the finding above. Going forward, the monthly attendance sheets will be reviewed by the Preschool Site Supervisor, and will also be reviewed and approved by the Finance/Accounting Assistant for accuracy prior to the preparation of the monthly Attendance and Fiscal Report (CDFS 8501).

READING AND BEYOND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

Section II - Financial Statement Findings	None
Section III – Major Federal Award Findings and Questioned Costs:	None
Section IV - State Award Findings and Questioned Costs:	None