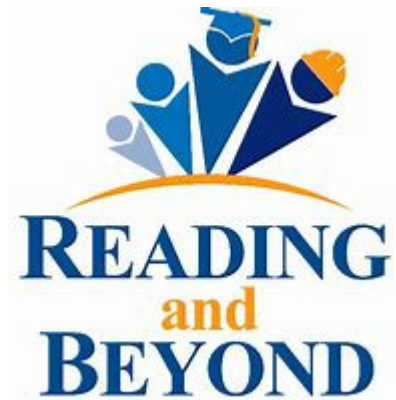


## **Reading and Beyond**

Financial Statements and Supplementary  
Information

As of and for the Year Ended June 30, 2022



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**Reading and Beyond**  
**Financial Statements and Supplementary Information**  
As of and for the Year Ended June 30, 2022

# Reading and Beyond

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## Independent Auditor's Report

To the Board of Directors  
Reading and Beyond  
Fresno, California

### Opinion

We have audited the accompanying financial statements of Reading and Beyond (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Reading and Beyond's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

## Independent Auditor's Report - continued

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

### ***Emphasis of Matter***

As discussed in Note 3 to the financial statements, the 2021 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### ***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 Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the supplemental schedules as listed in the Table of Contents required by the *Audit Guide* issued by the California Department of Education and the California Department of Social Services, 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 March 24, 2023 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Reading and Beyond's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reading and Beyond's internal control over financial reporting and compliance.

*Lewis Sharpstone & Co.*

Woodland Hills, California,  
March 24, 2023, except for Notes 3 and 11 as to which the date is April 21, 2023

## **Financial Statements**

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**Reading and Beyond**  
**Statement of Financial Position**  
**As of June 30, 2022**

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**Assets**

Cash and cash equivalents	\$	850,534
Investments		4,789,263
Accounts receivable		549,849
Prepaid expenses and other assets		110,772
Property and equipment, net		679,568

---

**Total Assets** \$ 6,979,986

---

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$	568,143
Child development reserve		143,284
Advances		1,525,502

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**Total Liabilities** 2,236,929

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**Commitments (Note 9)** -

**Net Assets**

Without donor restrictions	4,114,300
With donor restrictions	628,757

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**Total Net Assets** 4,743,057

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**Total Liabilities and Net Assets** \$ 6,979,986

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*See accompanying notes to financial statements*

**Reading and Beyond**  
**Statement of Activities**  
For the Year Ended June 30, 2022

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	<u>Without donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
Contributions	\$ 66,199	\$ -	\$ 66,199
Grants and contracts - foundations	1,173,623	12,500	1,186,123
Grants and contracts - governments	6,193,318	-	6,193,318
In-kind income	204,719	-	204,719
Investment Income (loss), net	(206,371)	-	(206,371)
Other income	4,224	-	4,224
Net assets released from restrictions	176,115	(176,115)	-
<b>Total Support and Revenue</b>	<b>7,611,827</b>	<b>(163,615)</b>	<b>7,448,212</b>
<b>Expenses:</b>			
Program services	6,687,677	-	6,687,677
Management and general	902,046	-	902,046
Fundraising	-	-	-
<b>Total Expenses</b>	<b>7,589,723</b>	<b>-</b>	<b>7,589,723</b>
<b>Change in Net Assets</b>	<b>22,104</b>	<b>(163,615)</b>	<b>(141,511)</b>
<b>Net Assets, beginning of year – restated (Note 3)</b>	<b>4,092,196</b>	<b>792,372</b>	<b>4,884,568</b>
<b>Net Assets, end of year</b>	<b>\$ 4,114,300</b>	<b>\$ 628,757</b>	<b>\$ 4,743,057</b>

*See accompanying notes to financial statements*

**Reading and Beyond**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2022**

	Bridge Academy	Covid Health Program	Emergency Rental Assistance	Preschool & County Childcare	Other Programs	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 405,432	\$ 817,889	\$ 127,418	587,108	\$ 131,309	\$ 2,069,156	\$ 445,501	\$ -	\$ 2,514,657
Payroll taxes	34,890	74,552	11,089	52,618	13,026	186,175	31,581	-	217,756
Employee benefits	72,209	107,378	9,580	70,152	17,538	276,857	79,414	-	356,271
In-kind rent and supplies	-	-	-	-	-	-	204,719	-	204,719
Insurance	1,643	1,282	481	3,206	786	7,398	17,650	-	25,048
Miscellaneous expenses	-	-	-	-	7,019	7,019	4,943	-	11,962
Office expenses	23,328	20,356	3,398	16,990	8,141	72,213	50,598	-	122,811
Participants direct payments and expenses	109,647	10,187	3,564,347	100,863	50,319	3,835,363	3,274	-	3,838,637
Partner expenses	45,000	72	-	-	-	45,072	-	-	45,072
Professional fees	-	-	-	6,600	25,700	32,300	26,603	-	58,903
Program expenses	1,219	4,313	-	31,997	5,350	42,879	-	-	42,879
Rent	430	-	-	54,000	-	54,430	-	-	54,430
Repair, maintenance & utilities	353	-	-	1,358	9,118	10,829	10,321	-	21,150
Supplies	982	5,154	-	5,999	1,839	13,974	16,224	-	30,198
Travel and employee training	3,106	7,280	13	2,969	829	14,197	1,394	-	15,591
Depreciation	-	-	-	3,832	15,983	19,815	9,824	-	29,639
Total expenses	\$ <u>698,239</u>	\$ <u>1,048,463</u>	\$ <u>3,716,326</u>	<u>937,692</u>	\$ <u>286,957</u>	\$ <u>6,687,677</u>	\$ <u>902,046</u>	\$ <u>-</u>	\$ <u>7,589,723</u>

*See accompanying notes to financial statements*

**Reading and Beyond**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2022**

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<b>Cash flows from operating activities</b>	
Change in net assets	\$ (141,511)
Adjustments to reconcile change in net assets to net assets provided by (used in) operating activities	
Depreciation	29,639
Realized and unrealized loss on investments	266,038
Changes in operating assets and liabilities	
Accounts receivable	(340,388)
Prepaid expenses and other assets	13,645
Accounts payable and accrued expenses	2,023
Advances	(109,348)
Child development reserve	<u>72</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(279,830)</u>
<b>Cash flows from investing activities</b>	
Purchase of investments	(52,195)
Proceeds from sales of investments	<u>900,000</u>
<b>Net cash provided by investing activities</b>	<u>847,805</u>
<b>Change in cash</b>	567,975
<b>Cash - beginning of year, restated</b>	<u>282,559</u>
<b>Cash - end of year</b>	\$ <u>850,534</u>

*See accompanying notes to financial statements*

# Reading and Beyond

## Notes to Financial Statements

### June 30, 2022

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#### NOTE 1 - ORGANIZATION PROFILE

Reading and Beyond (“RaB” or “the Organization”), formerly known as the Fresno Covenant Foundation, was established in March of 1999. Reading and Beyond is a nonprofit organization whose mission is “To empower children and families to achieve productive self-reliant lives.” Our philosophy is centered on two-generational programming that works with children and families together to build education, social, and financial security based on strategies which integrate culturally competent education, employment, and peer support for adult family members alongside developmental, academic, and social support for children. Ultimately, improving economic mobility for families and educational outcomes for children.

RaB operates at multiple sites. It is through several RaB programs that families are supported in navigating the obstacles that prevent them from moving forward in their education and employment goals. Programs also address health and mental wellness. The goal is for clients to obtain careers that provide a family-sustaining wage embracing five core ideas: 1) dual generation theory of change; 2) build on what already exists; 3) ease of service access; 4) an A-B-C approach to self-reliance; and 5) promote meaningful growth for community’s poorest neighborhoods in the areas of education, job skills, and experience.

RaB is a multi-sector partner and works with many agencies to address the ongoing challenges in the community.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis which recognizes income when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America (“GAAP”)

##### **Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets without Donor Restrictions: - Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management’s discretion. No such designated net assets existed as of June 30, 2022.

Net Assets with Donor Restrictions: - Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Organization reports cash or other assets received as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting

# Reading and Beyond

## Notes to Financial Statements

### June 30, 2022

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period are reported as support without donor restrictions. See Note 8 for more information on the composition of net assets with donor restrictions.

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires that management makes estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### **Revenue and support, accounts receivable and advances received**

Grants and contract revenue: The Organization receives grants and contracts revenue from foundations and from governmental entities.

Government grants are accounted for as conditional contributions. Revenue is recorded when the services are performed under the contract and the related costs are expended.

Funds received under conditional grants and contracts in advance of the services being provided are recorded as advances received. The California Department of Education (“CDE”) had advanced monies to be held in a separate account, reflected as child development reserve on the statement of financial position.

Funds received under unconditional grants and contracts in advance of the services being provided are usually restricted for use as specified in the contract and are therefore recorded as support with donor restriction.

Revenues recorded under governmental grants and contracts are subject to audit by the granting agency. Management anticipates no material adjustments will result from subsequent agency audits if any.

Contributions: Contributions, including unconditional promises to give, are recognized as revenues in the year the contribution is received, or the promise is made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

Receivables resulting from these contracts and are due within one year. Management anticipates it will collect 100% of the accounts receivable balance. Thus, no allowance for doubtful accounts has been established as of June 30, 2022.

#### **Donated Materials and Services**

Donations of materials are recorded as contributions at their estimated fair value at the date of the donation. Donated services that create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by the donation are recorded at fair value in the period received. For the year end of June 30, 2022, the Organization recorded in-kind rent of \$200,250 (see Note 9 for more information) and other in-kind contributions of \$4,469.

# Reading and Beyond

## Notes to Financial Statements

### June 30, 2022

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#### **Cash equivalents**

The Organization considers all short-term financial instruments with original maturities of three months or less and not held in investment accounts to be cash equivalents. At June 30, 2022, there were no cash equivalents.

The Organization maintains a cash balance in a reserve account as required by the California Department of Education pursuant to the contract with this agency. The funds may be used only for eligible expenses under the contract not otherwise reimbursed. At June 30, 2022 the balance in this account was \$143,284.

#### **Investments**

Investments are stated at fair value. Interest, dividends, and realized and unrealized gains and losses are reported as increases or decreases in net assets without donor restriction unless a donor or law restricts their use and are reflected in the Statement of Activities as investment returns.

#### **Fair Value Measurements**

Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurements, 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs or other than quoted prices that are observable for the asset or liability.
- 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 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.

#### **Property and Equipment**

Purchases of property and equipment are recorded at cost. Acquisitions of fixed assets in excess of \$2,500 are capitalized. Donated items are recorded at estimated fair value when received.

# Reading and Beyond

## Notes to Financial Statements

### June 30, 2022

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Depreciation of both purchased and donated furniture and computer equipment is calculated using the straight-line method over estimated useful lives as follows:

Building	39 years
Leasehold improvements	Shorter of expected length of lease or useful life, 15 – 31 years
Furniture and equipment	7 years

Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property and equipment and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property and equipment, the Organization recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property and equipment. No impairment losses were recognized for the year ended June 30, 2022.

#### **Income Taxes**

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California Revenue and Taxation Code. Since the Organization is exempt from federal and state income tax, no provision has been made for current or deferred income tax expense. Under ASC 740, "Income Taxes" an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination. No such positions have been identified or liabilities recorded as of June 30, 2022.

The returns for federal and California, the Organization's only state tax jurisdiction, remain subject to examination by the Internal Revenue Service and the California Franchise Tax Board for three and four years after filing, respectively.

#### **Functional Allocation of Expenses**

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expense classification. Other expenses that are common to several functions are allocated accordingly based on management's estimates. For example, salaries are allocated based on timesheets and estimates of time expended by staff on their various functions. Occupancy costs are allocated using the square footage of space occupied by each program. Indirect costs are allocated according to a cost allocation plan.

#### **Concentrations of Business and Credit Risks**

Occasionally the Organization's bank balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses as a result of these balances.



## Reading and Beyond

### Notes to Financial Statements

#### June 30, 2022

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Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could affect the amounts reported in the accompanying financial statements.

Credit risk associated with accounts receivable is considered to be limited due to contracts in place, high historic collection rates and because of the strong long-term relationships the Organization has with grantors. One grantor balance represented 28% of accounts receivable at June 30, 2022.

During the year, the Organization earned approximately 66% of its total revenue and support from its childcare contract with the California Department of Education and an Emergency Rental Assistance grant from the City of Fresno.

Since March 2020, the US economy is facing considerable uncertainty related to the impact of the COVID-19 virus. The Organization has taken steps to adapt its operations to the changing environment but may be adversely affected in the future on its ability to conduct its operations and raise funds. Management is currently evaluating the impact these uncertainties may have on future operations.

#### **Recent Accounting Pronouncements**

On February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Organization in its year ended June 30, 2023. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In September 2020, the Financial Accounting Standards Board (FASB) issued *ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to provide additional guidance to nonprofit organizations on how to record and disclose in-kind contributions. The overall purpose of the update is to provide more transparency into how organizations are receiving and valuing in-kind contributions. The Organization adopted this ASU in this financial statement and there were no material effects of this adoption on the Organization's financial statements.

#### **NOTE 3 - RESTATEMENT**

During the year ended June 30, 2022, the Organization determined that it had misstated its net assets at June 30, 2021.

The primary accounting error was due to the Organization incorrectly accounting for several contributions with donor restrictions as conditional contributions, and accordingly it had reported these contributions as grant advances, not as net assets with donor restriction at June 30, 2021.

Also, the Organization had not accounted for retirement compensation payable at June 30, 2021 in the amount of \$160,000. See Note 11.

Since the Organization was correcting the above large items, it elected to also correct several minor misstated items relating to prepaid and accrued expenses balances.

**Reading and Beyond**  
**Notes to Financial Statements**  
**June 30, 2022**

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The effects of these errors on the June 30, 2022 financial statements is as follows:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total Net Assets
Opening net assets as previously reported	\$ 4,187,975	\$ 90,010	\$ 4,277,985
Correction to reclass advance to revenue	76,919	702,362	779,281
Correction to record retirement payable	(160,000 )		(160,000 )
Correction of other errors, net	(12,698 )	-	(12,698 )
Opening net assets - restated	<u>\$ 4,092,196</u>	<u>\$ 792,372</u>	<u>\$ 4,884,568</u>

**NOTE 4 - INVESTMENTS**

The following tables sets forth by level within the fair value hierarchy the Organization's investment assets at fair value as of June 30, 2022:

Asset Class	Level 1	Level 2	Level 3	Total
Cash in investment account	\$ 43,727	\$ -	\$ -	\$ 43,727
Money market funds	3,710,525	-	-	3,710,525
Stocks	921,391	-	-	921,391
Bonds	<u>113,620</u>	<u>-</u>	<u>-</u>	<u>113,620</u>
Total	<u>\$ 4,789,263</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,789,263</u>

Investment income for the year ended June 30, 2022 was as follows:

Interest and dividend income	\$ 59,667
Unrealized gain (loss)	<u>(266,038 )</u>
Total investment income (loss)	<u>\$ (206,371 )</u>

**Reading and Beyond**  
**Notes to Financial Statements**  
**June 30, 2022**

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**NOTE 5 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30 2022 consisted of the following:

Land	\$	150,000
Building		474,452
Leasehold improvements		351,247
Equipment		<u>136,537</u>
Total cost of property and equipment		1,112,236
Less accumulated depreciation and amortization		<u>(432,668)</u>
Property and equipment - net	\$	<u>679,568</u>

Depreciation expense for the year ended June 30, 2022 was \$29,639.

**NOTE 6 - CHILD DEVELOPMENT RESERVE**

Child development contractors are allowed, with prior CDE and/or CDSS 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 bank account to hold its reserve balance with CDE, and funds are deposited into an interest-bearing account. The saving account balance at June 30, 2022 was \$164,441. Upon termination of all child development center-based contracts, Reading and Beyond would have to return the reserve funds to CDE and/or CDSS, so the reserve account at June 30, 2022 is recorded as a liability in the amount of \$143,284.

**Reading and Beyond**  
**Notes to Financial Statements**  
**June 30, 2022**

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**NOTE 7 - ADVANCES**

Advances as of June 30, 2022 were as follows:

California Emerging Technology Fund	\$	1,750
College Futures		35,154
Jobs for the Futures		18,990
City of Fresno		447,413
James Irvine Foundation		606,242
Kaiser		50,000
<b>PRESCHOOLS</b>		
College of Southern Nevada		3,057
California Department of Education ARPA		40,800
California Department of Education CACF		12,875
California Department of Social Service		10,000
QRIS Block Grant		27,008
Foundation for California Community Colleges Fresh Success		<u>272,213</u>
Total advances	\$	<u>1,525,502</u>

**NOTE 8 - NET ASSETS**

**Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following as of June 30, 2022:

	Balance at June 30, 2022	Released for the year ended June 30, 2022
Bridge Academy	\$ 71,572	24,026
Promise Neighborhoods	6,081	-
Family success zone	13,476	-
Grade level reading	26,364	28,939
Financial resilience	350,000	-
Community sites	11,397	1,103
Digital literacy	28,891	-
Prosperity coaching	119,504	122,047
Census Outreach	<u>1,472</u>	<u>-</u>
	\$ <u>628,757</u>	\$ <u>176,115</u>

**Reading and Beyond**  
**Notes to Financial Statements**  
**June 30, 2022**

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**NOTE 9 - COMMITMENTS**

Leases

The Organization has partnered with City of Fresno (the City) for many years. The Organization entered service agreement with the City to provide community services, for the public purposes of recreation, economic empowerment, health and wellness, educational advancement and support for at-risk youth and families to the residents of the City. These services are provided at a Community Center that is owned by the City. The Organization conducts its administrative activities and many of its programs at this location. In exchange for these services, the City leases the community center to the Organization for an annual payment of \$1 due each year in October. The agreement was for five years to May 31, 2021 and was month to month during the year ended June 30, 2022. In August 2022 a similar arrangement was entered into by the Organization and the City for another three years to June 30, 2025. For the year ended June 30, 2022 the Organization estimated the donated rent and related expense to be \$200,250 based on the market rent for similar space, researched using publicly available data.

The Organization provides childcare service from a facility that is leased under an operating lease. The lease is through June 2028. Future minimum lease payments on this lease is as follows:

Years ending June 30,		
2023	\$	54,000
2024		54,000
2025		54,000
2026		54,000
2027		54,000
Thereafter		<u>54,000</u>
	\$	<u>324,000</u>

Rent expense for the year ended June 30, 2022 under this lease was \$54,000.

**NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Organization monitors its financial assets available within one year of the balance sheet date for expenditures on a quarterly basis. As of June 30, 2022, the balance available is as follows:

Cash and cash equivalents	\$	850,534
Investments		4,789,263
Contributions receivable		<u>549,849</u>
 Total financial assets available		 6,189,646
 Less:		
Cash restricted by the California Department of Education		(143,284 )
Restricted by donors for specific programs		<u>(628,757 )</u>
 Financial assets available to meet cash needs within one year	\$	<u>5,417,605</u>

# Reading and Beyond

## Notes to Financial Statements

### June 30, 2022

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As part of the Organization's liquidity management the Organization prepares monthly rolling cash requirement projections which are used to ensure that needed balances are liquid and available for payment of general expenses in the near term. In addition, the Organization employs an extensive annual budgeting process and strategic planning process to ensure the Organization will continue to be poised to have funds available to pay for programs and general expenses in the long term.

#### **NOTE 11 - 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 a Safe Harbor matching contribution of 4%. The employer matching contributions were on a vesting schedule. The vesting schedule is 20% after one year and an additional 20% per year until fully vested at the end of year five. For the year ended June 30, 2022 the matching amount contributed to the plan was \$61,865.

In addition, in September 2020 the Organization entered into a retirement compensation agreement with its then executive director. In recognition of past service, the agreement called for payments in aggregate of \$260,000 through January 2023. Payments of \$100,000 were made in the year ended June 30, 2021, and no payments were made in the year ended June 30, 2022. The liability for payments under this agreement as of June 30, 2022 (and as of June 30, 2021) was \$160,000. The liability was paid during the year ended June 30, 2023.

#### **NOTE 12 - CONTINGENCIES**

Reading and Beyond has received state funds for specific purposes that are subject to review and audit by the funding agencies. Such audits could generate expenditure disallowances or refunds payable under terms of the agency contracts. In addition, certain noncompliance matters have been identified and reported to the California Department of Education. Also, the effect is any of the interplay between the PPP loan forgiveness and the expenditures that the California Department of Education might potentially disallow has not been determined. Such matters could potentially generate payables under this agency's contract. No material amounts are currently recorded as payable. Loss of California Department of Education support would have a significant impact on Reading and Beyond's ability to provide its program services.

#### **NOTE 13 - SUBSEQUENT EVENTS**

The Organization's management has evaluated subsequent events through March 24, 2023, the date which the financial statements were available to be issued.

## **Supplementary Information**

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**Reading and Beyond**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2022**

Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Grantor's Contract number	Award Amount			Expenditure Amount		
			Federal	State	Total	Federal	State	Total
<b>Federal Grants</b>								
U.S. Department of Agriculture (USDA)								
Passed through California Department of Education Child and Adult Care Food Program	10.558	05232-CACFP-10-NP-CS	\$ 74,156	\$ -	\$ 74,156	\$ 74,156	\$ -	\$ 74,156
Passed through Fresno County Dept. of Social Services Supplemental Nutrition Assistance Program	10.551	A A-15-023-3	105,022	-	105,022	105,022	-	105,022
Passed through Kings County Dept. of Social Services Supplemental Nutrition Assistance Program	10.551	A 19-020	91,278	-	91,278	91,278	-	91,278
Total ALN 10.551			196,300	-	196,300	196,300	-	196,300
Passed through Madera County Dept. of Social Services State Administrative Matching Grant for the Supplemental Nutrition Assistance Program	10.561	A 11727-20	77,884	-	77,884	77,884	-	77,884
Passed through Foundation for CA Community Colleges Fresh Success Employment & Training	10.561	FCCC1759	27,522	-	27,522	27,522	-	27,522
Total ALN 10.561			105,406	-	105,406	105,406	-	105,406
Total U.S. DEPARTMENT OF AGRICULTURE			375,862	-	375,862	375,862	-	375,862
U.S. Department of Treasury								
Passed through the City of Fresno Emergency Rental Assistance Program	21.023	-	4,012,530	-	4,012,530	4,012,530	-	4,012,530
Passed through the City of Fresno Coronavirus Relief Fund (CARES) Housing Retention	21.019	-	74,476	-	74,476	74,476	-	74,476
Passed through County of Fresno and Fresno Building Healthy Communities	21.019	-	249,557	-	249,557	249,557	-	249,557
Total ALN 21.019			324,033	-	324,033	324,033	-	324,033
TOTAL DEPARTMENT OF TREASURY			\$ 4,336,563	\$ -	\$ 4,336,563	\$ 4,336,563	\$ -	\$ 4,336,563

CONTINUES



**Reading and Beyond**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2022**

CONTINUED	Federal ALN Number	Grantor's Contract number	Award Amount			Expenditure Amount		
			Federal	State	Total	Federal	State	Total
U.S. Department of Health and Human Services (HHS)								
Passed through Fresno Building Healthy Communities								
Covid-19 immigrant refuge coalition agreement	93.011	G3242606	\$ 103,393	\$ -	\$ 103,393	\$ 103,393	\$ -	\$ 103,393
Passed through County of Fresno, Department of Public Health								
Community Programs to improve minority health grant program – Health Literacy	93.137	AO-2119	259,218	-	259,218	259,218	-	259,218
Passed through County of Fresno								
Temporary assistance for needy families (TANF)	93.558	A-20-041	1,774	-	1,774	1,774	-	1,774
Passed through Kings County Department of Social Services								
Temporary assistance for needy families (TANF)	93.558	19-020	12,144	-	12,144	12,144	-	12,144
Total ALN 93.588			13,198	-	13,198	13,198	-	13,198
Passed through California Department of Education Coronavirus Responses and Relief Supplemental Appropriations (CRRSA) Act – one-time stipend – CCDF cluster								
	93.575	-	13,230	-	13,230	13,230	-	13,230
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			389,759	-	389,759	389,759	-	389,759
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 5,102,184	\$ -	\$ 5,102,184	\$ 5,102,184	\$ -	\$ 5,102,184
<b>Notes</b>								
Total of A above – SNAP cluster	Sum of A above		\$ 274,184	\$ -	\$ 274,184	\$ 274,184	\$ -	\$ 274,184
CONTINUES								

**Reading and Beyond**  
**Schedule of Expenditures of Federal and State Awards**  
**For the Year Ended June 30, 2022**

<b>CONTINUED</b>		<u>Award Amount</u>			<u>Expenditure Amount</u>			
	Federal ALN Number	Grantor's Contract number	<u>Federal</u>	<u>State</u>	<u>Total</u>	<u>Federal</u>	<u>State</u>	<u>Total</u>
<b>State Grants</b>								
California Department of Education								
Direct award								
Child Care and Development Fund								
Center Based Preschool Program								
7/1/21– 6/30/22								
	N/A	CSPP-1091	\$ -	\$ 1,106,773	\$ 1,106,773	\$ -	\$ 912,242	912,242
	N/A	CPKS-1013	-	2,500	2,500	-	2,500	2,500
		Total California Department of Education	-	\$ 1,109,273	1,109,273	-	914,742	914,742
<b>TOTAL FEDERAL AND STATE AWARDS</b>			\$ 5,102,184	\$ 1,109,273	\$ 6,211,457	\$ 5,102,184	\$ 914,742	\$ 6,016,926
<i>See accompanying notes to the schedule of federal and state awards</i>								

**Reading and Beyond**  
**Notes to Schedule of Expenditures of Federal and State Awards**  
**June 30, 2022**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of Reading and Beyond (the "Organization") under programs of the federal government and the State of California for the year ended June 30, 2022. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized, and certain types of expenditures are not allowable or limited as to reimbursement.

**3. INDIRECT COSTS**

The Organization used the 10% de minimis cost rate.

**Reading and Beyond**  
**Combining Statement of Activities**  
**Year Ended June 30, 2022**

	Preschool Program CSPP-1091	Preschool Program CPKS-1013	Preschool Program Non-CDE	Total Preschool Program	Non- Preschool Programs	Total
<b>Revenue and support</b>						
Government contracts:						
California State Preschool Program	\$ 913,242	\$ 2,500	-	\$ 914,742	\$ -	\$ 914,742
CDE CRRSA Stipends	-	-	13,230	13,230	-	13,230
Childcare food program	74,156	-	-	74,156	-	74,156
QRIS grant	-	-	27,915	27,915	-	27,915
Other government contracts	-	-	-	-	5,163,275	5,163,275
Contributions	-	-	-	-	66,199	66,199
Foundation grants	-	-	-	-	1,186,123	1,186,123
In-kind income	-	-	-	-	204,719	204,719
Investment income (loss), net	-	-	-	-	(206,371)	(206,371)
Other income	-	-	-	-	4,224	4,224
<b>Total revenue and support</b>	<b>986,398</b>	<b>2,500</b>	<b>41,145</b>	<b>1,030,043</b>	<b>6,418,169</b>	<b>7,448,212</b>
<b>Expenses</b>						
Salaries	576,544	-	10,565	587,109	1,927,548	2,514,657
Payroll taxes	51,718	-	900	52,618	165,138	217,756
Employee benefits	69,498	-	654	70,152	286,119	356,271
In-kind rent and other	-	-	-	-	204,719	204,719
Insurance	3,206	-	-	3,206	21,842	25,048
Miscellaneous expenses	-	-	-	-	11,962	11,962
Office expenses	16,124	-	866	16,990	105,821	122,811
Participant payments and expenses	99,736	-	1,127	100,863	3,737,774	3,838,637
Partner expenses	-	-	-	-	45,072	45,072
Professional services	6,600	-	-	6,600	52,303	58,903
Program supplies	12,602	2,273	17,122	31,997	10,882	42,879
Rent	54,000	-	-	54,000	430	54,430
Repair, maintenance and utilities	1,358	-	-	1,358	19,792	21,150
Supplies - general	1,977	-	4,022	5,999	24,199	30,198
Travel and training	2,846	-	123	2,969	12,622	15,591
Depreciation	516	-	3,316	3,832	25,807	29,639
Administrative and indirect	89,673	227	4,619	94,519	(94,519)	-
<b>Total expenses</b>	<b>986,398</b>	<b>2,500</b>	<b>43,314</b>	<b>1,032,212</b>	<b>6,557,511</b>	<b>7,589,723</b>
Change in Net Assets	\$ -	\$ -	(2,169)	\$ (2,169)	\$ (139,342)	\$ (141,511)

See accompanying auditor's reports and notes to the financial statements

**Reading and Beyond**  
**Schedule of Expenditures by State Categories**  
**June 30, 2022**

	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
<b>Expenditures</b>			
1000 Certified salaries	\$ 383,237	\$ -	\$ 383,237
2000 Classified salaries	193,307	-	193,307
3000 Employee benefits	121,216	-	121,216
4000 Books and supplies	118,462	2,273	120,735
5000 Services and other operating expenses	79,987	-	79,987
6100/6200 Other approved capital outlay	-	-	-
6400 New equipment	-	-	-
6500 Replacement equipment	-	-	-
Depreciation on assets not purchased with public funds	<u>516</u>	<u>-</u>	<u>516</u>
<b>Total</b>	896,725	2,273	898,988
Indirect costs	<u>89,673</u>	<u>227</u>	<u>89,900</u>
<b>Total expenses claimed for reimbursement</b>	986,398	2,500	988,898
Total supplemental expenses	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	\$ <u>986,398</u>	\$ <u>2,500</u>	\$ <u>988,898</u>

See accompanying auditor's reports and notes to the financial statements

Note:

- a. Reported on the California Department of Education Audited Attendance and Fiscal Report for California State Preschool Programs Form AUD8501.
- b. A written indirect cost allocation plan for the current fiscal year, approved by the Board of Directors, is on file in the accounting office of Reading and Beyond.

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contract 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**  
**Schedule of CDE and GAAP Expenses Reporting**  
**Year Ended June 30, 2022**

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<b>Expenses</b>	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
Schedule of Expenditures by State Categories (CDE)	\$ 986,398	\$ 2,500	\$ 988,898
Adjustments to reconcile difference in reporting:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Combining Statement of Activities (GAAP)	\$ <u>986,398</u>	\$ <u>2,500</u>	\$ <u>988,898</u>

See accompanying auditor's reports and notes to the financial statements

**Reading and Beyond**  
**Schedule of Claimed Equipment Expenditures**  
**June 30, 2022**

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	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
<b>Capitalized equipment expensed on the AUD with prior written approval</b>			
None	\$ <u>      -</u>	\$ <u>      -</u>	\$ <u>      -</u>
<b>Capitalized equipment expensed on the AUD without prior written approval</b>			
None	<u>      -</u>	<u>      -</u>	<u>      -</u>
Total	\$ <u>      -</u>	\$ <u>      -</u>	\$ <u>      -</u>

Note: the Organization's capitalization threshold is \$2,500

See accompanying auditor's reports and notes to the financial statements

**Reading and Beyond**  
**Schedule of Claimed Expenditures for Renovations and Repairs**  
**For the Year Ended June 30, 2022**

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Claimed renovation and repairs	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
<b>Unit cost under \$10,000 per item</b>			
Other	\$ -	\$ -	\$ -
<b>Unit cost \$10,000 or more per item with or without prior approval</b>			
Other	-	-	-
Total	\$ -	\$ -	\$ -

See accompanying auditor's reports and notes to the financial statements

Notes:

The Organization's capitalization threshold is \$2,500 or more.

There were no capitalized renovation and repair expenses during the fiscal year.



**Reading and Beyond**  
**Schedule of Claimed Administrative Costs**  
**For the Year Ended June 30, 2022**

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<b>Claimed Administrative Costs</b>	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
Salaries	\$ 11,560	\$ -	\$ 11,560
Employee benefits	2,750	-	2,750
Books and supplies	-	2,273	2,273
Services and other operating expenses	6,657	-	6,657
Depreciation on assets not purchased with public funds	516	-	516
Indirect costs	<u>89,673</u>	<u>227</u>	<u>89,900</u>
 Total	 \$ <u>111,156</u>	 \$ <u>2,500</u>	 \$ <u>113,656</u>

See accompanying auditor's reports and notes to the financial statements

**Reading and Beyond**  
**Schedule of Claimed Start-up Expenses**  
**For the Year Ended June 30, 2022**

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Claimed Start-Up Expenses	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
No start-up expenses	\$ -	\$ -	\$ -
Total	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

See accompanying auditor's reports and notes to the financial statements

**Reading and Beyond**  
**Schedule of Claimed Budget Impasse Credit Expenses**  
**For the Year Ended June 30, 2022**

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	<u>CSPP-1091</u>	<u>CPKS-1013</u>	<u>Total CDE CD Contracts</u>
<b>Claimed Budget Impasse Credit Expenses</b>			
1000 Certified salaries	\$ -	\$ -	\$ -
2000 Classified salaries	-	-	-
3000 Employee benefits	-	-	-
4000 Books and supplies	-	-	-
5000 Services and other operating expenses	-	-	-
6100/6200 Other approved capital outlay	-	-	-
6400 New equipment	-	-	-
6500 Replacement equipment	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Total</b>	\$ <hr/>	\$ <hr/>	\$ <hr/>

No items to report on this form

See accompanying auditor's reports and notes to the financial statements

**Reading and Beyond**  
**Notes to the Child Care and Development Program Supplemental Information**  
**For the Year Ended June 30, 2022**

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In accordance with the applicable requirements from the Funding Terms & Conditions:

1. Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease, purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed as a reimbursable expense to a child development contract for the year ended June 30, 2022.
2. All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No related party rent expense was claimed as a reimbursable expense to a child development contract for the year ended June 30, 2022.
3. Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2022.

**California State Preschool Program – Form 1A  
 Certified Children Days of Enrollment and Attendance from July 2021 – December 2021**

**Pilot Program: None**

Enrollment Description	Column A Cumulative FY per CPARIS December Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus			0	1.1800	0.0000
Three Years and Older Full-time	5,868	(5)	5,863	1.0000	5,863.0000
Three Years and Older Three-quarters-time			0	0.7500	0.0000
Three Years and Older One-half-time	519		519	0.6193	321.4167
Exceptional Needs Full-time-plus			0	1.8172	0.0000
Exceptional Needs Full-time			0	1.5400	0.0000
Exceptional Needs Three-quarters-time			0	1.1550	0.0000
Exceptional Needs One-half-time			0	0.9537	0.0000
Limited and Non-English Proficient Full-time-plus			0	1.2980	0.0000
Limited and Non-English Proficient Full-time	1,210		1,210	1.1000	1,331.0000
Limited and Non-English Proficient Three-quarters-time			0	0.8250	0.0000
Limited and Non-English Proficient One-half-time	272		272	0.6193	168.4496

Enrollment Description	Column A Cumulative FY per CPARIS December Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus			0	1.2980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.1000	0.0000
At Risk of Abuse or Neglect Three-quarters-time			0	0.8250	0.0000
At Risk of Abuse or Neglect One-half-time			0	0.6193	0.0000
Severely Disabled Full-time-plus			0	2.2774	0.0000
Severely Disabled Full-time			0	1.9300	0.0000
Severely Disabled Three-quarters-time			0	1.4475	0.0000
Severely Disabled One-half-time			0	1.1952	0.0000
<b>TOTAL CERTIFIED DAYS OF ENROLLMENT</b>	<b>7,869</b>	<b>(5)</b>	<b>7,864</b>	N/A	<b>7,683.8663</b>

Attendance	Column A Cumulative FY per CPARIS December Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
<b>DAYS OF ATTENDANCE</b>	<b>7,222</b>		<b>7,222</b>	N/A	N/A

Enter the sum of Total Certified Days of Enrollment from all Form 1s in the Total Certified Days of Enrollment line of AUD 8501, Section 2.

Enter the sum of Days of Attendance from all Form 1s and Form 2s in the Days of Attendance line of AUD 8501, Section 2.

**California State Preschool Program – Form 1B  
 Certified Children Days of Enrollment and Attendance from January 2022 – June 2022**

**Service County: Fresno**

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus			0	1.1800	0.0000
Three Years and Older Full-time	5,616		5,616	1.0000	5,616.0000
Three Years and Older One-half-time	872		872	0.6193	540.0296
Exceptional Needs Full-time-plus			0	1.8172	0.0000
Exceptional Needs Full-time			0	1.5400	0.0000
Exceptional Needs One-half-time			0	0.9537	0.0000
Dual Language Learner Full-time-plus			0	1.2980	0.0000
Dual Language Learner Full-time	1,080		1,080	1.1000	1,188.0000
Dual Language Learner One-half-time	240		240	0.6193	148.6320
At Risk of Abuse or Neglect Full-time-plus			0	1.2980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.1000	0.0000
At Risk of Abuse or Neglect One-half-time			0	0.6193	0.0000

Enrollment Description	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Severely Disabled Full-time-plus			0	2.2774	0.0000
Severely Disabled Full-time			0	1.9300	0.0000
Severely Disabled One-half-time			0	1.1952	0.0000
<b>TOTAL CERTIFIED DAYS OF ENROLLMENT</b>	<b>7,808</b>	<b>0</b>	<b>7,808</b>	N/A	<b>7,492.6616</b>

Attendance	Column A Cumulative FY per CPARIS June Report	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
<b>DAYS OF ATTENDANCE</b>	<b>7,512</b>		<b>7,512</b>	N/A	N/A

Enter the sum of Total Certified Days of Enrollment from all Form 1s in the Total Certified Days of Enrollment line of AUD 8501, Section 2.

Enter the sum of Days of Attendance from all Form 1s and Form 2s in the Days of Attendance line of AUD 8501, Section 2.



Contractor Name: Reading and Beyond

Contract Number: CSPP1091

**California Department of Education  
Audited Enrollment, Attendance and Fiscal  
Report for California State Preschool Program**

Fiscal Year Ended: June 30, 2022

Vendor Code:

**Section 1 – Number of Counties Where Services are Provided**

Number of counties where the agency provided services to certified children (Form 1): **1**

Number of counties where the agency provided mental health consultation services to certified children (Form 2): **0**

Number of counties where the agency provided services to non-certified children (Form 3): **0**

Number of counties where the agency provided mental health consultation services to non-certified children (Form 4): **0**

Total enrollment and attendance forms to attach: **2**

Note: For each of the above categories, submit one July-December form and one form for each service county for January-June.

**Section 2 – Days of Enrollment, Attendance and Operation**

Enrollment and Attendance Form Summary	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Total Certified Days of Enrollment	15,677	(5)	15,672	
Total Certified Days of Enrollment with Mental Health Consultation Services			0	
Days of Attendance (including MHCS)	14,734		14,734	N/A
Total Non-Certified Days of Enrollment			0	
Total Non-Certified Days of Enrollment with Mental Health Consultation Services			0	

Days of Operation	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative FY per Audit	Column D Adjusted Days per Audit
Days of Operation	242	4	246	N/A

**Section 3 – Revenue**

Restricted Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Child Nutrition Programs	73,818	338	74,156
County Maintenance of Effort (EC Section 8279)			0
Other:			0
Other:			0
<b>TOTAL RESTRICTED INCOME</b>	<b>73,818</b>	<b>338</b>	<b>74,156</b>

Transfer from Reserve	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Transfer from Reserve			0

Other Income	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Waived Family Fees for Certified Children	8,860	(11)	8,849
Interest Earned on Child Development Apportionment Payments			0
Fees for Non-Certified Children			0
Unrestricted Income: Head Start			0
Other:			0
Other:			0

**Section 4 - Reimbursable Expenses**

Cost Category	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Direct Payments to Providers (FCCH only)			0
1000 Certificated Salaries	16,700	366,537	383,237
2000 Classified Salaries	559,841	(366,534)	193,307
3000 Employee Benefits	123,121	(1,905)	121,216
4000 Books and Supplies	119,419	(957)	118,462
5000 Services and Other Operating Expenses	78,982	1,005	79,987
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance	516		516
Start-up Expenses (service level exemption)			0
Indirect Costs (include in Total Administrative Cost)	90,669	(996)	89,673
<b>TOTAL REIMBURSABLE EXPENSES</b>	<b>989,248</b>	<b>(2,850)</b>	<b>986,398</b>

Does the agency have an indirect cost rate approved by its cognizant agency (Select YES or NO)?  Yes  No

Approved Indirect Cost Rate:

Specific Items of Reimbursable Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Administrative Cost (included in Reimbursable Expenses)	115,656	(4,250)	111,406
Total Staff Training Cost (included in Reimbursable Expenses)			0

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 4.

**Section 5 - Supplemental Funding**

Supplemental Revenue	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Enhancement Funding			0
Other: QRIS	27,911	4	27,915
Other:			0
<b>TOTAL SUPPLEMENTAL REVENUE</b>	<b>27,911</b>	<b>4</b>	<b>27,915</b>

Supplemental Expenses	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
1000 Certificated Salaries			0
2000 Classified Salaries	0		0
3000 Employee Benefits			0
4000 Books and Supplies	22,469	2	22,471
5000 Services and Other Operating Expenses	118		118
6000 Equipment / Capital Outlay			0
Depreciation or Use Allowance	3,065	2	3,067
Indirect Costs	2,259		2,259
Non-Reimbursable Supplemental Expenses			0
<b>TOTAL SUPPLEMENTAL EXPENSES</b>	<b>27,911</b>	<b>4</b>	<b>27,915</b>

**Section 6 - Summary**

Description	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Total Certified Days of Enrollment (including MHCS)	15,677	(5)	15,672
Days of Operation	242	4	246
Days of Attendance (including MHCS)	14,734	0	14,734
Total Certified Adjusted Days of Enrollment	N/A	N/A	0.0000
Total Non-Certified Adjusted Days of Enrollment	N/A	N/A	0.0000
Restricted Program Income	73,818	338	74,156
Transfer from Reserve	0	0	0
Interest Earned on Apportionment Payments	0	0	0
Direct Payments to Providers	0	0	0
Start-up Expenses (service level exemption)	0	0	0
Total Reimbursable Expenses	989,248	(2,850)	986,398
Total Administrative Cost	115,656	(4,250)	111,406
Total Staff Training Cost	0	0	0
Non-Reimbursable Cost (State Use Only)	N/A	N/A	

**Section 7 – Auditor’s Assurances**

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Education Division:

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

Reimbursable expenses claimed in Section 4 are eligible for reimbursement, reasonable, necessary, and adequately supported (Select YES or NO):  Yes  No

**Section 8 – Comments**

Include any comments in the comment box. If necessary, attach additional sheets to explain adjustments.

See Finding 2022-002 at Page 58

Contractor Name: Reading and Beyond

Contract Number: CPKS-1013

**California Department of Education  
Audited Fiscal Report for  
California State Preschool Program Support Contracts**

Fiscal Year Ended: June 30, 2022

Vendor Code:

**Section 1 – Revenue**

Restricted Income	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
County Maintenance of Effort (EC Section 8279)			0
Other: Prekindergarten and family literacy	0	2,500	2,500
<b>TOTAL RESTRICTED INCOME</b>	<b>0</b>	<b>2,500</b>	<b>2,500</b>

Other Income	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
Interest Earned on Apportionment Payments			0
Unrestricted Income – Other:			0

Comments:

**Section 2 – Reimbursable Expenses**

Cost Category	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies	2,273		2,273
5000 Services and Other Operating Expenses			0
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance			0
Indirect Costs (include in Total Administrative Cost)	227		227
<b>TOTAL REIMBURSABLE EXPENSES</b>	<b>2,500</b>	<b>0</b>	<b>2,500</b>

Specific Item of Reimbursable Expenses	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
Total Administrative Cost (included in Reimbursable Expenses)			0

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 3.



**Section 3 – Supplemental Funding**

Supplemental Revenue	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			0
Other:			0
Other:			0
<b>TOTAL SUPPLEMENTAL REVENUE</b>	<b>0</b>	<b>0</b>	<b>0</b>

Supplemental Expenses	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies			0
5000 Services and Other Operating Expenses			0
6000 Equipment / Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
Non-Reimbursable Supplemental Expenses			0
<b>TOTAL SUPPLEMENTAL EXPENSES</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Section 4 – Summary**

Description	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Program Income	0	2,500	2,500
Interest Earned on Apportionment Payments	0	0	0
Total Reimbursable Expenses	2,500	0	2,500
Total Administrative Cost	0	0	0
Non-Reimbursable Cost (State Use Only)	N/A	N/A	

Does the Contractor have an indirect cost rate approved by its cognizant agency? (Select YES or NO)  Yes  No

Approved Indirect Cost Rate:

California Department of Education  
 Audited Preschool Reserve Account Activity Report

Fiscal Year Ending: June 30, 2022

Vendor Code:

Contractor Name:

**Section 1 – Prior Year Reserve Account Activity**

1. Beginning Balance (2020–21 AUD 9530A Ending Balance):

2. Plus Transfers to Reserve Account:

2020–21 Contract No.	Per 2020–21 Post-Audit CDFS 9530
<b>Total Transferred from 2020–21 Contracts</b>	<b>0</b>

3. Less Excess Reserve to be Billed:

4. 2020–21 CDFS 9530 Reserve Balance After Billing:

**Section 2 – Current Year Reserve Account Activity**

5. Plus Interest Earned This Year on Reserve:

Description	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
Interest Earned	72		72

6. Less Transfers to Contracts from Reserve:

2021–22 Contract No.	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
			0
			0
			0
<b>Total Transferred to Contracts</b>	<b>0</b>	<b>0</b>	<b>0</b>

7. Ending Balance:

Description	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
Ending Balance on June 30, 2022	143,284	0	143,284

COMMENTS – If necessary, attach additional sheets to explain adjustments.

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*

To the 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 (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 March 24, 2023, except for Notes 3 and 11 as to which the date is April 21, 2023.

***Report on 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a material weakness.

***Report on 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2022-001.

***Reading & Beyond's Response to Findings***

Government Auditing Standards requires the auditor to perform limited procedures on the Reading and Beyond's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Reading and Beyond's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

***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.

*Lewis Sharpstone & Co.*

Woodland Hills, California,  
March 24, 2023

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

To the Board of Directors  
Reading and Beyond  
Fresno, California

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

***Opinion on Each Major Federal Program***

We have audited Reading and Beyond's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Reading and Beyond's major federal programs for the year ended June 30, 2022. 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.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Report on Internal Control over Compliance***

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

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

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

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

*Lewis Sharpstone & Co.*

Woodland Hills, California,  
March 24, 2023



**Reading and Beyond**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified
Internal control over financial reporting	
Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
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 2 CFR 200.516(a)?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
U.S. Department of the Treasury, pass-through the City of Fresno Emergency Rental Assistance Program	21.023
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

**Reading and Beyond**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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SECTION II – SUMMARY OF FINANCIAL STATEMENT FINDINGS

2022-001 Material weakness in internal control over financial reporting

Criteria:

The Organization is required to be able to prepare accurate financial statements and the Schedule of Expenditures of Federal Awards in a timely manner that do not require significant adjustments to be made when routine audit procedures are applied to the balances reported.

Condition:

It was observed that the Organization does not have a robust financial statement close process. In addition, the Organization had difficulty preparing an accurate Schedule of Expenditures of Federal Awards.

Effect of condition:

The condition observed above resulted in:

- 20 journal entries which were posted to the original trial balance presented, to arrive at the financial statements that could be supported by audit procedures.
- A material restatement of the net assets at June 30, 2021 as previously reported.
- Errors on the Schedule of Expenditures of Federal Awards prepared by management.
- Significant delays in the completion of the audit.

As such, this condition has been assessed as a deficiency in internal control considered to be a material weakness.

Questioned cost:

None

Context:

The Organization has grown significantly in recent years. In addition, operating during the COVID era has created strain on the accounting department.

Cause:

The likely cause of the finding is a) inadequate resources in the accounting department, b) inadequate training of the accounting personnel and c) inadequate oversight of the accounting department by management and the Board.

Repeat finding:

This is not a repeat finding.

Recommendations:

1. The accounting department should receive training on:
  - a. Routine procedures necessary to be conducted to perform the year end close of the books.
  - b. Generally accepted accounting principles, specifically as it relates to nonprofit revenue recognition.
2. A written step-by-step financial statement close process procedure manual should be developed, then followed.

**Reading and Beyond**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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3. An assessment should be made of the capacity of the accounting department to perform its work, and additional resources be provided to assist the accounting department perform its duties timely if need be.
4. The finance committee of the Board play a more active role in meeting with the accounting department, critically understanding and reviewing the procedures undertaken by the accounting department in reconciling accounts in financial statements provided to it, and providing support to the accounting department if need be.

View of responsible officials and planned corrective action:

Management agrees that the underlying deficiencies were observed. The Organization will expend additional resources to remediate the issue.

SECTION III – SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted

SECTION IV – SUMMARY OF STATE AWARD FINDINGS AND QUESTIONED COSTS

2022-002 California Department of Education  
Preschool Program CSPP-1091

Criteria:

The Organization is required to maintain an accurate schedule of waived family fees.

Condition:

For the sample of individuals we tested, one individual that should have been included on the 2021/2022 waived family fee schedule was not so included.

Effect of condition:

We were unable to verify the accuracy of the waived family fee schedule.

Questioned cost:

N/A

Context:

None

Cause:

Management believes this error was caused by human oversight.

Repeat finding:

This is not a repeat finding.

**Reading and Beyond**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2022**

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Recommendation:

We recommend the Organization initiate some addition staff training in this area so as to reduce the risk of this reoccurring in the future.

View of responsible officials and planned corrective action:

Management agrees that the underlying compliance matter was observed. The Organization will expend additional resources to remediate the issue as recommended.

# Reading and Beyond

## Summary Schedule of Prior Audit Findings with Status of Corrective Action For the Year Ended June 30, 2022

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### Federal Awards

There were no Federal audit findings in the prior year.

### State Awards

#### 2021-01 Underreported Attendance at Preschool Locations

Program Information: Preschool Program Contract No: CSPP-0092

Criteria: Monthly attendance reported needs to match to actual attendance.

Condition: During our review of attendance reporting, we noted that the spreadsheet used by the Organization to assist in reporting monthly attendance did not calculate the monthly attendance correctly. The Organization's internal control policies required that the monthly attendance spreadsheet be reviewed by the program manager each month. It was noted that the review was not performed in sufficient detail to identify the error on the spreadsheet.

Effect: 63 attendance days were overreported.  
611 attendance days were underreported.  
A total of 548 attendance days were underreported.

Recommendation: We recommend the Organization provide training to the appropriate staff on the internal control policies and procedures; and a second review of the monthly attendance spreadsheet be performed prior to submitting data to the Department of Education.

View of Responsible Officials: Reading and Beyond is going to abide by the recommendation and provide additional training to program staff. A second verification will be conducted by the Controller to ensure compliance and accuracy before submitting to California Department of Education.

Current year status: No similar conditions were noted during the year ended June 30, 2022. Accordingly, this is considered remediated.

# Reading and Beyond Corrective Action Plan For the Year Ended June 30, 2022

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March 6, 2023

Corrective Action Plan

Reading and Beyond provides the following correction action plan for the audit ending June 30, 2022.

Finding 2022-001 – Material weakness in internal control over financial reporting.

- The accounting department will follow the recommendations and do a more robust close at the end of the accounting period.
- Training will be provided to ensure correct procedures are followed.
- Written step-by-step financial close procedures will be developed and followed.
- The Finance Committee will take a more active roll in the oversight of financial statement preparation.
- New processes and trainings have begun and will continue to be implemented.

Finding 2022-002 CDE Accurate Preschool Waived Fees

- Additional support will be provided to the Director of Operations, Program Manager of the Preschools, and Site Supervisors to go over the importance of accurate reporting.
- Site Supervisors will receive additional training on waived fee reporting.
- Monthly reporting will be reviewed by Program Manager of the Preschools.

This will be corrected moving forward by adding new processes.

Sincerely,

A handwritten signature in blue ink that reads "Sandra R. Flores".

Sandra R. Flores, CEO