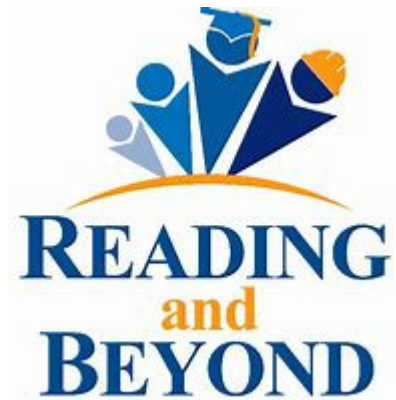


Reading and Beyond

Financial Statements and Supplementary
Information

As of and for the Year Ended June 30, 2023



Reading and Beyond
Financial Statements and Supplementary Information
As of and for the Year Ended June 30, 2023

Reading and Beyond

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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, 2023, 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, 2023, 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.

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.

Independent Auditor's Report – continued

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 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
December 13, 2023,

Financial Statements

Reading and Beyond
Statement of Financial Position
As of June 30, 2023

Assets

Cash and cash equivalents	\$	296,909
Investments		5,412,013
Grants receivable		786,249
Prepaid expenses and other assets		110,545
Right of use assets – finance		24,720
Right of use asset – operating		249,725
Property and equipment, net		449,425
Total Assets		\$ 7,329,586

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$	641,520
Child development reserve		143,366
Lease liabilities		274,657
Deferred revenue		781,649
Total Liabilities		1,841,192

Commitments (Note 9)

Net Assets

Without donor restrictions	5,277,888	
With donor restrictions	210,506	
Total Net Assets		5,488,394
Total Liabilities and Net Assets		\$ 7,329,586

See accompanying notes to financial statements

Reading and Beyond
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
Revenue and Support:			
Contributions	\$ 99,291	\$ -	\$ 99,291
Grants and contracts - foundations	643,846	143,653	787,499
Grants and contracts - governments	4,687,730	-	4,687,730
In-kind income	83,545	-	83,545
Investment Income, net	278,415	-	278,415
Other income	6,414	-	6,414
Fundraising events income (net)	22,201	-	22,201
Gain on sale of fixed assets	195,285	-	195,285
Employee retention tax credit	243,551	-	243,551
Net assets released from restrictions	561,904	(561,904)	-
Total Support and Revenue	6,822,182	(418,251)	6,403,931
Expenses:			
Program services	4,722,034	-	4,722,034
Management and general	913,795	-	913,795
Fundraising	22,765	-	22,765
Total Expenses	5,658,594	-	5,658,594
Change in Net Assets	1,163,588	(418,251)	745,337
Net Assets, beginning of year	4,114,300	628,757	4,743,057
Net Assets, end of year	\$ 5,277,888	\$ 210,506	\$ 5,488,394

See accompanying notes to financial statements

Reading and Beyond
Statement of Functional Expenses
For the Year Ended June 30, 2023

	Bridge Academy	Covid Health Program	Emergency Rental Assistance	Preschool and Childcare	Youth and Family	Other Programs	Total Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 444,023	\$ 421,406	\$ 75,728	518,966	46,199	\$ 102,881	\$ 1,609,203	\$ 606,967	\$ 17,877	\$ 2,234,047
Payroll taxes	36,188	34,577	6,267	44,349	3,822	8,350	133,553	56,635	1,476	191,664
Employee benefits	43,507	52,326	12,675	68,567	6,809	16,941	200,825	9,068	3,294	213,187
Food expenses	-	-	-	95,763	-	-	95,763	-	-	95,763
In-kind rent	30,000	4,620	3,240	15,136	4,050	11,730	68,776	14,769	-	83,545
Insurance	1,431	749	111	3,326	-	164	5,781	19,450	-	25,231
Miscellaneous expenses	2,189	18,885	-	1,512	10,000	16,383	48,969	8,182	110	57,261
Office expenses	27,389	17,594	2,239	12,524	1,586	13,020	74,352	55,099	8	129,459
Participants direct payments and expenses	101,678	890	2,147,294	-	-	-	2,249,862	-	-	2,249,862
Partner expenses	10,000	-	-	-	-	-	10,000	13,996	-	23,996
Professional fees	-	-	-	11,550	-	19,333	30,883	64,584	-	95,467
Program expenses	2,930	2,689	161	33,835	709	5,857	46,181	4,127	-	50,308
Rent	-	-	-	54,000	-	-	54,000	-	-	54,000
Repair, maintenance and utilities	-	-	-	4,439	-	13,427	17,866	4,061	-	21,927
Supplies	28,146	-	-	1,266	3,575	11,345	44,332	50,637	-	94,969
Travel and employee training	7,118	3,641	175	5,275	422	823	17,454	1,882	-	19,336
Depreciation and amortization	-	-	-	3,589	-	10,645	14,234	4,338	-	18,572
Total expenses	\$ 734,599	\$ 557,377	\$ 2,247,890	874,097	77,172	\$ 230,899	\$ 4,722,034	\$ 913,795	\$ 22,765	\$ 5,658,594

See accompanying notes to financial statements

Reading and Beyond
Statement of Cash Flows
For the Year Ended June 30, 2023

Cash flows from operating activities	
Change in net assets	\$ 745,337
Adjustments to reconcile change in net assets to net assets provided by (used in) operating activities	
Depreciation	15,825
Amortization of right of use assets	2,747
Gain on sale of fixed assets	(195,285)
Realized and unrealized gain on investments, net	(70,839)
Changes in operating assets and liabilities	
Grants receivable	(236,400)
Prepaid expenses and other assets	227
Accounts payable and accrued expenses	73,377
Deferred revenue	(743,853)
Lease liabilities	(2,535)
Child development reserve	<u>82</u>
Net cash provided by (used in) operating activities	<u>(411,317)</u>
Cash flows from investing activities	
Proceeds from sale of fixed assets, net	409,603
Purchase of investments	(1,757,429)
Proceeds from sales of investments	<u>1,205,518</u>
Net cash provided by (used in) investing activities	<u>(142,308)</u>
Change in cash	(553,625)
Cash - beginning of year	<u>850,534</u>
Cash - end of year	\$ <u>296,909</u>

See accompanying notes to financial statements

Reading and Beyond

Notes to Financial Statements

June 30, 2023

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.” The Organization’s 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, 2023.

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, 2023

period are reported as support without donor restrictions. See Note 7 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 Deferred Revenue

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 deferred revenue. 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, 2023.

Fundraising event revenue is recognized when the event takes place and is recorded net of direct expenses. For the year ended June 30, 2023, fundraising revenue was \$22,201, which included gross fundraising event revenue of \$44,849 net of direct expenses of \$22,648.

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, 2023, the Organization recorded in-kind rent of \$83,545 (see Note 8 for more information).

Reading and Beyond

Notes to Financial Statements

June 30, 2023

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. On June 30, 2023, 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. On June 30, 2023, the balance in this account was \$143,366.

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, 2023

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, 10 – 15 years
Furniture and equipment	7 - 10 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, 2023.

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, 2023.

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, 2023

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 22% of accounts receivable at June 30, 2023 and the Employee Retention Tax Credit receivable represented 35% of accounts receivable at June 30, 2023.

During the year, the Organization earned approximately 13% and 38% 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, respectively.

Included in accounts payable and accrued expenses is \$342,520, representing unearned funds received from the City of Fresno relating to two programs, which need to be repaid as of June 30, 2023.

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 adopted this pronouncement in its fiscal year ended June 30, 2023, financial statements utilizing the modified prospective method. The effect on the financial statements is described in Note 8.

NOTE 3 - 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, 2023:

Asset Class	Level 1	Level 2	Level 3	Total
Cash in investment account	\$ 319,338	\$ -	\$ -	\$ 319,338
Money market	886,184	-	-	886,184
Exchange traded funds	1,461,383	-	-	1,461,383
Mutual funds	867,293	-	-	867,293
Bonds	<u>1,877,815</u>	<u>-</u>	<u>-</u>	<u>1,877,815</u>
Total	<u>\$ 5,412,013</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,412,013</u>

Reading and Beyond
Notes to Financial Statements
June 30, 2023

Investment income for the year ended June 30, 2023, was as follows:

Interest and dividend income	\$ 207,576
Realized losses	(77,643)
Unrealized gains	<u>148,482</u>
Total investment income	<u>\$ 278,415</u>

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 consisted of the following:

Land	\$ 115,000
Building	334,007
Leasehold improvements	253,673
Equipment	<u>87,877</u>
Total cost of property and equipment	790,557
Less accumulated depreciation and amortization	<u>(341,132)</u>
Property and equipment - net	<u>\$ 449,425</u>

Depreciation expense for the year ended June 30, 2023 was \$15,825.

NOTE 5 - CHILD DEVELOPMENT RESERVE

Child development contractors are allowed, with prior CDE and/or California Department of Social Services ("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.

The Organization maintains a bank account to hold its reserve balance with CDE, and funds are deposited into an interest-bearing account. Upon termination of all child development center-based contracts, the Organization would have to return the reserve funds to CDE and/or CDSS, so the reserve account at June 30, 2023 is recorded as a liability in the amount of \$143,366.

Reading and Beyond
Notes to Financial Statements
June 30, 2023

NOTE 6 – DEFERRED REVENUE

Deferred revenue as of June 30, 2023 were as follows:

California Emerging Technology Fund	\$	1,750
Jobs for the Futures		17,879
James Irvine Foundation		381,838
Kaiser		50,000
PRESCHOOLS		
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		53,439
Foundation for California Community Colleges Fresh Success		<u>210,011</u>
Total deferred revenue	\$	<u>781,649</u>

NOTE 7 - NET ASSETS

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2023:

	Balance at <u>June 30, 2023</u>	Released for the year ended <u>June 30, 2023</u>
Bridge Academy	\$ 17,558	\$ 54,014
Promise Neighborhoods	-	6,081
Family Success Zone	-	13,476
Financial Resilience	-	350,000
Community Sites	17,897	19,864
Digital Literacy	-	28,891
Prosperity Coaching	68,780	50,724
Census Outreach	-	1,472
Second Chance Scholarship	18,653	-
Leadership and Technology	54,034	20,966
Building Healthy Communities	<u>22,584</u>	<u>16,416</u>
	\$ <u>210,506</u>	\$ <u>561,904</u>

Reading and Beyond
Notes to Financial Statements
June 30, 2023

NOTE 8: LEASES

Leases – In-kind

The Organization has partnered with the 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 latest lease was entered into in August 2022, for three years to June 30, 2025. For the year ended June 30, 2023, the Organization estimated the donated rent and related expense to be \$53,535 based on the market rent for similar space, researched using publicly available data.

In addition, the Organization utilizes space provided by Madera County and Kings County on a month to month basis for the Organization’s administrative staff to utilize. The Organization estimated the donated rent and related expense to be \$15,000 for each County provided space based on the market rent for similar space, researched using publicly available data.

The total in-kind rent for the facilities above for the year ended June 30, 2023 was \$83,535.

Operating leases

The Organization provides childcare service from a facility that is leased under a lease agreement which goes through June 2028 with a straight-line monthly rent of \$4,500 per month.

Finance leases

The Organization entered lease agreements for two copiers during the fiscal year ended June 30, 2023. Both leases are considered as finance leases.

Disclosures

The Implicit Rate is the inherent rate of return the lessor is receiving from the lease. The Incremental borrowing rate (IBR) is the interest rate calculated based on factors specific to the organization and lease agreement such as credit rating, the underlying assets, the lease term and the economic environment. Both the implicit rate and IBR are not readily determinable when lease new standard is adopted. The organization elected to utilize the option to use the risk-free rate determined using a period comparable to the remaining lease term. Accordingly, the Organization estimated an applicable risk free rate over the remaining contractual lease term as the discount rate.

The total right-of-use asset and lease liabilities at June 30, 2023 are as follows:

	<u>Operating lease</u>	<u>Finance Leases</u>	<u>Total</u>
Operating right-of use asset	\$ 249,725	\$ 24,720	
Operating lease liabilities	\$ 249,725	\$ 24,932	\$ 274,657

Reading and Beyond
Notes to Financial Statements
June 30, 2023

The total lease cost for the fiscal year ended June 30, 2023, is as follows:

Operating lease cost	\$	54,000
Finance lease interest cost	\$	466

The following summarizes the supplemental cash flow information for the fiscal year ended June 30, 2023:

	Operating lease	Finance leases	Total
Cash paid for amounts included in the measurement of lease liabilities	\$ <u>45,450</u>	\$ <u>2,534</u>	\$ <u>47,984</u>

The right-of-use asset obtained in exchange for the lease liabilities on July 1, 2022, was \$295,175 for the operating lease.

The right-of-use assets obtained in exchange for the lease liability at the beginning of the lease terms, was \$27,466 for the finance leases.

The following is other required disclosure information at June 30, 2023

	Operating lease	Finance leases
Remaining lease term in months at June 30, 2023	60	54
Weighted average risk-free discount rate	3.12%	3.53%

Future minimum lease payments under these leases are as follows:

Year ended June 30	Operating lease	Finance leases	Total
2024	\$ 54,000	\$ 6,000	\$ 60,000
2025	54,000	6,000	60,000
2026	54,000	6,000	60,000
2027	54,000	6,000	60,000
2028	54,000	3,000	57,000
Total lease payments	270,000	27,000	297,000
Less - interest	(20,275)	(2,068)	(22,343)
Present value of lease liability	\$ <u>249,725</u>	\$ <u>24,932</u>	\$ <u>274,657</u>

Reading and Beyond
Notes to Financial Statements
June 30, 2023

NOTE 9 - 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, 2023, the balance available is as follows:

Cash and cash equivalents	\$	296,909
Investments		5,412,013
Contributions receivable		<u>786,249</u>
 Total financial assets available		 6,495,171
 Less:		
Cash restricted by the California Department of Education		(143,366)
Restricted by donors for specific programs		<u>(210,506)</u>
 Financial assets available to meet cash needs within one year	\$	 <u>6,141,299</u>

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 10 - 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, 2023 the matching amount contributed to the plan was \$76,132.

NOTE 11 - 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.

Reading and Beyond
Notes to Financial Statements
June 30, 2023

NOTE 12 - SUBSEQUENT EVENTS

The Organization's management has evaluated subsequent events through December 13, 2023, the date which the financial statements were available to be issued.

Supplementary Information

Reading and Beyond
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

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
Federal Grants								
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	\$ 73,393	\$ -	\$ 73,393	\$ 73,393	\$ -	\$ 73,393
Passed through Fresno County Dept. of Social Services Supplemental Nutrition Assistance Program	10.551	A-15-023-3	106,552	-	106,552	106,236	-	106,236
Passed through Kings County Dept. of Social Services Supplemental Nutrition Assistance Program	10.551	19-020	84,673	-	84,673	84,673	-	84,673
Passed through Madera County Dept. of Social Services State Administrative Matching Grant for the Supplemental Nutrition Assistance Program	10.561	111727-20	76,651	-	76,651	76,651	-	76,651
Cluster Total for ALN 10.551 and AL 10.561			267,876	-	267,876	267,560	-	267,560
Total U.S. DEPARTMENT OF AGRICULTURE			341,269	-	341,269	340,953	-	340,953
U.S. Department of Treasury								
Passed through the City of Fresno Emergency Rental Assistance Program	21.023	-	2,468,616	-	2,468,616	2,468,616	-	2,468,616
Passed through County of Fresno, Department of Public Health, Coronavirus State and Local Fiscal Recovery Funds – Health Disparities	21.027	A-23-19	6,259	-	6,259	6,259	-	6,259
TOTAL U.S. DEPARTMENT OF TREASURY			2,474,875	-	2,474,875	2,474,875	-	2,474,875
U.S. Department of Health and Human Services (HHS)								
Passed through County of Fresno, Department of Public Health Community Programs to improve minority health grant program – Health Literacy	93.137	AO-2119	\$ 249,217	\$ -	\$ 249,217	\$ 249,217	\$ -	\$ 249,217

Reading and Beyond
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

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
Passed through County of Fresno, Department of Public Health Epidemiology and laboratory capacity for infectious diseases (ELC) – Health Disparities	93.323	A-23-19	\$ 6,571	\$ -	\$ 6,571	\$ 6,571	\$ -	\$ 6,571
Activities to support state, tribal, local and territorial (STLT) health department responses to public health or healthcare crises – Health Disparities	93.391	A-23-19	10,639	-	10,639	10,639	-	10,639
Passed through Kings County Dept. of Social Services Temporary assistance for needy families (TANF)	93.558	A-20-041	56,264	-	56,264	56,264	-	56,264
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			322,691	-	322,691	322,691	-	322,691
U.S Department of Justice (DOJ) Passed through California Board of State and Community Corrections Juvenile Justice and Delinquency Prevention	16.540	1477	78,433	-	78,433	78,433	-	78,433
TOTAL U.S. DEPARTMENT OF JUSTICE			78,433	-	78,433	78,433	-	78,433
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,217,268	\$ -	\$ 3,217,268	\$ 3,216,952	\$ -	\$ 3,216,952

Reading and Beyond
Schedule of Expenditures of Federal and State Awards
For the Year Ended June 30, 2023

CONTINUED		Grantor's	Award Amount			Expenditure Amount		
Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN Number	Contract number	Federal	State	Total	Federal	State	Total
State Grants								
California Department of Education								
Direct award								
Child Care and Development Fund								
Center Based Preschool Program								
	N/A	CSPP-2090	\$ -	\$ 1,517,674	\$ 1,517,674	\$ -	\$ 860,307	860,307
Prekindergarten and family literacy	N/A	CPKS-2013	-	2,500	2,500	-	2,500	2,500
Total California Department of Education			-	1,520,174	1,520,174	-	862,807	914,742
TOTAL FEDERAL AND STATE AWARDS			\$ 3,217,268	\$ 1,520,174	\$ 4,737,442	\$ 3,216,952	\$ 862,807	\$ 4,079,759

See accompanying notes to the schedule of federal and state awards

Reading and Beyond
Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2023

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, 2023. 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, 2023

	Preschool Program CSPP-2090	Preschool Program CPKS-2013	Preschool Program Non-CDE	Total Preschool Program	Non- Preschool Programs	Total
Revenue and support						
Government contracts:						
California State Preschool Program	\$ 860,307	\$ 2,500	-	\$ 862,807	\$ -	\$ 862,807
Childcare food program	73,393	-	-	73,393	-	73,393
QRIS grant	-	-	5,169	5,169	-	5,169
Other government contracts	-	-	-	-	3,746,361	3,746,361
Contributions	-	-	-	-	99,291	99,291
Foundation grants	-	-	-	-	787,499	787,499
In-kind income	15,135	-	-	15,135	68,410	83,545
Investment income (loss), net	-	-	-	-	278,415	278,415
Fundraising event income, net	-	-	-	-	22,201	22,201
Gain of sale of fixed assets	-	-	-	-	195,285	195,285
Employer retention tax credit	-	-	-	-	243,551	243,551
Other income	-	-	-	-	6,414	6,414
Total revenue and support	948,835	2,500	5,169	956,504	5,447,427	6,403,931
Expenses						
Salaries	518,966	-	-	518,966	1,715,081	2,234,047
Payroll taxes	44,349	-	-	44,349	147,315	191,664
Employee benefits	68,567	-	-	68,567	144,620	213,187
In-kind rent and other	15,136	-	-	15,136	68,409	83,545
Insurance	3,326	-	-	3,326	21,905	25,231
Miscellaneous expenses	3,170	-	-	3,170	54,091	57,261
Office expenses	12,767	-	-	12,767	116,692	129,459
Participant food expenses	95,563	-	200	95,763	-	95,763
Participant payments and expenses	-	-	-	-	2,249,862	2,249,862
Partner expenses	-	-	-	-	23,996	23,996
Professional services	11,550	-	-	11,550	83,917	95,467
Program supplies	28,358	2,273	599	31,230	19,078	50,308
Rent	54,000	-	-	54,000	-	54,000
Repair, maintenance and utilities	4,439	-	-	4,439	17,488	21,927
Supplies - general	332	-	909	1,241	93,728	94,969
Travel and training	3,339	-	-	3,339	15,997	19,336
Depreciation and amortization	273	-	3,316	3,589	14,983	18,572
Administrative and indirect	84,700	227	145	85,072	(85,072)	-
Total expenses	948,835	2,500	5,169	956,504	4,702,090	5,658,594
Change in Net Assets	\$ -	\$ -	-	\$ -	\$ 745,337	\$ 745,337

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

Reading and Beyond
Schedule of Expenditures by State Categories
June 30, 2023

	<u>CSPP-2090</u>	<u>CPKS-2013</u>	<u>Total CDE CD Contracts</u>
Expenditures			
1000 Certified salaries	\$ 186,102	\$ -	\$ 186,102
2000 Classified salaries	332,864	-	332,864
3000 Employee benefits	112,916	-	112,916
4000 Books and supplies	124,254	2,273	126,527
5000 Services and other operating expenses	107,726	-	107,726
6100/6200 Other approved capital outlay	-	-	-
6400 New equipment	-	-	-
6500 Replacement equipment	-	-	-
Depreciation on assets not purchased with public funds	<u>273</u>	<u>-</u>	<u>273</u>
Total	864,135	2,273	866,408
Indirect costs	<u>84,700</u>	<u>227</u>	<u>84,927</u>
Total expenses claimed for reimbursement	948,835	2,500	951,335
Total supplemental expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	\$ <u>948,835</u>	\$ <u>2,500</u>	\$ <u>951,335</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, 2023

Expenses	<u>CSPP-2090</u>	<u>CPKS-2013</u>	<u>Total CDE CD Contracts</u>
Schedule of Expenditures by State Categories (CDE)	\$ 948,835	\$ 2,500	\$ 951,335
Adjustments to reconcile difference in reporting:			
None	<u>-</u>	<u>-</u>	<u>-</u>
Combining Statement of Activities (GAAP)	\$ <u>948,835</u>	\$ <u>2,500</u>	\$ <u>951,335</u>

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

Reading and Beyond
Schedule of Claimed Equipment Expenditures
June 30, 2023

	<u>CSPP-2090</u>	<u>CPKS-2013</u>	<u>Total CDE CD Contracts</u>
Capitalized equipment expensed on the AUD with prior written approval			
None	\$ <u> -</u>	\$ <u> -</u>	\$ <u> -</u>
Capitalized equipment expensed on the AUD without prior written approval			
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, 2023

Claimed renovation and repairs	<u>CSPP-2090</u>	<u>CPKS-2013</u>	<u>Total CDE CD Contracts</u>
Unit cost under \$10,000 per item			
Other	\$ -	\$ -	\$ -
Unit cost \$10,000 or more per item with or without prior approval			
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, 2023

Claimed Administrative Costs	<u>CSPP-2090</u>	<u>CPKS-2013</u>	<u>Total CDE CD Contracts</u>
Salaries	\$ 19,363	\$ -	\$ 19,363
Employee benefits	10,486	-	10,486
Books and supplies	-	-	-
Services and other operating expenses	2,405	-	2,405
Depreciation on assets not purchased with public funds	-	-	-
Indirect costs	<u>84,700</u>	<u>227</u>	<u>84,927</u>
 Total	 \$ <u>116,954</u>	 \$ <u>227</u>	 \$ <u>117,181</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, 2023

Claimed Start-Up Expenses	<u>CSPP-2090</u>	<u>CPKS-2013</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, 2023

	<u>CSPP-2090</u>	<u>CPKS-2013</u>	<u>Total CDE CD Contracts</u>
Claimed Budget Impasse Credit Expenses			
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/>
Total	\$ <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, 2023

In accordance with the applicable requirements from the Funding Terms and 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, 2023.
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, 2023.
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, 2023.

Contractor Name: Reading and Beyond

Contract Number: CSPP-2090

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

Fiscal Year Ended: June 30, 2023

Vendor Code: Z642

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: **1**

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	17,423	(6)	17,417	24,651.0596
Total Certified Days of Enrollment with Mental Health Consultation Services	0	0	0	0.0000
Days of Attendance (including MHCS)	13,403	(31)	13,372	N/A
Total Non-Certified Days of Enrollment	0	0	0	0.0000
Total Non-Certified Days of Enrollment with Mental Health Consultation Services	0	0	0	0.0000

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	246		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	79,981	(4,198)	75,783
County Maintenance of Effort (EC Section 8260)			0
Other: In-kind rent		15,135	15,135
Other:			0
TOTAL RESTRICTED INCOME	79,981	10,937	90,918

Transfer from Reserve	Column A – Cumulative FY per CPARIS	Column B – Audit Adjustments	Column C – Cumulative FY per Audit
Transfer from Preschool Reserve Account			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	27,915	714	28,629
Interest Earned on Child Development Apportionment Payments	83		83
Unrestricted Income: 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	0	186,101	186,101
2000 Classified Salaries	518,122	(185,258)	332,864
3000 Employee Benefits	112,916		112,916
4000 Books and Supplies	124,245	9	124,254
5000 Services and Other Operating Expenses	92,590	15,137	107,727
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Equipment Replacement (program-related)			0
Depreciation or Use Allowance	273		273
Start-up Expenses (service level exemption)			0
Indirect Costs (include in Total Administrative Cost)	84,699	1	84,700
TOTAL REIMBURSABLE EXPENSES	932,845	15,990	948,835

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)	135,529	(18,348)	117,181
Total Staff Training Cost (included in Reimbursable Expenses)	1,309	2,030	3,339

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 Grant	4,552	617	5,169
Other:			0
TOTAL SUPPLEMENTAL REVENUE	4,552	617	5,169

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
3000 Employee Benefits			0
4000 Books and Supplies	526	383	909
5000 Services and Other Operating Expenses	1,077	(278)	799
6000 Equipment / Capital Outlay			0
Depreciation or Use Allowance	2,583	733	3,316
Indirect Costs	126	19	145
Non-Reimbursable Supplemental Expenses			0
TOTAL SUPPLEMENTAL EXPENSES	4,312	857	5,169

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)	17,423	(6)	17,417
Days of Operation	246	0	246
Days of Attendance (including MHCS)	13,403	(31)	13,372
Total Certified Adjusted Days of Enrollment	N/A	N/A	24,651.0596
Total Non-Certified Adjusted Days of Enrollment	N/A	N/A	0.0000
Restricted Program Income	79,981	10,937	90,918
Transfer from Preschool Reserve Account	0	0	0
Interest Earned on Apportionment Payments	83	0	83
Direct Payments to Providers	0	0	0
Start-up Expenses (service level exemption)	0	0	0
Total Reimbursable Expenses	932,845	15,990	948,835
Total Administrative Cost	135,529	(18,348)	117,181
Total Staff Training Cost	1,309	2,030	3,339
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.

The auditors had some findings as noted in Part IV of the Schedule of Findings and Questions Costs.

**California State Preschool Program – Form 1
Certified Children Days of Enrollment and Attendance**

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 Old Full-time-plus			0	2.1240	0.0000
Three Years Old Full-time	8,732		8,732	1.8000	15,717.6000
Three Years Old Part-time	165		165	1.1147	183.9255
Four Years and Older Full-time-plus			0	1.1800	0.0000
Four Years and Older Full-time	5,966	15	5,981	1.0000	5,981.0000
Four Years and Older Part-time	209		209	0.6193	129.4337
Exceptional Needs Full-time-plus			0	2.8320	0.0000
Exceptional Needs Full-time			0	2.4000	0.0000
Exceptional Needs Part-time			0	1.4863	0.0000
Dual Language Learner Full-time-plus			0	1.4160	0.0000
Dual Language Learner Full-time	1,857		1,857	1.2000	2,228.4000
Dual Language Learner Part-time	249	(21)	228	0.6193	141.2004

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
At Risk of Abuse or Neglect Full-time-plus			0	1.2980	0.0000
At Risk of Abuse or Neglect Full-time	245		245	1.1000	269.5000
At Risk of Abuse or Neglect Part-time			0	0.6193	0.0000
Severely Disabled Full-time-plus			0	2.8320	0.0000
Severely Disabled Full-time			0	2.4000	0.0000
Severely Disabled Part-time			0	1.4863	0.0000
TOTAL CERTIFIED DAYS OF ENROLLMENT	17,423	(6)	17,417	N/A	24,651.0596

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
DAYS OF ATTENDANCE	13,403	(31)	13,372	N/A	N/A

**California State Preschool Program – Form 2
 Certified Children Receiving Mental Health Consultation Services
 Days of Enrollment and Attendance**

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 Old Full-time-plus			0	2.2240	0.0000
Three Years Old Full-time			0	1.9000	0.0000
Three Years Old Part-time			0	1.2147	0.0000
Four Years and Older Full-time-plus			0	1.2800	0.0000
Four Years and Older Full-time			0	1.1000	0.0000
Four Years and Older Part-time			0	0.7193	0.0000
Exceptional Needs Full-time-plus			0	2.9320	0.0000
Exceptional Needs Full-time			0	2.5000	0.0000
Exceptional Needs Part-time			0	1.5863	0.0000
Dual Language Learner Full-time-plus			0	1.5160	0.0000
Dual Language Learner Full-time			0	1.3000	0.0000
Dual Language Learner Part-time			0	0.7193	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
At Risk of Abuse or Neglect Full-time-plus			0	1.3980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.2000	0.0000
At Risk of Abuse or Neglect Part-time			0	0.7193	0.0000
Severely Disabled Full-time-plus			0	2.9320	0.0000
Severely Disabled Full-time			0	2.5000	0.0000
Severely Disabled Part-time			0	1.5863	0.0000
TOTAL CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES	0	0	0	N/A	0.0000

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
DAYS OF ATTENDANCE			0	N/A	N/A

**California State Preschool Program – Form 3
Non-Certified Children Days of Enrollment**

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
Toddlers (18 up to 36 months) Full-time-plus			0	2.1240	0.0000
Toddlers (18 up to 36 months) Full-time			0	1.8000	0.0000
Toddlers (18 up to 36 months) Part-time			0	0.9900	0.0000
Three Years Old Full-time-plus			0	2.1240	0.0000
Three Years Old Full-time			0	1.8000	0.0000
Three Years Old Part-time			0	1.1147	0.0000
Four Years and Older Full-time-plus			0	1.1800	0.0000
Four Years and Older Full-time			0	1.0000	0.0000
Four Years and Older Part-time			0	0.6193	0.0000
Exceptional Needs Full-time-plus			0	2.8320	0.0000
Exceptional Needs Full-time			0	2.4000	0.0000
Exceptional Needs Part-time			0	1.4863	0.0000
Dual Language Learner Full-time-plus			0	1.4160	0.0000
Dual Language Learner Full-time			0	1.2000	0.0000
Dual Language Learner Part-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
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 Part-time			0	0.6193	0.0000
Severely Disabled Full-time-plus			0	2.8320	0.0000
Severely Disabled Full-time			0	2.4000	0.0000
Severely Disabled Part-time			0	1.4863	0.0000
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT	0	0	0	N/A	0.0000

**California State Preschool Program – Form 4
 Non-Certified Children Receiving Mental Health Consultation Services
 Days of Enrollment**

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
Toddlers (18 up to 36 months) Full-time-plus			0	2.2240	0.0000
Toddlers (18 up to 36 months) Full-time			0	1.9000	0.0000
Toddlers (18 up to 36 months) Part-time			0	1.0900	0.0000
Three Years Old Full-time-plus			0	2.2240	0.0000
Three Years Old Full-time			0	1.9000	0.0000
Three Years Old Part-time			0	1.2147	0.0000
Four Years and Older Full-time-plus			0	1.2800	0.0000
Four Years and Older Full-time			0	1.1000	0.0000
Four Years and Older Part-time			0	0.7193	0.0000
Exceptional Needs Full-time-plus			0	2.9320	0.0000
Exceptional Needs Full-time			0	2.5000	0.0000
Exceptional Needs Part-time			0	1.5863	0.0000
Dual Language Learner Full-time-plus			0	1.5160	0.0000
Dual Language Learner Full-time			0	1.3000	0.0000
Dual Language Learner Part-time			0	0.7193	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
At Risk of Abuse or Neglect Full-time-plus			0	1.3980	0.0000
At Risk of Abuse or Neglect Full-time			0	1.2000	0.0000
At Risk of Abuse or Neglect Part-time			0	0.7193	0.0000
Severely Disabled Full-time-plus			0	2.9320	0.0000
Severely Disabled Full-time			0	2.5000	0.0000
Severely Disabled Part-time			0	1.5863	0.0000
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT WITH MENTAL HEALTH CONSULTATION SERVICES	0	0	0	N/A	0.0000

Contractor Name: Reading and Beyond

Contract Number: CPKS2013

California Department of Education

Fiscal Year Ended: June 30, 2023

Audited Fiscal Report for

Vendor Code: Z642

California State Preschool Program Support Contracts

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 8260)			0
Other:			0
TOTAL RESTRICTED INCOME	0	0	0

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
TOTAL REIMBURSABLE EXPENSES	2,500	0	2,500

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)	227		227

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
TOTAL SUPPLEMENTAL REVENUE	0	0	0

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
TOTAL SUPPLEMENTAL EXPENSES	0	0	0

Section 4 – Summary

Description	Column A Cumulative FY per CPARIS	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Program Income	0	0	0
Interest Earned on Apportionment Payments	0	0	0
Total Reimbursable Expenses	2,500	0	2,500
Total Administrative Cost	227	0	227
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, 2023

Vendor Code: Z642

Contractor Name: Reading and Beyond

Section 1 – Prior Year Reserve Account Activity

1. Beginning Balance (2021–22 AUD 9530A Ending Balance): 143,284

2. Plus Transfers to Reserve Account:

2021–22 Contract No.	Per 2021–22 Post-Audit EENFS 9530
Total Transferred from 2021–22 Contracts	0

3. Less Excess Reserve to be Billed:

4. 2021–22 EENFS 9530 Reserve Balance After Billing: 143,284

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	83	(1)	82

6. Less Transfers to Contracts from Reserve:

2022–23 Contract No.	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
			0
			0
			0
Total Transferred to Contracts	0	0	0

7. Ending Balance:

Description	Column A per CPARIS	Column B Audit Adjustments	Column C Total per Audit
Ending Balance on June 30, 2023	143,367	(1)	143,366

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, 2023, 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 December 13, 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. 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 or significant deficiencies may exist that were not identified.

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 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.

Lewis Sharpstone & Co.

Woodland Hills, California
December 13, 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, 2023. 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, 2023.

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
December 13, 2023

Reading and Beyond
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

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?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	No
Noncompliance material to financial statements noted?	No

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, 2023

SECTION II – SUMMARY OF FINANCIAL STATEMENT FINDINGS

No findings noted

SECTION III – SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings noted

SECTION IV – SUMMARY OF STATE AWARD FINDINGS AND QUESTIONED COSTS

State Awards

2023-001 California Department of Education
Preschool Program CSPP-2090

Criteria:

The Organization is required to meet certain compliance requirements for its preschool program supported by California department of education grant.

Condition:

1. A preschool food program State administrative review indicated issues related to CACFP enrollment forms and eligibility. \$4,198 was refunded to the State.
2. Two children out of ten children selected for testing of the calculation of waived family fees, the fees were calculated incorrectly due to the wrong family fee schedule being used.
3. Three children out of ten children selected for test work had incorrect or inconsistent service types reported.
4. Enrollment numbers for September 2022, the dual language learner Part-time enrollment was overstated by 21; Enrollment numbers for April 2023, total days of enrollment was under reported by 15 and days of attendance were over reported by 10.
5. For fiscal year 2022-2023, the minimum days of enrollment indicated on the contract was not met.

Effect of condition:

Conditions observed above did not result in any question costs due to both enrollment and family fees requirements were waived in calculating contract earnings for fiscal year 2022-2023 by California Department of Education. However, these conditions did not meet compliance requirements of the contract agreement and if not corrected in the future, will potentially impact the organization's earnings once these waivers expires in the future.

Questioned cost:

N/A

Reading and Beyond
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Context:

None

Cause:

Management believes this error was caused by human oversight.

Repeat finding:

This is not a repeat finding.

Recommendation:

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

View of responsible officials and planned corrective action:

Management agrees that the matters above were observed and agrees to implement the recommendation.

Reading and Beyond

Summary Schedule of Prior Audit Findings with Status of Corrective Action For the Year Ended June 30, 2023

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

Summary Schedule of Prior Audit Findings with Status of Corrective Action For the Year Ended June 30, 2023

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.

**Current year status: No similar conditions were noted during the year ended June 30, 2023.
Accordingly, this is considered remediated.**

State Awards

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.

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.

Reading and Beyond
Summary Schedule of Prior Audit Findings with Status of Corrective Action
For the Year Ended June 30, 2023

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.

Current year status: No similar conditions were noted during the year ended June 30, 2023. Accordingly, this is considered remediated.

**Reading and Beyond
Corrective Action Plan
For the Year Ended June 30, 2023**



December 11, 2023

Corrective Action Plan

Reading and Beyond provides the following corrective action plan for the audit ending June 30, 2023.

Finding 2023-001 California Department of Education

Reading and Beyond has recently hired an Enrollment Specialist who will provide additional administrative support to meet program needs and refine reporting processes. The preschool leadership has also added training hours with experts to update the team on new reporting requirements. The added training will help the Site Supervisors, Enrollment Specialist, and Program Manager ensure they have the updates and education they need to establish conformity, accuracy, and meet compliance standards. Lastly, the preschool program is currently implementing a data platform to automate the paper reports that are currently being used. The data platform will help increase efficiency and to manage the various reports help the organization improve on internal processes.

Sincerely,

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

Sandra R. Flores, CEO