

READING AND BEYOND

***FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION***

June 30, 2017

READING AND BEYOND

June 30, 2017

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**INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED
FINANCIAL STATEMENTS AND ON THE SUPPLEMENTARY
SCHEDULE OF FEDERAL AWARDS AND SUPPLEMENTAL
STATEMENTS OF REVENUES AND EXPENDITURES**

To the Board of Directors
Reading and Beyond

Report on the Financial Statements

We have audited the accompanying financial statements Reading and Beyond (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading and Beyond as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Supplemental Statements of Revenue and Expenditures for Community Services Development grants are presented for purposes of additional analysis and are 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 November 13, 2017 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Reading and Beyond's internal control over financial reporting and compliance.



Baker, Chi & Parkey
Accountancy Corporation, P.C.
Fresno, California
November 13, 2017

READING AND BEYOND
Statement of Financial Position
 June 30, 2017

ASSETS

Current Assets	
Cash and cash equivalents (Note 4)	\$ 680,504
Accounts receivable	2,695
Grants and contracts receivable (Note 5)	1,306,761
Escrow deposit	335
Rental deposit	8,493
Prepaid expenses	80,970
Total Current Assets	2,079,757
Investments in Securities (Note 7)	3,084,872
Property and Equipment, net of accumulated depreciation (Note 9)	339,205
Other Assets	
Restricted cash - CDE reserve funds	57,738
License Rights	132,000
Total Other Assets	189,738
Total Assets	\$ 5,693,572

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	\$ 64,398
Accrued expenses (Note 11)	328,703
Grant advances (Note 12)	766,076
Child development reserve (Note 9)	57,738
Total Current Liabilities	1,216,914
Commitments and Contingencies (Note 10)	-
Net Assets	
Unrestricted	4,450,764
Temporarily restricted (Note 13)	25,894
Total Net Assets	4,476,658
Total Liabilities and Net Assets	\$ 5,693,572

See independent auditor's report and accompanying notes to financial statements

READING AND BEYOND
Statement of Activities
For the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue			
Contributions	\$ 4,650	\$ 28,580	\$ 33,230
Grants and contracts - foundations & others	682,180		682,180
Grants and contracts - governments	5,233,193		5,233,193
Family fees	22,491		22,491
Program service fee revenues	1,907		1,907
Donated goods and services	463,652		463,652
Rental income	38,899		38,899
Special event income, net of expenses of \$19,421	46,103		46,103
Investment income, net of investment expenses of \$6,615	37,218		37,218
Realized gain (loss) on investments	21,882		21,882
Unrealized gain (loss) on investments	4,765		4,765
Miscellaneous	5,083		5,083
Net assets released from restrictions	44,407	(44,407)	0
Total Revenue and Support	<u>6,606,430</u>	<u>(15,827)</u>	<u>6,590,603</u>
Expenses			
Program services	5,326,798	0	5,326,798
General and administrative	777,589	0	777,589
Fundraising expenses	2,251	0	2,251
Total Expenses	<u>6,106,637</u>	<u>-</u>	<u>6,106,637</u>
Decrease in Net Assets	499,793	(15,827)	483,966
Net Assets, beginning of year	<u>3,950,971</u>	<u>41,721</u>	<u>3,992,692</u>
Net Assets, end of year	<u>\$ 4,450,764</u>	<u>\$ 25,894</u>	<u>\$ 4,476,658</u>

See independent auditor's report and accompanying notes to financial statements

READING AND BEYOND
Statement of Functional Expenses
For the Year Ended June 30, 2017

Cash Flows from Operating Activities	
Change in net assets	483,966
Noncash items included in Support and Expenses:	
Depreciation	34,090
Realized (Gain) Loss on Investments	(21,882)
Unrealized (Gain) Loss on Investments	(4,765)
Adjustments to reconcile Net Cash Provided (Used) by Operating Activities:	
Decrease (Increase) in accounts receivable	3,328
Decrease (Increase) in grants and contracts receivable	(849,126)
Decrease (Increase) in prepaid expenses	43,929
Decrease(Increase) in deposits	(2,350)
Decrease (Increase) in restricted cash - child development reserve	(34,826)
(Decrease) Increase in child development reserve liability	34,826
(Decrease) Increase in accounts payable	50,972
(Decrease) Increase in accrued expenses	1,432
(Decrease) Increase in grant advances	104,769
Net Cash Used by Operating Activities	<u>(155,637)</u>
 Cash Flows from Investing Activities	
Purchase of property and equipment	(36,515)
Proceeds from sale of investments	399,458
Purchase of investments	<u>(455,040)</u>
Net Cash Used by Investing Activities	<u>(92,097)</u>
 Cash Flows from Financing Activities	<u>0</u>
Net Increase in Cash	(247,733)
 Cash and Cash Equivalents, June 30, 2016	<u>928,237</u>
Cash and Cash Equivalents, June 30, 2017	<u><u>680,504</u></u>

See independent auditor's report and accompanying notes to financial statements

READING AND BEYOND

Statement of Functional Expenses

For the Year Ended June 30, 2017

	Program Services					Support Services			Total
	Bridge Academy	Morning & Afterschool Programs	Preschool & County Childcare	Other Literacy & Training Programs	Total Programs	General & Administrative	Fundraising	Total	
Expenses									
Alarm and security	-	-	600	-	600	882	-	-	1,482
Board and committee meetings	-	-	-	-	-	475	-	-	475
Consulting expense	-	-	1,300	-	1,300	69,405	-	-	70,705
Contracted instructors	-	-	-	4,702	4,702	-	1,269	-	5,970
Depreciation	14,624	-	2,515	6,839	23,978	10,112	-	-	34,090
Dues and subscriptions	1,200	1,120	706	-	3,026	5,328	-	-	8,354
Fingerprinting expense	1,620	756	585	2,269	5,230	2,601	-	-	7,831
In-kind expense - goods	-	-	-	2,052	2,052	-	-	-	2,052
In-kind expense - services	-	-	-	461,600	461,600	-	-	-	461,600
Insurance	2,684	-	500	1,074	4,258	18,510	-	-	22,768
Legal and accounting	-	-	197	-	197	22,803	-	-	23,000
Licenses and fees	26	-	546	-	572	3,185	-	-	3,757
Marketing and public relations	1,500	-	-	16,467	17,967	2,718	-	-	20,685
Other employee benefits	249,440	25,189	49,159	70,146	393,934	34,223	7	-	428,164
Outreach and volunteer retention	27	-	-	479	505	2,360	-	-	2,865
Payroll processing and bank fees	-	-	757	-	757	14,867	710	-	16,334
Payroll taxes	151,605	64,316	31,687	60,493	308,101	38,375	15	-	346,491
Postage	20	-	-	-	20	19	-	-	39
Printing and copying	20,657	2,557	732	4,836	28,782	1,840	-	-	30,621
Property taxes	-	-	-	443	443	-	-	-	443

See independent auditor's report and accompanying notes to financial statements

READING AND BEYOND

Statement of Functional Expenses

For the Year Ended June 30, 2017

	Program Services					Support Services			Total
	Bridge Academy	Preschool & County Childcare	Morning & Afterschool Programs	Other Literacy & Training Programs	Total Programs	General & Administrative	Fundraising		
Rent	79,691	-	12,000	-	91,691	-	-	91,691	
Repairs and maintenance	3,278	210	19,544	9,558	32,589	2,786	-	35,375	
Special program expense	339,537	8,608	10,387	14,338	372,871	44,425	-	417,296	
Subcontractors	60,000	-	-	-	60,000	-	123	60,123	
Supplies and food	31,071	39,632	101,763	40,993	213,459	28,807	-	242,266	
Telephone and internet	29,053	795	1,736	8,791	40,375	22,810	-	63,185	
Transfer to reserve - CDE	-	34,751	-	-	34,751	-	-	34,751	
Travel and conference expense	45,264	1,045	7,472	7,836	61,617	4,368	-	65,986	
Utilities	13,951	-	-	4,010	17,960	5	-	17,966	
Wages	1,665,980	549,870	306,803	620,807	3,143,460	446,685	127	3,590,272	
Total Expenses by Function	2,711,229	728,847	548,989	1,337,733	5,326,798	777,589	2,251	6,106,637	

See independent auditor's report and accompanying notes to financial statements

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 1 – NATURE OF ACTIVITIES

Reading and Beyond (the Organization), formerly known as the Fresno Covenant Foundation, was established in March of 1999. The Organization is a nonprofit organization with the aim to educate, enable, and empower children and families through public outreach programs and services, primarily focused on low-income and poverty level areas of the community. The Organization operates at multiple sites providing preschool, after-school tutoring and child care, and adult education, training and support.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with original maturities of ninety (90) days or less.

Grants and Contracts

Revenue received under grants and contracts with the various federal, state, county departments and private foundations are recorded in the appropriate fund when the related costs are incurred prior to year-end. Program advances and deferred revenue represent cash received in advance of the related expenses.

Property and Equipment

Property and equipment are carried at cost and depreciated using the straight-line method over their estimated useful lives. Acquisitions of fixed assets in excess of \$2,500 are capitalized. Routine repairs and maintenance are expensed as incurred. Donations of property and equipment are recorded as contributions at their estimated fair value at the date of the donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Advertising Costs

Advertising and marketing costs are expensed as incurred. Advertising expenses for the period totaled \$20,685.

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated to programs and supporting activities based on a cost allocation plan in accordance with the Code of Federal Regulations.

Income Taxes

Reading and Beyond is exempt from federal incomes taxes under Section 501 (c)(3) of the Internal Revenue Code and related State code, and therefore has made no provision for federal income taxes in the accompanying financial statements.

Accounting principles generally accepted in the United States of America require those charged with governance to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization has evaluated the tax positions taken and has concluded that as of June 30, 2017 there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

The Organization is subject to routine audits by taxing jurisdictions. The Federal and State informational returns have not been examined by the taxing jurisdictions and therefore all open years under the respective statutes of limitations remain subject to examination.

Financial Statement Presentation

Reading and Beyond has adopted FASB 958, Financial Statements of Not-for-Profit Organizations. Under FASB 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted net assets represent the portion of net assets that are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

Temporarily restricted net assets represent the part of the net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanent restricted net assets represent the part of the net assets resulting from contributions and other inflows of assets whose use by the organization is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants and Contracts Receivables

Grants and contracts receivables are stated at the amount management expects to collect from outstanding balances. As of June 30, 2017, the Organization considers all amounts to be fully collectible and no allowance for doubtful accounts has been recorded.

License Rights

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

Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Vacation benefits were accrued as of June 30, 2017 in the amount of \$141,160.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to the accumulated sick leave, but are allowed sick leave as required by California State Law. Accumulated employee sick leave benefits are not recognized as liabilities of the organization since payment of such benefits is not probable or estimable. Therefore, sick leave benefits are recorded as expenses in the period sick leave is taken.

Donated Goods and Services

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

NOTE 3 – NATURE OF ESTIMATES

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

READING AND BEYOND
Notes to the Financial Statements
 June 30, 2017

NOTE 4 – CASH AND CASH EQUIVALENTS

As of June 30, 2017, the Organization’s cash and cash equivalents consist of the following:

	<u>2017</u>
Bank of the Sierra Business Checking	\$ 188,016
Bank of the Sierra Business Savings	27,279
Bank of the Sierra Money Market Fund	293
Citibank Money Market Fund	43,186
Change fund	<u>100</u>
Total	<u>\$ 258,874</u>

NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE

As of June 30, 2017, amounts due to the Organization for expenditures that are reimbursable by the granting or contracting agency are as follows:

<u>Grant Agency or Departments</u>	
Boys & Girls Club of Fresno County	\$ 10,496
California Department of Education	109,811
California Emerging Technology Fund	5,000
CSU Fresno Foundation	605
Department of Social Services	263,958
First Five of Fresno County	1,395
Fresno County DBH	21,977
Fresno County DPH	1,071
Fresno County Office of Education	173,180
Fresno Unified School District	721,564
Miscellaneous	<u>(2,296)</u>
Total	<u>\$ 1,306,761</u>

It is the opinion of management that all receivables will be collected and an allowance for doubtful accounts is not appropriate.

READING AND BEYOND
Notes to the Financial Statements
 June 30, 2017

NOTE 6 – SHORT-TERM INVESTMENTS

Investments as of June 30, 2017 consist of certificates of deposit bearing interest ranging from 0.30% to 1.40% and have maturities ranging from six months to twenty-four months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

As of June 30, 2017, all investments held in commercial banks were fully insured by the Federal Deposit Insurance Corporation, with the exception of the Murphy Bank certificate.

Investments as of June 30, 2017 are as follows:

		<u>2017</u>
Beneficial State Bank	Certificate of Deposit	\$ 248,787
BBVA Compass Bank	Certificate of Deposit	244,450
State Bank of India	Certificate of Deposit	242,485
Valley Business Bank	Certificate of Deposit	246,551
Murphy Bank	Certificate of Deposit	253,342
Fresno First Bank	Certificate of Deposit	248,001
Bank of the West	Certificate of Deposit	<u>241,684</u>
Total		<u>\$ 1,725,300</u>

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2017:

	<u>2017</u>
Investment Income	<u>\$ 15,253</u>

NOTE 7 – INVESTMENTS IN SECURITIES

Investments in securities as of June 30, 2017 are as follows:

<u>Description</u>	<u>Fair Market Value (Level 1 Inputs)</u>
Stocks	\$ 957,649
Bonds	374,337
Money Market	<u>27,586</u>
Total	<u>\$ 1,359,572</u>

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 7 – INVESTMENTS IN SECURITIES (Continued)

Investments are classified as available-for-sale securities and reported at Fair Market Value (Level 1 inputs) using the hierarchy for determining fair value as established by FASB ASC 820. Level 1 inputs are investments with quoted prices for identical instruments traded in active markets.

NOTE 8 – PROPERTY AND EQUIPMENT

As of June 30, 2017, property and equipment consist of the following:

<u>Description</u>	<u>Total</u>
Land	\$ 35,000
Buildings	140,445
Equipment	150,352
Leasehold Improvements	<u>290,723</u>
Total	616,520
Less: Accumulated Depreciations	<u>(277,315)</u>
Net Book Value	<u>\$ 339,205</u>

NOTE 9 – CHILD DEVELOPMENT RESERVE ACCOUNT

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

Reading and Beyond maintains a reserve account for Center-based contracts, and funds are deposited into an interest bearing account. The reserve account balance at June 30, 2017 was \$51,429.

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

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Grants

The Organization has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the contracts, management believes that any required reimbursements would be immaterial.

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

Operating Leases and Lease Commitments

The Organization conducts its administrative activities from facilities that are leased under an operating lease that expires May 31, 2021. The lease agreement grants use of the facilities without payment of use fees. For the year ended June 30, 2017, in-kind contributions of \$461,600 related to this lease have been recorded.

In Kind donations are reported at Fair Market Value Level 2 input using the hierarchy as established by FASB ASC 820. Level 2 inputs are quoted prices for similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from corroborated by observable market data by correlation or other means.

Donated goods and services: Valued based upon vendor invoices and current market prices.

The Organization subleases a portion of the administrative facilities to the County of Fresno for \$1,757 a month. The lease is a month-to-month operating lease.

The Organization conducts certain program activities from nine facilities that are leased under operating leases. Lease term expirations range from December 31, 2018 thru October 31, 2021.

Rent expense for the year ended June 30, 2017 was \$91,691.

Future total minimum lease obligations for each of the next five years in aggregate are as follows:

2018	\$ 106,766
2019	72,133
2020	27,300
2021	24,000
2022	8,000
2023 and beyond	<u>0</u>
Total	<u>\$ 238,199</u>

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 11 – ACCRUED EXPENSES

Accrued expenses are the expenses incurred but not paid as of June 30, 2017. Accrued expenses of \$328,704 consist of the following:

Accrued Payroll	\$ 168,566
Accrued PTO	141,160
Expense Reimbursement Payable	4,385
Use Tax Payable	237
Other Accrued Expenses	33
Deposits – Mosqueda Rental	1,382
Deposits – Zumba Payments	2,021
Incentives Payable	<u>10,920</u>
Total	<u>\$ 328,704</u>

NOTE 12 – GRANT ADVANCES/DEFERRED REVENUE

As of June 30, 2017, grant advances consist of the following:

AT&T	\$ 3,129
Bank of America	34,003
California Endowment	18,560
Central Valley Community Foundation	24,370
CMFA	20,000
Citibank	50,000
Fresno Regional Foundation	85,946
Golden 1 Credit Union	36,750
James Irvine Foundation	298,804
Kaiser Permanente	2,500
Rotary Club of Fresno Foundation	2,500
Sierra Health Foundation	20,000
Wesley Foundation	23,389
Wells Fargo Foundation	142,526
Other	<u>3,600</u>
Total	<u>\$ 766,077</u>

READING AND BEYOND
Notes to the Financial Statements
June 30, 2017

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are donor-restricted support. As of June 30, 2017, the temporarily restricted net assets consist of the following:

Family Success Zone	\$ 25,794
Back to School Success	<u>100</u>
Total	<u>\$ 25,894</u>

NOTE 14 – RETIREMENT PLAN

The Organization has a salary reduction plan (401k) in place, which is available to all employees who have worked 12 months and more than 1,000 hours during the calendar year. The amount of the salary reduction is paid directly to an independent administrator and applied directly to the employee retirement investment account. The Organization makes matching contributions of up to 4%. The vesting schedule of the employee is 20% after one year and an additional 20% per year until fully vested at the end of year five. For the year ended June 30, 2017 the matching amount contributed to the plan was \$45,766.

NOTE 15 – COST ALLOCATION PLAN

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

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

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

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

NOTE 16 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 13, 2017 which is the date the financial statements were available to be issued.

READING AND BEYOND

Statement of Functional Expenses

For the Year Ended June 30, 2017

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID No</u>	<u>Federal Expenditures</u>
U.S Department of Agriculture			
Pass through California Department of Education			
Child and Adult Care Food Program	10.558	05232-CACFP-10-NP-IC	\$ 48,843
Pass through Fresno Co Department of Social Services			
Supplemental Nutrition Assistance Program	10.561	A-15-023-1	650,619
Supplemental Nutrition Assistance Program Employment & Training Pilot Program	10.596	A-15-603	2,191,270
Pass through Madera Co Department of Social Services			
Supplemental Nutrition Assistance Program	10.561	10827-C-2017	47,760
Total Pass through Program			<u>2,938,492</u>
Total U.S. Department of Agriculture			<u>2,938,492</u>
U.S. Department of Health and Human Services			
Pass through California Department of Education	93.596/		
California State Preschool Program	93.575	CSPP-6079	77,044
Pass through County of Fresno			
Temporary Assistance for Needy Families	93.558	A-15-156	124,690
Total Pass through Program			<u>201,734</u>
Total U.S. Department of Health and Human Services			<u>201,734</u>
Total Expenditures of Federal Awards			<u>\$ 3,140,226</u>

See independent auditor's report and accompanying notes to financial statements

READING AND BEYOND

Notes to the Schedule of Expenditures of Federal Award

For the Year Ended June 30, 2016

NOTE 1 – BASIS OF ACCOUNTING

The schedule of expenditures of federal awards includes the federal grant activity of the Organization under programs of the federal government for the year ended June 30, 2017. The information is presented in accordance with the requirements of Title 2, of the US Code of Federal Regulations, Part 200. Because this schedule presents only a selected portion of the operations of Reading and Beyond, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2, of the US Code of Federal Regulations, Part 200, where in certain types of expenditures are not allowable or are limited as to reimbursement.

Pass-through entity identifying numbers are presented where available.



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

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, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2017.

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.

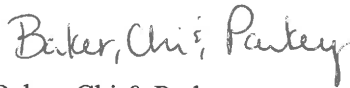
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

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

Purpose of this Report

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



Baker, Chi & Parkey
Accountancy Corporation, PC
Fresno, California
November 13, 2017



***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

Report on Compliance for Each Major Federal Program

We have audited Reading and Beyond's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Reading and Beyond's major federal programs for the year ended June 30, 2017. Reading and Beyond's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Reading and Beyond's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Reading and Beyond's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Reading and Beyond's compliance.

Opinion on Each Major Federal Program

In our opinion, Reading and Beyond complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017. .

Report on Internal Control over Compliance

Management of Reading and Beyond is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Reading and Beyond's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Reading and Beyond's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Baker, Chi & Parkey
Accountancy Corporation, PC
Fresno, California
November 13, 2017

MERCED COUNTY COMMUNITY ACTION BOARD, INC.

AND RELATED ENTITY

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

PART 1: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified opinion

Internal control over financial reporting:

- Significant Deficiency identified? _____yes Xno
- Material weakness(es)? _____yes Xnone reported

Noncompliance material to financial
Statements noted?

_____yes Xno

Federal Awards

Internal control over major programs:

- Significant Deficiency identified? _____yes Xno
- Material weakness(es) identified? _____yes Xno

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

Any audit findings disclosed that are
required to be reported in accordance
with section 510(a) of Circular A-133?

_____yes Xno

Type A and type B programs:

Auditee qualified as low-risk auditee?

Xyes _____no

Identification of major programs:

Name of Federal Program or Cluster

CFDA Number(s)

Supplemental Nutritional Assistance Program Employment & Training
Pilot Program

Agreement Number:

A-15-603-1

10.596

(The threshold used to distinguish between Type A and Type B programs was \$750,000.)

READING AND BEYOND
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

PART II – Findings and Questioned Costs for Federal and State Awards – Current Year

NONE

READING AND BEYOND
Status of Prior Year Findings
For the Year Ended June 30, 2017

Status of Prior Year Findings

SECTION IV – STATE AWARD FINDINGS AND QUESTIONED COSTS

Finding 16-01: Attendance Over-reported. Review of Eligibility files noted October 2015 attendance was over-reported. Questioned costs of \$621.

Present Status: Preschool site supervisor and Finance reviews attendance for accuracy prior to preparation of monthly Attendance and Fiscal Report.

READING AND BEYOND

***SUPPLEMENTARY INFORMATION FOR
CHILD DEVELOPMENT SERVICES***

June 30, 2017



**Baker, Chi
& Parkey**
ACCOUNTANCY CORPORATION

Timothy Baker, CPA
Angela Y. Chi, CPA
Valerie Parkey, CPA
Waymon Watts, Ret

INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION

To the Board of Directors of
Reading and Beyond

We have audited the consolidated financial statements of Reading and Beyond as of and for the year ended June 30, 2017, and have issued our report thereon dated November 13, 2017, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information for child development services is presented for the purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 consolidated financial statements as a whole.

Baker, Chi & Parkey

Baker, Chi & Parkey
Accountancy Corporation, P.C.
Fresno, California
November 13, 2017

READING AND BEYOND
General Information for Child Development Services
June 30, 2017

<u>NAME:</u>	Reading and Beyond
<u>PROGRAM NAME AND CONTRACT NUMBER:</u>	
California State Preschool Program	CSPP-5079
Child and Adult Care Food Program	05232-CACFP-10-NP-IC
Prekindergarten and Family Literacy	CPKS-5013
<u>TYPE OF AGENCY:</u>	Non-Profit Corporation
<u>ADDRESS OF AGENCY HEADQUARTERS:</u>	4670 E Butler Avenue Fresno, CA 93702
<u>TELEPHONE NUMBER:</u>	(559) 342-8600
<u>EXECUTIVE DIRECTOR:</u>	Luis Santana
<u>CONTROLLER:</u>	Lesley Fairburn
<u>PERIOD COVERED BY EXAMINATION:</u>	Fiscal Year July 1, 2016 to June 30, 2017
<u>NUMBER OF DAYS OF OPERATIONS:</u>	246 Days
<u>SCHEDULE HOURS OF OPERATIONS:</u>	Full Day: 7:00 A.M. to 5:30pm

READING AND BEYOND

Schedule of Federal and State Awards

For the Year Ended June 30, 2017

Grantor	Federal CFDA No	Contract No	Awards Amount		Total	Expenditure		Total
			Federal	State		Federal	State	
U.S. Department of Agriculture Pass through California Department of Education	10.558	05232-CACFP	43,023	0	43,023	43,843	0	43,843
Child and Adult Care Food Program								43,843
U.S. Department of Health & Human Services Pass through California Department of Education	93.596/ 93.575	CSPP-6079	84,799	367,319	452,118	77,044	333,727	410,771
State Preschool								
Prekindergarten and Family Literacy		CPKS-6013	0	2,500	2,500	0	2,500	2,500

See accompanying notes to the financial statements

READING AND BEYOND

Statement of Activities for Child Development Services

For the Year Ended June 30, 2017

	State Preschool	Literacy	CACFP Food Program	Total CDE	Non-CDE Programs	Grand Total 2017
Revenue and Support						
Contributions	\$ -	\$ -	\$ -	\$ -	\$ 33,230	\$ 33,230
Grants - Foundations and other	0	0	0	0	682,180	682,180
Grants - Governments	452,118	2,500	43,023	497,641	4,735,552	5,233,193
Family fees - certified	22,491	0	0	22,491	0	22,491
Family fees - non certified	0	0	0	0	0	0
Transfer from CD reserves	0	0	0	0	0	0
Program service fees	0	0	0	0	1,907	1,907
Donated goods and services	0	0	0	0	463,652	463,652
Rental income	0	0	0	0	38,899	38,899
Special event income	0	0	0	0	65,524	65,524
Investment income	75	0	0	75	43,758	43,833
Realized gain (loss) on investment	0	0	0	0	21,882	21,882
Unrealized gain (loss) on investment	0	0	0	0	4,765	4,765
Miscellaneous income	0	0	0	0	5,906	5,083
Loss on disposal of asset	0	0	0	0	0	0
Total Revenue and Support	474,684	2,500	43,023	520,207	6,097,255	6,616,639
Expenses						
Alarm and security	600	0	0	600	882	1,482
Board and committee meeting	0	0	0	0	475	475
Consulting expense	0	0	0	0	70,705	70,705
Contracted instructors	0	0	0	0	5,970	5,970

See independent auditor's report and accompanying notes to the supplementary information

READING AND BEYOND

Combined Statement of Activities for Child Development Services

For the Year Ended June 30, 2017

	State Preschool	Literacy	CACFP Food Program	Total CDE	Non-CDE Programs	Grand Total 2017
Depreciation	2,515	0	0	2,515	31,575	34,090
Dues and subscriptions	706	0	0	706	7,648	8,354
Fingerprinting expense	585	0	0	585	7,246	7,831
Indirect costs	41,600	185	0	41,785	(41,785)	0
In Kind expense - goods	0	0	0	0	2,052	2,052
In Kind expense - services	0	0	0	0	461,600	461,600
Insurance	500	0	0	500	22,268	22,768
Legal and accounting	5,346	0	0	5,346	17,654	23,000
Licenses and fees	62	0	0	62	10,310	10,372
Marketing and public relations	0	0	0	0	20,685	20,685
Other employee benefits	31,105	0	0	31,105	397,059	428,164
Outreach/volunteer retention	0	0	0	0	2,865	2,865
Payroll processing and bank fees	757	0	0	757	15,577	16,334
Payroll taxes	24,979	0	0	24,979	321,512	346,491
Postage	0	0	0	0	39	39
Printing and copying	732	0	0	732	29,889	30,621
Property taxes	0	0	0	0	443	443
Rent and janitorial	0	0	0	0	91,691	91,691
Repairs and maintenance	14,439	0	0	14,439	20,936	35,375
Special event expense	0	0	0	0	19,421	19,421
Special program expense	26,578	0	0	26,578	390,718	417,296
Subcontractors	0	0	0	0	60,123	60,123
Supplies and food	36,781	2,315	43,843	82,939	159,328	242,267

See independent auditor's report and accompanying notes to the supplementary information

READING AND BEYOND

Combined Statement of Activities for Child Development Services

For the Year Ended June 30, 2017

	State Preschool	Literacy	CACFP Food Program	Total CDE	Non-CDE Programs	Grand Total 2017
Telephone and internet	1,763	0	0	1,763	61,422	63,185
Transfer to reserve	34,751	0	0	34,751	0	34,751
Travel and conference expense	7,400	0	0	7,400	58,586	65,986
Utilities	0	0	0	0	17,966	17,966
Wages	243,485	0	0	243,485	3,346,787	3,590,272
TOTAL EXPENSES	<u>474,684</u>	<u>2,500</u>	<u>43,843</u>	<u>521,027</u>	<u>5,611,647</u>	<u>6,132,674</u>
CHANGE IN NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (820)</u>	<u>\$ (820)</u>	<u>\$ 485,608</u>	<u>\$ 483,965</u>

See independent auditor's report and accompanying notes to the supplementary information

READING AND BEYOND

Child Development Services

Schedule of Expenditures by State Categories

For the Year Ended June 30, 2017

EXPENDITURES	<u>CSPP-6079</u>	<u>CPKS-6013</u>	<u>Total</u>
1000 Certified Salaries	\$ 12,288	-	\$ 12,288
2000 Classified Salaries	236,913	0	236,913
3000 Employee Benefits	50,368	0	50,368
4000 Books and supplies	62,031	2,315	64,346
5000 Services and other operating expenses	33,295	0	33,295
6100/6200 Other approved capital outlay	0	0	0
6400 New equipment	0	0	0
6400 Replacement equipment	0	0	0
Depreciation or use allowance	2,515	185	2,700
Start-up expenses- service level exemption	44,766	0	44,766
Budget impasse credit	0	0	0
Indirect costs	41,600	0	41,600
Total Expenses Claimed for Reimbursement	<u>483,776</u>	<u>2,500</u>	<u>486,276</u>
Total Supplemental Expenses	<u>48,300</u>	<u>0</u>	<u>48,300</u>
Total Expenditures	<u>\$ 532,076</u>	<u>\$ 2,500</u>	<u>\$ 534,576</u>

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

READING AND BEYOND
Child Development Services
Schedule of Reimbursable Expenditures for Renovations and Repairs
For the Year Ended June 30, 2017

	CSPP-6079	CPKS-6013	Total
Unit Cost Under <u>\$10,000 per item</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
Unit Cost \$10,00 or more per item with <u>prior written approval</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
Unit Cost \$10,000 or more per item without <u>prior written approval</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>

See independent auditor's report and accompanying notes to supplementary information

READING AND BEYOND
Child Development Services
Schedule of Reimbursable Equipment Expenditures
For the Year Ended June 30, 2017

	<u>CSPP-6079</u>	<u>CPKS-6013</u>	<u>Total</u>
Unit Cost Under <u>\$7,500 per item</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
Unit Cost \$7,500 or more per item with <u>prior written approval</u>			
Playground Equipment & Installation	<u>23,494</u>	<u>0</u>	<u>23,494</u>
Subtotal	<u>23,494</u>	<u>0</u>	<u>23,494</u>
Unit Cost \$10,000 or more per item without <u>prior written approval</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$ 23,494</u></u>	<u><u>0</u></u>	<u><u>\$ 23,494</u></u>

See independent auditor's report and accompanying notes to supplementary information

READING AND BEYOND
Child Development Services
Schedule of Reimbursable Administrative Costs
For the Year Ended June 30, 2017

	<u>CSPP-6079</u>	<u>CPKS-6013</u>	<u>Total</u>
Administrative Salary	\$ 19,653	\$ -	\$ 19,653
Employee benefits/payroll taxes	3,805	0	3,805
Insurance	0	0	0
Travel/Auto	0	0	0
Repairs & Maintenance	64	0	64
Professional fees	5,149	0	5,149
Indirect costs	<u>30,222</u>	<u>4,707</u>	<u>34,929</u>
 Total Administrative Costs	 <u>\$ 58,893</u>	 <u>\$ 4,707</u>	 <u>\$ 63,600</u>

See independent auditor's report and accompanying notes to supplementary information

READING AND BEYOND

Summary of Claim

Vendor No. Z6420, CNIP No. 05232-CACFP-10-NP-IC

For the Period July 1, 2016 to June 30, 2017

Federal Fund Reimbursement Variance (Overpaid):		
Federal Fund Payments to Date	41,104	
Amount Reimbursable from Federal Fund	(41,905)	
Agency paid back the overpayment	<u>801</u>	-0-
Cash In-Lieu Reimbursment:		
Allowed	1,919	
Paid	(1,943)	
Paid back	<u>24</u>	<u>-0-</u>
Total Program Reimbursement Refund (Overpayment)		<u><u>-0-</u></u>

READING AND BEYOND

Statement of Claim

Vendor No. Z6420, CNIP No. 05232-CACFP-10-NP-IC
For the Period July 1, 2016 to June 30, 2017

Reimbursement per Examination	43,023
Program Reimbursements Claimed and Received	<u>43,848</u>
Amount Due From Agency	(825)
Agency paid back in May 2017	<u>825</u>
	<u><u>-0-</u></u>

READING AND BEYOND

*Schedule of Reported, Adjusted, and Allowed Meals and Earned Reimbursement
For the Period July 1, 2016 to June 30, 2017*

<u>Federal Meal Compensation</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Food Service Rates</u>	<u>Revenue Recognized</u>	<u>Audit Adjustments*</u>	<u>Earned Reimbursement**</u>
<u>Breakfast</u>							
Free	5,684	(149)	5,535	\$1.71	\$9,719.64	\$(254.79)	\$9,464.85
Reduced	930	81	1,011	1.41	1,311.30	114.21	1,425.51
Base	199	68	267	0.29	57.71	19.72	77.43
Total	<u>6,813</u>	<u>-0-</u>	<u>6,813</u>		<u>\$11,088.65</u>	<u>\$(120.86)</u>	<u>\$10,967.79</u>
<u>Lunch</u>							
Free	7,057	(270)	6,787	\$3.16	\$22,300.12	\$(853.20)	\$21,446.92
Reduced	1,148	86	1,234	2.76	3,168.48	237.36	3,405.84
Base	243	81	324	0.30	72.90	24.30	97.20
Total	<u>8,448</u>	<u>(103)</u>	<u>8,345</u>		<u>\$25,541.50</u>	<u>\$(591.54)</u>	<u>\$24,949.96</u>
<u>Supplements</u>							
Free	5,656	(149)	5,507	\$0.86	\$4,864.16	\$(128.14)	\$4,736.02
Reduced	922	81	1,003	0.43	396.46	34.83	431.29
Base	197	68	265	0.07	13.79	4.76	18.55
Total	<u>6,775</u>	<u>-0-</u>	<u>6,775</u>		<u>\$5,274.41</u>	<u>\$(88.55)</u>	<u>\$5,185.86</u>
Total Federal Meal Reimbursement					\$41,904.56	\$(800.95)	\$41,103.61
Cash-in-Lieu	<u>8,448</u>	<u>(103)</u>	<u>8,345</u>	\$0.2300	<u>\$1,943.04</u>	<u>\$(23.69)</u>	<u>\$1,919.35</u>
Total Federal Reimbursement					<u>\$43,847.60</u>	<u>\$(824.64)</u>	<u>\$43,022.96</u>
Total Program Reimbursement Overpaid – Refund due the State						<u>\$(824.64)</u>	

Footnotes:

* Adjustments are the result of: (1) eligibility category changes; (2) meal count errors; (3) meals served in excess of site licensed capacity
 ** Includes rounding adjustment

READING AND BEYOND

*Schedule of Reported, Adjusted, and Allowed Eligibility
For the Period July 1, 2016 to June 30, 2017*

Eligibility	<u>Jul.</u>	<u>Aug.</u>	<u>Sep.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>	<u>Mar.</u>	<u>Apr.</u>	<u>May</u>	<u>Jun.</u>
Total												
Reported	538	542	506	498	469	448	652	583	664	596	657	660
Adjusted	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Allowed	538	542	506	498	469	448	652	583	664	596	657	660
Free												
Reported	454	458	427	431	407	389	580	456	531	488	535	598
Adjusted	-0-	-0-	-0-	(19)	(29)	(28)	(73)	-0-	-0-	-0-	-0-	-0-
Allowed	454	458	427	412	378	361	507	456	531	488	535	598
Reduced												
Reported	72	72	67	54	49	47	58	89	103	95	107	133
Adjusted	-0-	-0-	-0-	15	12	11	43	-0-	-0-	-0-	-0-	-0-
Allowed	72	72	67	69	61	58	101	89	103	95	107	133
Base												
Reported	12	12	12	13	13	12	14	38	30	13	15	16
Adjusted	-0-	-0-	-0-	4	17	17	30	-0-	-0-	-0-	-0-	-0-
Allowed	12	12	12	17	30	29	44	38	30	13	15	16

READING AND BEYOND
Schedule of Reported, Adjusted, and Allowed Meals
 For the Period July 1, 2016 to June 30, 2017

	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>
	<u>July 2016</u>			<u>August 2016</u>			<u>September 2016</u>		
<u>Breakfast</u>									
Free	454	-0-	454	458	-0-	458	427	-0-	427
Reduced	72	-0-	72	72	-0-	72	67	-0-	67
Base	<u>12</u>	<u>-0-</u>	<u>12</u>	<u>12</u>	<u>-0-</u>	<u>12</u>	<u>12</u>	<u>-0-</u>	<u>12</u>
Total	<u>538</u>	<u>-0-</u>	<u>538</u>	<u>542</u>	<u>-0-</u>	<u>542</u>	<u>506</u>	<u>-0-</u>	<u>506</u>
<u>Lunch</u>									
Free	596	-0-	596	570	-0-	570	594	-0-	594
Reduced	94	-0-	94	90	-0-	90	94	-0-	94
Base	<u>16</u>	<u>-0-</u>	<u>16</u>	<u>15</u>	<u>-0-</u>	<u>15</u>	<u>15</u>	<u>-0-</u>	<u>15</u>
Total	<u>706</u>	<u>-0-</u>	<u>706</u>	<u>675</u>	<u>-0-</u>	<u>675</u>	<u>703</u>	<u>-0-</u>	<u>703</u>
<u>Supplements</u>									
Free	487	-0-	487	470	-0-	470	437	-0-	437
Reduced	77	-0-	77	74	-0-	74	69	-0-	69
Base	<u>13</u>	<u>-0-</u>	<u>13</u>	<u>13</u>	<u>-0-</u>	<u>13</u>	<u>12</u>	<u>-0-</u>	<u>12</u>
Total	<u>577</u>	<u>-0-</u>	<u>577</u>	<u>557</u>	<u>-0-</u>	<u>557</u>	<u>518</u>	<u>-0-</u>	<u>518</u>
	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>
	<u>October 2016</u>			<u>November 2016</u>			<u>December 2016</u>		
<u>Breakfast</u>									
Free	431	(19)	412	407	(29)	378	389	(28)	361
Reduced	54	15	69	49	12	61	47	11	58
Base	<u>13</u>	<u>4</u>	<u>17</u>	<u>13</u>	<u>17</u>	<u>30</u>	<u>12</u>	<u>17</u>	<u>29</u>
Total	<u>498</u>	<u>-0-</u>	<u>498</u>	<u>469</u>	<u>-0-</u>	<u>469</u>	<u>448</u>	<u>-0-</u>	<u>448</u>
<u>Lunch</u>									
Free	563	(59)	504	550	(75)	475	526	(51)	475
Reduced	70	14	84	67	9	76	64	12	76
Base	<u>18</u>	<u>3</u>	<u>21</u>	<u>16</u>	<u>22</u>	<u>38</u>	<u>16</u>	<u>22</u>	<u>38</u>
Total	<u>651</u>	<u>(42)</u>	<u>609</u>	<u>633</u>	<u>(44)</u>	<u>589</u>	<u>606</u>	<u>(17)</u>	<u>589</u>
<u>Supplements</u>									
Free	419	(18)	401	416	(30)	386	424	(30)	394
Reduced	52	15	67	50	12	62	51	12	63
Base	<u>14</u>	<u>3</u>	<u>17</u>	<u>13</u>	<u>18</u>	<u>31</u>	<u>13</u>	<u>18</u>	<u>31</u>
Total	<u>485</u>	<u>-0-</u>	<u>485</u>	<u>479</u>	<u>-0-</u>	<u>479</u>	<u>488</u>	<u>-0-</u>	<u>488</u>

READING AND BEYOND
Child and Adult Care Food Program – Child Care Centers
Schedule of Reported Adjusted, and Allowed Meals
 For the Period July 1, 2016 to June 30, 2017

	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>
	<u>January 2017</u>			<u>February 2017</u>			<u>March 2017</u>		
<u>Breakfast</u>									
Free	580	(73)	507	456	-0-	456	531	-0-	531
Reduced	58	43	101	89	-0-	89	103	-0-	103
Base	14	30	44	38	-0-	38	30	-0-	30
Total	<u>652</u>	<u>-0-</u>	<u>652</u>	<u>583</u>	<u>-0-</u>	<u>583</u>	<u>664</u>	<u>-0-</u>	<u>664</u>
<u>Lunch</u>									
Free	678	(85)	593	543	-0-	543	636	-0-	636
Reduced	68	51	119	106	-0-	106	124	-0-	124
Base	17	34	51	45	-0-	45	35	-0-	35
Total	<u>763</u>	<u>-0-</u>	<u>763</u>	<u>694</u>	<u>-0-</u>	<u>694</u>	<u>795</u>	<u>-0-</u>	<u>795</u>
<u>Supplements</u>									
Free	563	(71)	492	465	-0-	465	461	-0-	461
Reduced	56	42	98	90	-0-	90	90	-0-	90
Base	14	29	43	39	-0-	39	25	-0-	25
Total	<u>633</u>	<u>-0-</u>	<u>633</u>	<u>594</u>	<u>-0-</u>	<u>594</u>	<u>576</u>	<u>-0-</u>	<u>576</u>
	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>	<u>Reported</u>	<u>Adjusted</u>	<u>Allowed</u>
	<u>April 2017</u>			<u>May 2017</u>			<u>June 2017</u>		
<u>Breakfast</u>									
Free	488	-0-	488	535	-0-	535	528	-0-	528
Reduced	95	-0-	95	107	-0-	107	117	-0-	117
Base	13	-0-	13	15	-0-	15	15	-0-	15
Total	<u>596</u>	<u>-0-</u>	<u>596</u>	<u>657</u>	<u>-0-</u>	<u>657</u>	<u>660</u>	<u>-0-</u>	<u>660</u>
<u>Lunch</u>									
Free	574	-0-	574	629	-0-	629	598	-0-	598
Reduced	112	-0-	112	126	-0-	126	133	-0-	133
Base	16	-0-	16	18	-0-	18	16	-0-	16
Total	<u>702</u>	<u>-0-</u>	<u>702</u>	<u>773</u>	<u>-0-</u>	<u>773</u>	<u>747</u>	<u>-0-</u>	<u>747</u>
<u>Supplements</u>									
Free	466	-0-	466	503	-0-	503	545	-0-	545
Reduced	91	-0-	91	101	-0-	101	121	-0-	121
Base	12	-0-	12	14	-0-	14	15	-0-	15
Total	<u>569</u>	<u>-0-</u>	<u>569</u>	<u>618</u>	<u>-0-</u>	<u>618</u>	<u>681</u>	<u>-0-</u>	<u>681</u>

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Reading and Beyond Preschool Vendor No. Z642

Fiscal Year Ended: June 30, 2017 Contract No. CSP6079

Independent Auditor's Name: Baker, Chi & Parkey, Accountancy Corporation

SECTION I – CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i> Full-time-plus				1.1800	
Full-time	3,330		3,330	1.0000	3,330
Three-quarters-time	438		438	0.7500	329
One-half-time	233		233	0.6172	144
<i>Exceptional Needs</i> Full-time-plus				1.4160	
Full-time				1.2000	
Three-quarters-time				0.9000	
One-half-time				0.6195	
<i>Limited and Non-English Proficient</i> Full-time-plus				1.2980	
Full-time	5,395		5,395	1.1000	5,935
Three-quarters-time	286		286	0.8250	236
One-half-time	326		326	0.6195	202
<i>At Risk of Abuse or Neglect</i> Full-time-plus				1.2980	
Full-time				1.1000	
Three-quarters-time				0.8250	
One-half-time				0.6195	
<i>Severely Disabled</i> Full-time-plus				1.7700	
Full-time				1.5000	
Three-quarters-time				1.1250	
One-half-time				0.6195	
TOTAL DAYS OF ENROLLMENT	10,008		10,008		10,176
DAYS OF OPERATION	247		247		
DAYS OF ATTENDANCE	9,997		9,997		

NO NONCERTIFIED CHILDREN – Check this box, omit page 2, and continue to Section III if no noncertified children were enrolled in the program.

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

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Reading and Beyond Preschool Vendor No. Z642

Fiscal Year Ended: June 30, 2017 Contract No. CSP-6079

Independent Auditor's Name: Baker, Chi & Parkey, Accountancy Corporation

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

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

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Reading and Beyond.

Vendor No. Z642

Fiscal Year End: June 30, 2017

Contract No. CSPP-6079

	COLUMN A	COLUMN B	COLUMN C
SECTION III – REVENUE	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME			
Child Nutrition Programs	43,846	(823)	43,023
County Maintenance of Effort (EC Section 8279)			
Other (Specify):			
Other (Specify):			
Subtotal	43,846	(823)	43,023
Transfer from Reserve			
Family Fees for Certified Children	22,995	(504)	22,491
Interest Earned on Apportionments	57	18	75
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			
Head Start Program (EC 8235(b))			
Other: (Specify):			
Other: (Specify):			
TOTAL REVENUE	66,898	(1,309)	65,589
SECTION IV – REIMBURSABLE EXPENSES			
1000 Certificated Salaries	10,413	1,875	12,288
2000 Classified Salaries	239,837	(2,924)	236,913
3000 Employee Benefits	49,544	824	50,368
4000 Books and Supplies	65,548	(3,517)	62,031
5000 Services and Other Operating Expenses	33,831	(536)	33,295
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (<i>program-related</i>)			
6500 Replacement Equipment (<i>program-related</i>)			
Depreciation or Use Allowance	2,515		2,515
Start-Up Expenses (service level exemption)	63,550	(18,784)	44,766
Budget Impasse Credit			
Indirect Costs. Rate: (Rate is self-calculating)	35,249	6,351	41,600
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	500,487	(16,711)	483,776
TOTAL ADMINISTRATIVE COSTS (included in section IV)	64,065	(465)	63,600
FOR CDE-A & I USE ONLY:			

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

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

YES

NO – Explain any discrepancies.

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

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

YES

NO – Explain any discrepancies.

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

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Reading and Beyond.

Vendor No. Z642

Fiscal Year End: June 30, 2017

Contract No. CSPP-6079

	COLUMN A	COLUMN B	COLUMN C
SECTION V – SUPPLEMENTAL REVENUE	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
Enhancement Funding			
Other: General Fund	210		210
FCOE QRIS Block Grant	48,300		48,300
TOTAL SUPPLEMENTAL REVENUE	48,531		48,531
SECTION VI – REIMBURSABLE EXPENSES			
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses	44,722		44,722
6000 Equipment/Capital Outlay			
Depreciation or Use Allowance	249		249
Indirect Costs. Rate: (Rate is self- calculating)	3,578		3,578
NON REIMBURSEABLE EXPENSES	147		147
6100-6500 Non-reimbursable Capital Outlay			
TOTAL SUPPLEMENTAL EXPENSES	48,696		48,696
FOR CDE-A & I USE ONLY:			

Comments:

**AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs**

Agency Name: Reading and Beyond.

Vendor No. Z642

Fiscal Year End: June 30, 2017

Contract No. CPKS-6013

	COLUMN A	COLUMN B	COLUMN C
SECTION III – REVENUE	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME			
Child Nutrition Programs			
County Maintenance of Effort (EC Section 8279)			
Other (Specify):			
Other (Specify):			
Subtotal			
Transfer from Reserve			
Family Fees for Certified Children			
Interest Earned on Apportionments			
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			
Head Start Program (EC 8235(b))			
Other: (Specify):			
Other: (Specify):			
TOTAL REVENUE	\$0		\$0
SECTION IV – REIMBURSABLE EXPENSES			
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses	2,315		2,315
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (<i>program-related</i>)			
6500 Replacement Equipment (<i>program-related</i>)			
Depreciation or Use Allowance			
Start-Up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs. Rate: 7.4%	185		185
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$2,500		\$2,500
TOTAL ANMINISTRATIVE COSTS (<i>included in section IV</i>)	185		185
FOR CDE-A & I USE ONLY:			

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

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: Reading and Beyond.

Vendor No. Z642

Fiscal Year End: June 30, 2017

Contract No. CSPP-6079

RESERVE ACCOUNT TYPE (Check One): <input checked="" type="checkbox"/> Center Based Resource and Referral Alternative Payment	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$22,912		\$22,912
2. PLUS Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV)			
Contract No.			
Contract No.			
Contract No.			
Contract No.			
Contract No.			
Total Transferred from Contracts to Reserve Account	\$0	\$0	\$0
3. Less Excess Reserve to be Billed – (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)			
4. Ending Balance on Last Year's Post-Audit CDFS 9530)	\$22,912	\$0	\$22,912
THIS YEAR:			
5. Plus, Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A Section II)	75		75
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Regular Transfer to:			
Contract No. CSPP-6079	24,898	9,853	34,751
Contract No.			
Special Funds Transfer to: Contract No.			
Contract No.			
Contract No.			
Total Transferred to Contracts from Reserve Account			
7. Ending Balance on June 30, 2017 (Column A must agree With year's CDFS 9530-A, Section IV)	\$47,885	\$9,853	\$57,738

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

READING AND BEYOND

Child Development Services

Reconciliation of Expenditures

For the Year Ended June 30, 2017

	CSPP-6079	CPKS-6013	Total
Schedule of Expenditures by State Categories (CDE)	<u>\$ 532,076</u>	<u>\$ 2,500</u>	<u>\$ 534,576</u>
Adjustments to Reconcile Differences in Reporting			
FCOE QRIS Block Grant	(48,300)	0	(48,300)
Playground equipment purchase & installation	(23,493)	0	(23,493)
Combining Statement of Activities (GAAP)	<u>\$ 460,283</u>	<u>\$ 2,500</u>	<u>\$ 462,783</u>

See independent auditor's report and accompanying notes to the supplementary information

READING AND BEYOND
Child Development Services
Notes to the Supplementary Information
 June 30, 2017

NOTE 1 – SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Federal and State awards expended are reported on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America as described in the Notes to the Financial Statements.

NOTE 2 – REAL PROPERTY

No real property was purchased with California Department of Education contract funds during fiscal year 2016-2017.

NOTE 3 – CLAIM PREPARATION

Monthly Child and Adult Care Food Program (CACFP) claims were prepared in accordance with the Total Count – Fixed Percentage claiming method.

The “Total Count – Fixed Percentage” claiming method requires each agency to accurately categorize enrollment data in to free, reduced price, and base rate categories at least one time at the beginning of the contract fiscal year. The percentage for each category becomes the percentage used to determine reimbursement for the fiscal year. These percentages may be adjusted by the Agency to accurately categorize enrollment if material changes in the enrollment or material changes in the enrollment percentages occur during the fiscal year or when a new site is opened.

NOTE 4 – FURNITURE, FIXTURES AND EQUIPMENT

Furniture, equipment and leasehold improvements purchased with California Department of Education funding are depreciated by the straight-line method over their estimated useful lives.

	Furniture & Equipment	Leasehold Improvements	Total
Balance, July 1, 2016	<u>14,360</u>	<u>143,327</u>	<u>157,687</u>
Additions:			
State Preschool Program	<u>23,494</u>	<u>-0-</u>	<u>-0-</u>
Balance, June 30, 2017	<u>37,854</u>	<u>143,327</u>	<u>181,181</u>

READING AND BEYOND
Notes to the Supplementary Information
 June 30, 2017

NOTE 4 – FURNITURE, FIXTURES AND EQUIPMENT (Con't)

SUMMARY OF REVERSIONARY INTEREST

	Government Owned	Total
Furniture and Equipment	37,854	37,854
Leasehold Improvements	<u>143,327</u>	<u>143,327</u>
	181,181	181,181
Less: Accumulated Depreciation	<u>117,396</u>	<u>117,396</u>
Net Fixed Assets, June 30, 2017	<u><u>63,785</u></u>	<u><u>63,785</u></u>

In order to fulfill its accountability of government-owned assets, California Department of Education required the above summary disclosure of its reversionary interest in the fixed assets acquired by the agency with California Department of Education funds.

NOTE 5 – STATE CHILD DEVELOPMENT RESERVES

The funding agreements with the California Department of Education allow the Agency to record “reserve” for the amounts not earned during the current year, up to certain amounts. These reserves are presented as a deferred revenue liability and are not included in current year revenue. As of June 30, 2017, the reserve’s total balance was \$41,487.

NOTE 6 – AUDIT FEES

Audit fees of \$5,346 for the current period have not been accrued as allowed by grantor agencies because the service did not occur before the year ended.

The California State Legislature mandates California Department of Education’s responsibility for ensuring that audit fees are disclosed annually in the Agency’s audit report.