

**READING AND BEYOND**

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

**June 30, 2018**

**READING AND BEYOND**

June 30, 2018

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

To the Board of Directors  
Reading and Beyond

**Report on the Financial Statements**

We have audited the accompanying financial statements of Reading and Beyond (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

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

***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, 2018, 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 December 13, 2018 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  
December 13, 2018

**READING AND BEYOND**  
*Statements of Financial Position*  
 June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 503,875	\$ 680,504
Accounts receivable	774	2,695
Grants and contracts receivable	1,421,517	1,306,761
Deposits	8,771	8,827
Prepaid expenses	84,976	80,970
Total Current Assets	<u>2,019,913</u>	<u>2,079,757</u>
Investments	2,449,684	3,084,872
Property and Equipment, net of accumulated depreciation	809,676	339,205
Other Assets		
Restricted cash - CDE reserve funds	-	57,738
License Rights	132,000	132,000
Total Other Assets	<u>132,000</u>	<u>189,738</u>
Total Assets	<u><u>\$5,411,273</u></u>	<u><u>\$ 5,693,572</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable	\$ 49,327	64,397
Accrued expenses	432,548	328,703
Grant advances	584,326	766,076
Child development reserve liability	-	57,738
Deposit	1,684	-
Total Current Liabilities	<u>1,067,885</u>	<u>1,216,914</u>
Net Assets		
Unrestricted	4,197,315	4,450,764
Temporarily restricted	146,073	25,894
Total Net Assets	<u>4,343,388</u>	<u>4,476,658</u>
Total Liabilities and Net Assets	<u><u>\$5,411,273</u></u>	<u><u>\$ 5,693,572</u></u>

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

**READING AND BEYOND**  
*Statements of Activities*  
For the Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	
			2018	2017
<b>Support and Revenue</b>				
Contributions	\$ 96,252	\$ 1,094	\$ 97,346	\$ 33,230
Grants and contracts - foundations & others	613,956	70,247	684,203	682,180
Grants and contracts - governments	5,873,483		5,873,483	5,233,193
Family fees	17,527		17,527	22,491
Program service fees revenues	-		-	1,907
Donated goods and services	330,485		330,485	463,652
Rental income	8,343		8,343	38,899
Special event income, net of expenses of \$11,660 in 2018 and \$19,421 in 2017	19,939		19,939	46,103
Investment income, net of investment expenses of \$0 in 2018 and \$6,615 in 2017	43,067		43,067	37,218
Realized gain (loss) on investments	24,207		24,207	21,882
Unrealized gain (loss) on investments	(27,656)		(27,656)	4,765
Miscellaneous	2,827		2,827	5,083
Net assets released from restrictions	152,690	(152,690)	-	-
<b>Total Revenue and Support</b>	<u>7,155,120</u>	<u>(81,349)</u>	<u>7,073,771</u>	<u>6,590,603</u>
<b>Expenses</b>				
Program services	5,779,680		5,779,680	5,326,798
General and administrative	1,620,431	-	1,620,431	777,589
Fundraising expenses	3,645	-	3,645	2,251
<b>Total Expenses</b>	<u>7,403,756</u>	<u>-</u>	<u>7,403,756</u>	<u>6,106,638</u>
<b>Increase (Decrease) in Net Assets</b>	(248,636)	(81,349)	(329,985)	483,966
<b>Prior year adjustments</b>	(4,813)	201,528	196,715	-
<b>Net Assets, beginning of year</b>	<u>4,450,764</u>	<u>25,894</u>	<u>4,476,658</u>	<u>3,992,692</u>
<b>Net Assets, end of year</b>	<u>\$ 4,197,315</u>	<u>\$ 146,073</u>	<u>\$ 4,343,388</u>	<u>\$ 4,476,658</u>

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

**READING AND BEYOND**  
*Statement of Cash Flows*  
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (329,985)	\$ 483,966
Noncash items included in Support and Expenses:		
Depreciation	43,198	34,090
Realized (Gain) Loss on Investments	(24,207)	(21,882)
Unrealized (Gain) Loss on Investments	27,656	(4,765)
Adjustments to reconcile Net Cash Provided (Used) by Operating Activities:		
Decrease (Increase) in accounts receivable	1,921	3,328
Decrease (Increase) in grants and contracts receivable	(114,756)	(849,126)
Decrease (Increase) in prepaid expenses	(4,006)	43,929
Decrease(Increase) in deposits	57	(2,350)
Decrease (Increase) in restricted cash - child development reserve	57,738	(34,826)
(Decrease) Increase in child development reserve liability	(61,049)	34,826
(Decrease) Increase in accounts payable	(16,573)	50,972
(Decrease) Increase in accrued expenses	103,845	1,432
(Decrease) Increase in grant advances	19,777	104,769
	<u>          </u>	<u>          </u>
Net Cash Used by Operating Activities	(296,384)	(155,637)
Cash Flows from Investing Activities		
Purchase of property and equipment	(513,740)	(36,515)
Proceeds from sale of investments	1,329,035	399,458
Purchase of investments	(695,540)	(455,040)
	<u>          </u>	<u>          </u>
Net Cash Used by Investing Activities	119,755	(92,097)
Cash Flows from Financing Activities	<u>          </u>	<u>          </u>
Net Increase (decrease) in Cash	(176,629)	(247,734)
Cash and Cash Equivalents, beginning of year	<u>680,504</u>	<u>928,238</u>
Cash and Cash Equivalents, end of year	<u>\$ 503,875</u>	<u>\$ 680,504</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, 2018

(With summarized comparative totals for the year ended June 30, 2017)

Expenses	2018							2017	
	Program Services					Support Services		Total	Comparative Totals
	Bridge Academy	Morning & Afterschool Programs	Preschool & County Childcare	Other Literacy & Training Programs	Total Programs	General & Administrative	Fundraising		
Alarm and security	-	-	1,100	-	1,100	-	-	1,100	\$ 1,482
Board and committee meetings	-	-	-	-	-	719	-	719	475
Consulting expense	31,125	-	-	413	31,125	168	-	31,293	70,705
Contracted instructors	-	-	-	-	413	-	803	1,216	5,970
Depreciation	11,035	-	2,765	13,052	26,852	16,346	-	43,198	34,090
Dues and subscriptions	3,500	-	149	1,222	4,872	6,177	-	11,049	8,354
Fingerprinting expense	958	378	1,805	723	3,864	2,088	-	5,952	7,831
In-kind expense - goods	-	-	-	5,130	5,130	-	-	5,130	2,052
In-kind expense - services	-	-	-	325,355	325,355	-	-	325,355	461,600
Insurance	15,561	4,999	2,665	37,946	61,171	32,671	-	93,846	22,768
Legal and accounting	-	-	4,625	-	4,625	15,375	3	20,000	23,000
Licenses and fees	22	-	887	757	1,666	9,584	7	11,257	3,757
Marketing and public relations	325	-	360	-	685	1,841	-	2,526	20,685
Other employee benefits	235,403	9,800	65,471	108,717	419,390	105,159	-	524,595	428,164
Office expenses	14,368	2,249	1,549	10,728	28,894	8,495	47	37,388	-
Outreach and volunteer retention	-	-	-	-	-	-	-	-	2,865
Payroll processing and bank fees	15	-	1,487	-	1,502	14,827	23	16,352	16,334
Payroll taxes	127,706	35,307	41,661	76,162	280,836	91,901	24	372,760	346,491
Postage	-	-	-	-	-	-	-	-	39
Printing and copying	-	-	-	-	-	-	-	-	30,621

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

## READING AND BEYOND

### *Statement of Functional Expenses*

For the Year Ended June 30, 2018

(With summarized comparative totals for the year ended June 30, 2017)

	2018						2017		
	Program Services						Support Services		
	Bridge Academy	Preschool & County Childcare	Morning & Afterschool Programs	Other Literacy & Training Programs	Total Programs	General & Administrative	Fundraising	Total	Comparative Totals
Property taxes	-	-	-	2,903	2,903	-	-	2,903	443
Rent	65,368	-	24,000	(7,628)	81,740	40,190	-	121,930	91,691
Repairs and maintenance	14,364	-	13,410	38,616	66,390	(5,162)	-	61,229	35,375
Special program expense	895,640	55,852	109,637	41,672	1,102,801	83,086	217	1,186,105	417,297
Subcontractors	61,250	-	-	1,250	62,500	-	-	62,500	60,123
Supplies and food	3,848	151	-	4,732	8,731	55,627	2,158	66,516	242,266
Telephone and internet	25,495	539	3,200	16,032	45,267	38,648	-	83,915	63,185
Transfer to reserve - CDE	-	-	-	-	-	-	-	-	34,751
Travel and conference expense	67,322	2,547	10,389	17,261	97,519	22,049	-	119,568	65,986
Utilities	10,315	-	-	12,356	22,672	98	-	22,770	17,966
Wages	1,491,642	317,924	435,921	846,190	3,091,677	1,080,544	363	4,172,585	3,590,272
<b>Total Expenses by Function</b>	<b>\$ 3,075,262</b>	<b>\$ 429,747</b>	<b>\$ 721,080</b>	<b>\$ 1,553,591</b>	<b>\$ 5,779,680</b>	<b>\$ 1,620,431</b>	<b>\$ 3,645</b>	<b>\$ 7,403,756</b>	<b>\$ 6,106,638</b>

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

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2018

**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 June 30, 2018 and 2017 were \$2,526 and \$20,658 respectively.

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2018

**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, 2018 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, 2018

**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, 2018, 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 Organization determined that as of June 30, 2018 and 2017 there was no impairment to the license value. 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, 2018 and 2017 in the amount of \$176,558 and \$141,160 respectively.

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, 2018

**NOTE 4 – CASH AND CASH EQUIVALENTS**

As of June 30, 2018, the Organization’s cash and cash equivalents consist of the following:

		<u>2018</u>	<u>2017</u>
Bank of the Sierra	Business Checking	\$ 435,483	\$ 188,016
Bank of the Sierra	Business Savings	61,385	27,279
Bank of the Sierra	Money Market Fund	1,748	293
Citibank	Money Market Fund	5,159	43,186
Change fund		<u>100</u>	<u>100</u>
Total		<u>\$ 503,875</u>	<u>\$ 258,874</u>

As of June 30, 2018, and 2017, cash and cash equivalents included \$503,875 and \$258,874 respectively. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per bank. At June 30, 2018 and 2017, the Organization had accounts with combined balances of \$248,616 and \$-0-, respectively which were not FDIC insured.

**NOTE 5 – GRANTS AND CONTRACTS RECEIVABLE**

As of June 30, 2018, and 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>	<u>2018</u>	<u>2017</u>
Boys & Girls Club Fresno County	\$ -0-	\$ 10,496
California Department of Education	32,768	109,811
California Emerging Technology Fund	-0-	5,000
Community Partnership of San Joaquin	7,400	-0-
CSU Foundation	-0-	605
Department of Social Services	936,791	263,958
First Five of Fresno County	-0-	1,395
Fresno County DBH	21,462	21,977
Fresno County DPH	185,034	1,071
Fresno County Office of Education	121,895	173,180
Fresno Unified School District	-0-	721,564
Las Positas Foundation	114,000	-0-
Napa County HHS	1,349	-0-
Miscellaneous	<u>\$ 818</u>	<u>(2,296)</u>
Total	<u>\$ 1,421,517</u>	<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, 2018

**NOTE 6 – SHORT-TERM INVESTMENTS**

Short Term Investments as of June 30, 2018 and 2017 are as follows:

		<u>2018</u>	<u>2017</u>
Beneficial State Bank	Certificate of Deposit	\$ -0-	\$ 248,787
BBVA Compass Bank	Certificate of Deposit	-0-	244,450
State Bank of India	Certificate of Deposit	-0-	242,485
Valley Business Bank	Certificate of Deposit	-0-	246,551
Murphy Bank	Certificate of Deposit	256,029	253,342
Fresno First Bank	Certificate of Deposit	-0-	248,001
Bank of the West	Certificate of Deposit	<u>244,226</u>	<u>241,684</u>
Total		<u>\$ 500,255</u>	<u>\$ 1,725,300</u>

The certificates bear interest ranging from .30% to 1.40%. Any penalties for early withdrawal would not have a material effect on the financial statement.

At June 30, 2018 and 2017, with the exception of Murphy Bank certificate of deposit, all investments are held in commercial banks were fully insured by the Federal Deposit Insurance Corporation.

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investment Income	<u>\$ 12,974</u>	<u>\$ 15,253</u>

**NOTE 7 – INVESTMENTS IN SECURITIES**

Investments in securities as of June 30, 2018 and 2017 are as follows:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Stocks	\$ 885,949	\$ 957,649
Bonds	506,207	374,337
Money Market	<u>557,273</u>	<u>27,586</u>
Total	<u>\$ 1,949,429</u>	<u>\$ 1,359,572</u>

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.

**READING AND BEYOND**  
*Notes to the Financial Statements*  
 June 30, 2018

**NOTE 7 – INVESTMENTS IN SECURITIES (cont'd)**

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Investment return:		
Investment income, net of expenses of \$-0- in 2018 and \$6,515 in 2017	\$ 30,093	\$ 21,965
Realized gain (loss) on investments	24,207	21,882
Unrealized gain (loss) on Investments	<u>(27,656)</u>	<u>4,765</u>
Total	<u>\$ 26,644</u>	<u>\$ 48,612</u>

**NOTE 8 – PROPERTY AND EQUIPMENT**

As of June 30, 2018, and 2017, property and equipment consist of the following:

<u>Description</u>	<u>2018</u>	<u>2017</u>
Land	\$ 150,000	\$ 35,000
Buildings	474,452	140,445
Equipment	150,353	150,352
Leasehold Improvements	<u>355,456</u>	<u>290,723</u>
Subtotal	<u>1,130,261</u>	<u>616,520</u>
Less: Accumulated Depreciation	<u>(320,585)</u>	<u>(277,315)</u>
Net Book Value	<u>\$ 809,676</u>	<u>\$ 339,205</u>



**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2018

**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, 2018 and 2017 was \$ -0- and \$51,429 respectively.

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).

**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 program activities from facilities that are leased under operating leases. The Organization conducts its administrative activities under an operating lease that expires May 31, 2021. The lease agreements grants use of the facilities without payment of use fees. For the year ended June 30, 2018 and 2017, in-kind contributions of \$325,355 and \$461,600 respectively related to these leases 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.

**READING AND BEYOND**  
*Notes to the Financial Statements*  
 June 30, 2018

**NOTE 10 – COMMITMENTS AND CONTINGENCIES (cont'd)**

The Organization conducts program activities from facilities that are lease under operating leases. Lease terms range from December 2018 through October 31, 2021

Rent expense for the year ended June 30, 2018 and 2017 was \$121,930 and \$91,691 respectively

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

2019	\$ 72,133
2020	27,300
2021	24,000
2022	8,000
2023	0
2024 and beyond	<u>0</u>
Total	<u>\$ 131,433</u>

**NOTE 11 – ACCRUED EXPENSES**

Accrued expenses are the expenses incurred but not paid as of the fiscal year end. Accrued expenses of consist of the following:

	<u>2018</u>	<u>2017</u>
Accrued Payroll	\$ 215,895	\$ 168,566
Accrued PTO	176,558	141,160
Expense Reimbursement Payable	3,438	4,385
Use Tax Payable	1,967	237
Other Accrued Expenses	<u>34,690</u>	33
Total	<u>\$ 432,548</u>	<u>\$ 328,704</u>

**READING AND BEYOND**  
*Notes to the Financial Statements*  
 June 30, 2018

**NOTE 12 – GRANT ADVANCES/DEFERRED REVENUE**

Grant advances consist of the following:

	<u>2018</u>	<u>2017</u>
AT&T	\$ -0-	\$ 3,129
Bank of America	-0-	34,003
California Endowment	-0-	18,560
California Emerging Technology Fund	25,000	-0-
Central Valley Community Foundation	-0-	24,370
Chabot-Los Positas Community College	114,000	-0-
CMFA	-0-	20,000
Citibank	-0-	50,000
Comcast	50,000	-0-
Fresno Regional Foundation	1,234	85,946
Fresno County Office of Education	7,325	-0-
Golden 1 Credit Union	-0-	36,750
James Irvine Foundation	390,760	298,804
Kaiser Permanente	-0-	2,500
Rotary Club of Fresno Foundation	-0-	2,500
Sierra Health Foundation	-0-	20,000
Wesley Foundation	-0-	23,389
Wells Fargo Foundation	-0-	142,526
Other	<u>(3,993)</u>	<u>3,600</u>
Total	<u>\$ 584,326</u>	<u>\$ 766,077</u>

**NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are donor-restricted support. Temporarily restricted net assets consist of the following:

	<u>2018</u>	<u>2017</u>
Family Success Zone	\$ 29,370	\$ 50,164
Promise Neighborhoods	12,203	19,596
Back to School Success	100	100
Bridge Academy	115,288	124,814
Rotary Classroom	2,500	2,500
Sierra Health LCF	9,710	20,000
GED Program	<u>-0-</u>	<u>10,248</u>
Total	<u>\$ 169,171</u>	<u>\$ 227,422</u>

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2018

**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, 2018 and 2017 the matching amount contributed to the plan was \$63,997 and \$45,766 respectively.

**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 – PRIOR YEAR ADJUSTMENTS**

The June 30, 2018 net assets have been adjusted in the amount of \$196,715 due to the following:

Department of Education – Reserve Liability	\$ (3,311)
Unreimbursed contract costs	(1,502)
Deferred Revenue – reclassified	<u>201,528</u>
Total	<u>\$ 196,715</u>

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 13, 2018 which is the date the financial statements were available to be issued.

**READING AND BEYOND**

*Statement of Expenditures of Federal Awards*

For the Year Ended June 30, 2018

<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>U.S. Department of Agriculture</u>			
Pass through California Department of Education			
Child and Adult Care Food Program	10.558	05232-CACFP	\$ 65,219
Pass through Fresno Co Department of Social Services			
Supplemental Nutrition Assistance Program	10.551	A-15-023-1	659,362
Supplemental Nutrition Assistance Program			
Employment & Training Pilot Program	10.596	A-15-603	2,720,244
Pass through Madera Co Department of Social Services			
Supplemental Nutrition Assistance Program	10.561	10827-C-2017	156,668
Total Pass through Program			<u>3,601,493</u>
Total U.S. Department of Agriculture			<u>3,601,493</u>
<u>U.S. Department of Health and Human Services</u>			
Pass through California Department of Education	93.596/		
California State Preschool Program	93.575	CSPP-7088	66,348
Pass through County of Fresno			
Temporary Assistance for Needy Families	93.558	A-15-156	128,768
Pass through County of Fresno, Dept of Public Health			
Local Dental Pilot Program			
Total Pass through Program	93.778	17-397	1,032,168
Total U.S. Department of Health and Human Services			<u>1,227,284</u>
Total Expenditures of Federal Awards			<u>\$ 4,828,777</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, 2018

**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, 2018. 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, 2018, 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 December 13, 2018.

**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*

Baker, Chi & Parkey  
Accountancy Corporation, PC  
Fresno, California  
December 13, 2018





***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, 2018. 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, 2018.

### **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*

Baker, Chi & Parkey  
Accountancy Corporation, PC  
Fresno, California  
December 13, 2018

**READING AND BEYOND**  
*Schedule of Findings and Questioned Costs*  
 For the Year Ended June 30, 2018

**PART 1: Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified Opinion  
 Internal control over financial reporting:

- Significant Deficiency identified? \_\_\_\_\_yes no
- Material weakness(es)? \_\_\_\_\_yes none reported

Noncompliance material to financial Statements noted? \_\_\_\_\_yes no

*Federal Awards*

Internal control over major programs:

- Significant Deficiency identified? \_\_\_\_\_yes no
- Material weakness(es) identified? \_\_\_\_\_yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? \_\_\_\_\_yes no

Dollar threshold used to distinguish between Type A and Type B programs for program determination \$750,000

Type A and type B programs:  
 Auditee qualified as low-risk auditee? yes \_\_\_\_\_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

Dental Pilot Program  
 Agreement Number:  
17-397 93.778

**READING AND BEYOND**  
*Schedule of Findings and Questioned Costs*  
For the Year Ended June 30, 2018

**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, 2018

Status of Prior Year Findings

None

**READING AND BEYOND**

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

**June 30, 2018**



**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, 2018, and have issued our report thereon dated December 13, 2018, 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  
December 13, 2018

**READING AND BEYOND**  
*General Information for Child Development Services*  
June 30, 2018

<b><u>NAME:</u></b>	Reading and Beyond
<b><u>PROGRAM NAME AND CONTRACT NUMBER:</u></b>	
California State Preschool Program	CSPP-7088
Child and Adult Care Food Program	05232-CACFP-10-NP-IC
Prekindergarten and Family Literacy	CPKS-7013
<b><u>TYPE OF AGENCY:</u></b>	Non-Profit Corporation
<b><u>ADDRESS OF AGENCY HEADQUARTERS:</u></b>	4670 E Butler Avenue Fresno, CA 93702
<b><u>TELEPHONE NUMBER:</u></b>	(559) 342-8600
<b><u>EXECUTIVE DIRECTOR:</u></b>	Luis Santana
<b><u>CONTROLLER:</u></b>	Lesley Fairburn
<b><u>PERIOD COVERED BY EXAMINATION:</u></b>	Fiscal Year July 1, 2017 to June 30, 2018
<b><u>NUMBER OF DAYS OF OPERATIONS:</u></b>	247 Days
<b><u>SCHEDULE HOURS OF OPERATIONS:</u></b>	Full Day: 7:00 A.M. to 5:30pm



**READING AND BEYOND**

*Schedule of Federal and State Awards*

For the Year Ended June 30, 2018

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								
Child and Adult Care Food Program	10.558	05232-CACFP	56,009	0	56,009	65,219	0	65,219
U.S. Department of Health & Human Services Pass through California Department of Education	93.596/ 93.575	CSPP-7088	66,348	535,810	602,158	66,348	650,235	716,583
State Preschool								
Prekindergarten and Family Literacy		CPKS-7013		2,500	2,500		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, 2018

	State Preschool	Literacy	CACFP Food Program	Total CDE Grant	None-CDE Grant	Other Preschool	Total Preschool	Non- Preschool Programs	Grand Total
<b>Revenue and Support</b>									
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,918	\$ 50,918
Grants - Foundations and other	-	-	-	-	-	-	-	684,203	684,203
Grants - Governments	602,158	2,500	56,009	660,667	10,175	-	670,842	5,202,641	5,873,483
Family fees - certified	17,527	-	-	17,527	-	-	17,527	-	17,527
Family fees - non certified	-	-	-	-	-	-	-	-	-
Transfer from CD reserves	46,428	-	-	46,428	-	-	46,428	-	46,428
Program service fees	-	-	-	-	-	-	-	-	-
Donated goods and services	-	-	-	-	-	-	-	-	-
Rental income	-	-	-	-	-	-	-	330,485	330,485
Special event income	-	-	-	-	-	-	-	8,343	8,343
Investment income	33	-	-	33	-	-	33	31,599	31,599
Realized gain (loss) on investment	-	-	-	-	-	-	-	43,034	43,067
Unrealized gain (loss) on investment	-	-	-	-	-	-	-	24,207	24,207
Miscellaneous income	-	-	-	-	-	-	-	(27,656)	(27,656)
Loss on disposal of asset	-	-	-	-	-	-	-	2,827	2,827
<b>Total Revenue and Support</b>	<b>666,146</b>	<b>2,500</b>	<b>56,009</b>	<b>724,655</b>	<b>10,175</b>	<b>-</b>	<b>734,830</b>	<b>6,350,601</b>	<b>-</b>
<b>Expenses</b>									
Alarm and security	1,100	-	-	1,100	-	-	1,100	-	1,100
Board and committee meeting	-	-	-	-	-	-	-	719	719
Consulting expense	-	-	-	-	-	-	-	31,293	31,293
Contracted instructors	-	-	-	-	-	-	-	1,216	1,216

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, 2018

	State Preschool	Literacy	CACFP Food Program	Total CDE Grant	Non-CDE Grant	Other Preschool	Total Preschool	Non-CDE Programs	Grand Total
									2018
Depreciation	2,515	-	-	2,515	-	250	2,765	40,433	43,198
Dues and subscriptions	149	-	-	149	-	-	149	10,900	11,049
Equipment & Technology	3,273	1,643	-	4,916	-	-	4,916	(4,916)	-
Fingerprinting expense	1,805	-	-	1,805	-	-	1,805	4,147	5,952
Indirect costs	65,111	227	7,396	72,734	925	33,933	107,592	(107,592)	-
In Kind expense - goods	-	-	-	-	-	-	-	5,130	5,130
In Kind expense - services	-	-	-	-	-	-	-	325,355	325,355
Insurance	2,665	-	-	2,665	-	-	2,665	91,181	93,846
Legal and accounting	4,625	-	-	4,625	-	-	4,625	15,375	20,000
Licenses and fees	887	-	-	887	-	-	887	10,370	11,257
Marketing and public relations	360	-	-	360	-	-	360	2,166	2,526
Other employee benefits	65,471	-	-	65,471	-	-	65,471	459,124	524,595
Outreach/volunteer retention	-	-	-	-	-	-	-	-	-
Office expenses	1,549	-	-	1,549	-	-	1,549	35,839	37,388
Payroll processing and bank fees	1,487	-	-	1,487	-	-	1,487	14,865	16,352
Payroll taxes	41,661	-	-	41,661	-	-	41,661	331,099	372,760
Property taxes	-	-	-	-	-	-	-	2,903	2,903
Rent and janitorial	24,000	-	-	24,000	-	-	24,000	97,930	121,930
Repairs and maintenance	13,410	-	-	13,410	-	-	13,410	47,819	61,229
Special program expense	40,291	2,273	57,823	100,387	9,250	-	109,637	1,076,468	1,186,105
Supplies & Food	-	-	-	-	-	-	-	66,515	66,515
Subcontractors	-	-	-	-	-	-	-	62,500	62,500

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, 2018

	State Preschool	Literacy	CACFP Food Program	Total CDE	Non-CDE Grant	Other Preschool	Total Preschool	Non-CDE Programs	Grand Total
Telephone and internet	3,187	-	-	3,187	-	-	3,187	80,728	83,915
Transfer to reserve	-	-	-	-	-	-	-	-	-
Travel , training and conference	10,389	-	-	10,389	-	-	10,389	109,179	119,568
Utilities	-	-	-	-	-	-	-	22,770	22,770
Salary & wages	435,921	-	-	435,921	-	-	435,921	3,736,664	4,172,585
<b>TOTAL EXPENSES</b>	<b>719,856</b>	<b>4,143</b>	<b>65,219</b>	<b>789,218</b>	<b>10,175</b>	<b>34,183</b>	<b>833,576</b>	<b>6,570,180</b>	<b>7,403,756</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (53,710)</b>	<b>\$ (1,643)</b>	<b>\$ (9,210)</b>	<b>\$ (64,563)</b>	<b>\$ -</b>	<b>\$ (34,183)</b>	<b>\$ (98,746)</b>	<b>\$ (219,579)</b>	<b>\$ (7,403,756)</b>

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, 2018

EXPENDITURES	CSPP-7088	CPKS-7013	Total
1000 Certificated Salaries	\$ 39,833	-	\$ 39,833
2000 Classified Salaries	396,088	0	396,088
3000 Employee Benefits	107,132	0	107,132
4000 Books and supplies	67,576	2,273	69,849
5000 Services and other operating expenses	96,151	0	96,151
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	0	2,515
Start-up expenses- service level exemption	-	0	0
Budget impasse credit	72,507	0	72,507
Indirect costs	781,802	227	784,302
Total Expenses Claimed for Reimbursement	<u>10,175</u>	<u>2,500</u>	<u>12,675</u>
Total Supplemental Expenses	<u>\$ 791,977</u>	<u>\$ 2,500</u>	<u>\$ 794,477</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, 2018

	CSPP-7088	CPKS-7013	Total
<u>Unit Cost Under \$10,000 per item</u>			
None	<u>280</u>	<u>0</u>	<u>280</u>
Subtotal	<u>280</u>	<u>0</u>	<u>280</u>
<u>Unit Cost \$10,00 or more per item with prior written approval</u>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
<u>Unit Cost \$10,000 or more per item without 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>280</u></u>	<u><u>0</u></u>	<u><u>280</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, 2018

	<u>CSPP-7088</u>	<u>CPKS-7013</u>	<u>Total</u>
<b>Unit Cost Under \$7,500 per item</b>			
None	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
 <b>Unit Cost \$7,500 or more per item with prior written approval</b>			
Playground Equipment & Installation	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	<u>0</u>	<u>0</u>	<u>0</u>
 <b>Unit Cost \$10,000 or more per item without prior written approval</b>			
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 Administrative Costs*  
For the Year Ended June 30, 2018

	<u>CSPP-7088</u>	<u>CPKS-7013</u>	<u>Total</u>
Administrative Salary	\$ 21,201	\$ -	\$ 21,201
Employee benefits/payroll taxes	5,299	0	5,299
Insurance	0	0	0
Travel/Auto	0	0	0
Repairs & Maintenance	48	0	48
Professional fees	4,625	0	4,625
Indirect costs	<u>72,125</u>	<u>227</u>	<u>72,352</u>
 Total Administrative Costs	 <u>\$ 103,298</u>	 <u>\$ 227</u>	 <u>\$ 103,525</u>

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



CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED ATTENDANCE AND FISCAL REPORT FOR  
 CALIFORNIA STATE PRESCHOOL PROGRAMS  
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Fiscal Year Ending

June 30, 2018

Contract Number

CSPP 7088

Vendor Code

Z642

Full Name of Contractor Reading and Beyond

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Three and Four Year Olds Full-time-plus				1.1800	0
Three and Four Year Olds Full-time	8,048	6	8,054	1.0000	8,054
Three and Four Year Olds Three-quarters-time	1,157	-80	1,077	0.7500	807.75
Three and Four Year Olds One-half-time	572	72	644	0.6193	398.8292
Exceptional Needs Full-time-plus				1.4160	0
Exceptional Needs Full-time				1.2000	0
Exceptional Needs Three-quarters-time				0.9000	0
Exceptional Needs One-half-time				0.6193	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time	3,748		3,748	1.1000	4,122.8
Limited and Non-English Proficient Three-quarters-time	84		84	0.8250	69.3
Limited and Non-English Proficient One-half-time	144	9	153	0.6193	94.7529

CALIFORNIA DEPARTMENT OF EDUCATION  
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June 30, 2018

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Full Name of Contractor Reading and Beyond

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				1.7700	0
Severely Disabled Full-time				1.5000	0
Severely Disabled Three-quarters-time				1.1250	0
Severely Disabled One-half-time				0.6193	0
<b>TOTAL DAYS OF ENROLLMENT</b>	13,753	7	13,760	N/A	13,547.4321
<b>DAYS OF OPERATION</b>	247		247	N/A	N/A
<b>DAYS OF ATTENDANCE</b>	13,748	8	13,756	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-5) and continue to Revenue Section on page 6.

CALIFORNIA DEPARTMENT OF EDUCATION  
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Full Name of Contractor Reading and Beyond

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Toddlers (18 up to 36 months) Full-time-plus				1.6520	0
Toddlers (18 up to 36 months) Full-time				1.4000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.0500	0
Toddlers (18 up to 36 months) One-half-time				0.7700	0
Three and Four Year Olds Full-time-plus				1.1800	0
Three and Four Year Olds Full-time				1.0000	0
Three and Four Year Olds Three-quarters-time				0.7500	0
Three and Four Year Olds One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.4160	0
Exceptional Needs Full-time				1.2000	0
Exceptional Needs Three-quarters-time				0.9000	0
Exceptional Needs One-half-time				0.6193	0

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Full Name of Contractor Reading and Beyond

Section 2 - Days of Enrollment Non-Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0

CALIFORNIA DEPARTMENT OF EDUCATION  
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Full Name of Contractor Reading and Beyond

Section 2 - Non-Certified Children	Column A Cumulative GDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Severely Disabled Full-time-plus				1.7700	0
Severely Disabled Full-time				1.5000	0
Severely Disabled Three-quarters-time				1.1250	0
Severely Disabled One-half-time				0.6193	0
<b>TOTAL NON-CERTIFIED DAYS OF ENROLLMENT</b>				N/A	0

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 CALIFORNIA STATE PRESCHOOL PROGRAMS  
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Fiscal Year Ending June 30, 2018  
 Contract Number CSPP 7088  
 Vendor Code Z642

Full Name of Contractor Reading and Beyond

Section 3 - Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs	53,646	2,363	56,009
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
<b>Restricted Income - Subtotal</b>	<b>53,646</b>	<b>2,363</b>	<b>56,009</b>
Transfer from Reserve General		46,428	46,428
Transfer from Reserve Professional Development			
<b>Transfer from Reserve Total</b>		<b>46,428</b>	<b>46,428</b>
Family Fees for Certified Children	17,529	-2	17,527
Interest Earned on Child Development Apportionment Payments	60	-27	33
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other:			
<b>Total Revenue</b>	<b>71,235</b>	<b>48,762</b>	<b>119,997</b>

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED ATTENDANCE AND FISCAL REPORT FOR  
 CALIFORNIA STATE PRESCHOOL PROGRAMS  
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Fiscal Year Ending June 30, 2018

Contract Number CSPP 7088

Vendor Code Z642

Full Name of Contractor Reading and Beyond

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	35,833	4,000	39,833
2000 Classified Salaries	400,089	-4,001	396,088
3000 Employee Benefits	105,554	1,578	107,132
4000 Books and Supplies	92,172	-24,596	67,576
5000 Services and Other Operating Expenses	71,951	24,200	96,151
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	2,520	-5	2,515
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)	70,562	1,945	72,507
Non-Reimbursable (State Use Only)			
<b>Total Reimbursable Expenses</b>	<b>778,681</b>	<b>3,121</b>	<b>781,802</b>
Total Administrative Cost (included in section 4 above)	94,569	8,729	103,298

Approved Indirect Cost Rate: 10%

Comments:

No Supplemental Revenue check this box and omit Page 8.

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED ATTENDANCE AND FISCAL REPORT FOR  
 CALIFORNIA STATE PRESCHOOL PROGRAMS  
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Fiscal Year Ending June 30, 2018

Contract Number CSPP 7088

Vendor Code Z642

Full Name of Contractor Reading and Beyond

Section 5 - Supplemental Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Enhancement Funding			
Other:QRIS	2,631		2,631
Other:			
<b>Total Supplemental Revenue</b>	<b>2,631</b>		<b>2,631</b>

Section 6 - Supplemental Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies	6,962		6,962
5000 Services and Other Operating Expenses	2,288		2,288
6000 Equipment/Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs	925		925
Non-reimbursable Expenses 6100-6500 Non-reimbursable Capital Outlay			
<b>Total Supplemental Expenses</b>	<b>10,175</b>		<b>10,175</b>



CALIFORNIA DEPARTMENT OF EDUCATION AUDITED ATTENDANCE AND FISCAL REPORT FOR CALIFORNIA STATE PRESCHOOL PROGRAMS  
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Fiscal Year Ending June 30, 2018  
 Contract Number CSPP 7088  
 Vendor Code Z642

Full Name of Contractor Reading and Beyond

Section 7 - Summary	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Days of Enrollment	13,753	7	13760
Days of Operation	247		247
Days of Attendance	13,748	8	13,756
Total Non-Certified Days of Enrollment			
Restricted Program Income	53,646	2,363	56,009
Transfer from Reserve		46,428	46,428
Family Fees for Certified Children	17,529	-2	17,527
Interest Earned on Apportionment Payments	60	-27	33
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	778,681	3,121	781,802
Total Administrative Cost	94,569	8,729	103,298

Total Certified Adjusted Days of Enrollment 13,547,4321

Total Non-Certified Adjusted Days of Enrollment 0

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 Learning and Care Division (formerly Early Education and Support Division):

- Eligibility, enrollment and attendance records are being maintained as required (check YES or NO):  
 Yes  
 No
- Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):  
 Yes  
 No

Include any comments in the Comments box on page 7. If necessary, attach additional sheets to explain adjustments.

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED FISCAL REPORT FOR  
 CHILD DEVELOPMENT SUPPORT CONTRACTS  
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Fiscal Year End

June 30, 2018

Contract Number

CPKS 7013

Vendor Code

Z642

Full Name of Contractor

Section 1 - Revenue	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Fiscal Year Per Audit
Restricted Income - Match Requirement			
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
<b>Restricted Income Subtotal</b>			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Other:			
<b>Total Revenue</b>			

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED FISCAL REPORT FOR  
 CHILD DEVELOPMENT SUPPORT CONTRACTS  
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Fiscal Year End

June 30, 2018

Contract Number

CPKS 7013

Vendor Code

Z642

Full Name of Contractor: Reading and Beyond

Section 2 - Reimbursable Expenses	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses	2,273		2,273
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Indirect Costs (Include in Administrative Cost)	227		227
Non-Reimbursable (State Use Only)			
<b>Total Reimbursable Expenses</b>	<b>2,500</b>		<b>2,500</b>
Total Administrative Cost (included in section 2 above)	227		227

Approved Indirect Cost Rate: 10%

Comments:

No Supplemental Revenue check this box and omit Page 3.

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED FISCAL REPORT FOR  
 CHILD DEVELOPMENT SUPPORT CONTRACTS  
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Fiscal Year End

June 30, 2018

Contract Number

CPKS 7013

Vendor Code

Z642

Full Name of Contractor Reading and Beyond

Section 3 - Supplemental Revenue			
	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
Enhancement Funding			
Other:			
Other:			
<b>Total Supplemental Revenue</b>			
Section 4 - Supplemental Expenses			
	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment/Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-reimbursable Expenses 6100-6500 Non-reimbursable Capital Outlay			
<b>Total Supplemental Expenses</b>			

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED FISCAL REPORT FOR  
 CHILD DEVELOPMENT SUPPORT CONTRACTS  
 A U D 9529 Page 4 of 4 (10/18)

Fiscal Year End

June 30, 2018

Contract Number

CPKS 7013

Vendor Code

Z642

Full Name of Contractor

	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative Per Audit
<b>Section 5 - Summary</b>			
Restricted Program Income			
Match Requirement			
Interest Earned on Apportionment Payments			
Total Reimbursable Expenses	2,500		2,500
Total Administrative Cost	227		227

CALIFORNIA DEPARTMENT OF EDUCATION  
 AUDITED RESERVE ACCOUNT ACTIVITY REPORT  
 A U D 9530-A Page 1 of 1 (11/18)

Fiscal Year End **June 30, 2018**  
 Reserve Account Type **Center-Based**  
 Vendor Code **Z642**

Full Name of Contractor **READING AND BEYOND**

Prior Year - Reserve Account Activity			Per 2016-17 AUD 9530-A
1. Beginning Balance (2016-17 Ending Balance)			26,633
2. Plus Transfers to Reserve Account:			Per CDNFS 9530
Contract No.CSPP-6079			19,762
Contract No.			
Contract No.			
Contract No.			
Contract No.			
Contract No.			
Total Transferred from PY Contracts to Reserve			19,762
3. Less Excess Reserve to be Billed			
4. Ending Balance on PY Post-Audit CDNFS 9530			46,395
Current Year - Reserve Account Activity	Column A Per CDNFS 9530-A	Column B Audit Adjustments	Column C Per Audit
5. Plus Interest Earned This Year On Reserve Funds	33		33
6. Less Transfers to Contracts from Reserve Account:			
CSPP General - Contract No.CSPP-7088	0	46,428	46,428
CSPP General - Contract No.			
CSPP Professional Development Contract No.			
CSPP Professional Development Contract No.			
Subtotal CSPP Transfers	0	46,428	46,428
Other Contract No.			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Other Contract No.			
Subtotal Other Contract Transfers			
Total Transferred to Contracts from Reserve Account	0	46,428	46,428
7. Ending Balance on June 30, 2018	46,428	-46,428	0

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

**READING AND BEYOND**  
*Child Development Services*  
*Notes to the Supplementary Information*  
 June 30, 2018

**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 2017-2018.

**NOTE 3 – CLAIM PREPARATION**

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

**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, 2017	<u>38,554</u>	<u>143,327</u>	<u>181,881</u>
Additions:			
State Preschool Program	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance, June 30, 2018	<u><u>38,554</u></u>	<u><u>143,327</u></u>	<u><u>181,881</u></u>

**READING AND BEYOND**  
*Notes to the Supplementary Information*  
 June 30, 2018

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

**SUMMARY OF REVERSIONARY INTEREST**

	Government Owned	Total
Furniture and Equipment	38,554	38,554
Leasehold Improvements	<u>143,327</u>	<u>143,327</u>
	181,881	181,881
Less: Accumulated Depreciation	<u>128,514</u>	<u>128,514</u>
Net Fixed Assets, June 30, 2018	<u>53,367</u>	<u>53,367</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, 2018, the reserve’s total balance was \$.00.

**NOTE 6 – AUDIT FEES**

The Audit fee 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.