

**READING AND BEYOND**

***FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION***

**June 30, 2020**

# **READING AND BEYOND**

June 30, 2020

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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, 2020 and 2019, 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, 2020, 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 February 25, 2021 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  
February 25, 2021

**READING AND BEYOND**  
*Statements of Financial Position*  
 June 30, 2020 and 2019

	2020	2019
<b><u>ASSETS</u></b>		
Current Assets		
Cash and cash equivalents	\$ 2,511,895	\$ 124,082
Accounts receivable	6,373	(110)
Grants and contracts receivable	359,848	444,993
Deposits	35,972	35,916
Prepaid expenses	26,129	106,152
Total Current Assets	2,940,216	711,033
Investments	2,807,431	3,757,650
Property and Equipment, net of accumulated depreciation	739,531	781,976
Other Assets		
License rights	-	132,000
Total Other Assets	-	132,000
Total Assets	\$ 6,487,179	\$ 5,382,660
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current Liabilities		
Accounts payable	\$ 44,369	\$ 22,822
Accrued expenses	281,908	251,719
Grant advances	1,609,869	822,539
Note payable - current portion	68,350	-
Deposit	206	2,043
Total Current Liabilities	2,004,702	1,099,122
Long Term Liability	109,610	-
Total Liabilities	2,114,312	1,099,122
Net Assets		
With restriction	79,597	75,597
Without restriction	4,293,270	4,207,941
Total Net Assets	4,372,867	4,283,538
Total Liabilities and Net Assets	\$ 6,487,179	\$ 5,382,660

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

## READING AND BEYOND

### *Statements of Activities*

For the Year Ended June 30, 2020 and 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
			2020	2019
Support and Revenue				
Contributions	\$ 92,640	\$ 25,000	\$ 117,640	37,837
Grants and contracts - foundations & others	734,362		734,362	477,810
Grants and contracts - governments	3,137,536		3,137,536	4,351,294
Family fees	2,022		2,022	11,627
Program service fees revenues	-		-	6,317
Donated goods and services	237,503		237,503	222,980
Rental income	12,621		12,621	20,661
Debts forgiven	-		-	20,661
Special event income, net of expenses of \$-0- in 2020 and \$21,643 in 2019	-		-	37,954
Investment income	77,274		77,274	51,822
Realized gain (loss) on investments	1,137		1,137	5,666
Unrealized gain (loss) on investments	72,079		72,079	61,459
Miscellaneous	2,375		2,375	1,764
Loss on impairment of license	(132,000)		(132,000)	-
Net assets released from restrictions	21,000	(21,000)	0	-
Total Revenue and Support	<u>4,258,551</u>	<u>4,000</u>	<u>4,262,549</u>	<u>5,307,852</u>
Expenses				
Program services	3,616,277	-	3,616,277	4,937,557
General and administrative	536,500	-	536,500	410,466
Fundraising expenses	10,804	-	10,804	13,803
Total Expenses	<u>4,163,581</u>	<u>-</u>	<u>4,163,581</u>	<u>5,361,826</u>
Increase (Decrease) in Net Assets	94,970	4,000	98,968	(74,635)
Prior year adjustments	(9,641)	-	(9,641)	14,785
Net Assets, beginning of year	<u>4,207,941</u>	<u>75,597</u>	<u>4,283,538</u>	<u>4,343,388</u>
Net Assets, end of year	<u>\$ 4,293,270</u>	<u>\$ 79,597</u>	<u>\$ 4,372,865</u>	<u>\$ 4,283,538</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 98,968	\$ (74,635)
Noncash items included in Support and Expenses:		
Depreciation	33,111	38,575
Realized (Gain) Loss on Investments	(1,137)	(5,666)
Unrealized (Gain) Loss on Investments	(72,079)	(61,459)
Loss on impairment of assets	132,000	0
Adjustments to reconcile Net Cash Provided (Used) by Operating Activities:		
Decrease (Increase) in accounts receivable	(9,487)	884
Decrease (Increase) in grants and contracts receivable	86,864	991,309
Decrease (Increase) in prepaid expenses	76,675	(21,176)
Decrease(Increase) in deposits	(1,896)	(27,145)
Decrease (Increase) in restricted cash - child development reserve	-	0
(Decrease) Increase in child development reserve liability	-	0
(Decrease) Increase in accounts payable	22,689	(26,506)
(Decrease) Increase in accrued expenses	30,172	(180,829)
(Decrease) Increase in grant advances	787,184	263,795
	<u>1,183,065</u>	<u>897,148</u>
Net Cash Used by Operating Activities	1,183,065	897,148
Cash Flows from Investing Activities		
Purchase of property and equipment	0	(10,875)
Proceeds from sale of investments	4,687,225	585,524
Purchase of investments	(3,664,229)	(1,847,799)
	<u>1,022,996</u>	<u>(1,273,150)</u>
Net Cash Used by Investing Activities	1,022,996	(1,273,150)
Cash Flows from Financing Activities		
Proceeds from PPP loan	177,960	-
	<u>177,960</u>	<u>-</u>
Net Cash Provided by Financing Activities	177,960	-
Net Increase (decrease) in Cash	2,384,021	(376,001)
Cash and Cash Equivalents, beginning of year	<u>127,874</u>	<u>503,875</u>
Cash and Cash Equivalents, end of year	<u>\$ 2,511,895</u>	<u>\$ 127,874</u>

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

**READING AND BEYOND**  
*Statements of Functional Expense*  
For the Year Ended June 30, 2020

	2020							
	Program Services				Support Services			
	Bridge Academy	Dental Health Program	Preschool & County Childcare	Other Literacy & Training Programs	Total Programs	Management & General	Fundraising	Total
Expenses								
Depreciation	\$ 625	\$ -	\$ 3,604	\$ -	\$ 4,229	\$ 28,882	\$ -	\$ 33,111
General operating expenses	126,858	43,510	151,292	183,098	504,758	27,056	314	532,128
In-kind goods & services	-	-	-	-	-	237,503	-	237,503
Occupancy expenses	39,616	16,978	79,510	4,125	140,230	(1,575)	-	138,654
Salaries, benefits & related expenses	369,855	958,935	695,252	518,937	2,542,979	212,823	9,588	2,765,389
Services & professional fees	4,715	-	(6,000)	-	(1,285)	16,458	-	15,173
Subcontractors	50,000	-	-	-	50,000	-	-	50,000
Other expenses	47,518	154,163	94,826	78,860	375,367	15,354	902	391,622
<b>Total Expenses by Function</b>	<b><u>\$ 639,187</u></b>	<b><u>\$ 1,173,586</u></b>	<b><u>\$ 1,018,484</u></b>	<b><u>\$ 785,019</u></b>	<b><u>\$ 3,616,277</u></b>	<b><u>\$ 536,500</u></b>	<b><u>\$ 10,804</u></b>	<b><u>\$ 4,163,581</u></b>

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

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2020

**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 childcare, 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 or property and equipment are recorded as unrestricted support.

**Advertising Costs**

Advertising and marketing costs are expensed as incurred. Advertising expenses for June 30, 2020 and 2019 were \$10 and \$252 respectively.

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2020

**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, 2020 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 – New Accounting Pronouncement**

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Reading and Beyond has adjusted the presentation of these statements accordingly.

Net assets without donor restrictions represent the part of net assets that have no donor-imposed restrictions.

Net assets with donor restrictions represents net assets results from inflows of assets which is limited by donor-imposed or other stipulations; or donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the actions of the Council.

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2020

**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, 2020, 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. The Organization determined that as of June 30, 2019 there was no impairment to the license value. As of June 30, 2020 the Organization determined that the license is impaired and has \$-0- remaining value.

**Vacation and Sick Leave**

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Vacation benefits were accrued as of June 30, 2020 and 2019 in the amount of \$187,137 and \$154,386 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, 2020

**NOTE 4 – CASH AND CASH EQUIVALENTS**

As of June 30, 2020, the Organization’s cash and cash equivalents consist of the following:

	<u>2020</u>	<u>2019</u>
Bank of the Sierra Business Checking	\$ 302,565	\$ 55,647
Bank of the Sierra Business Savings	164,279	61,422
Bank of the Sierra Money Market Fund	1,751	1,749
Citibank Money Market Fund	-0-	5,164
Change fund	100	100
Total	<u>\$ 468,695</u>	<u>\$ 124,082</u>

As of June 30, 2020, and 2019, cash and cash equivalents included \$468,695 and \$124,082 respectively. The Federal Deposit Insurance Corporation (FDIC) insures cash balances up to \$250,000 per bank. At June 30, 2020 and 2019, the Organization had accounts with combined balances of \$218,595 and \$-0- respectively which were not FDIC insured.

**NOTE 5 – GRANTS AND ACCOUNTS RECEIVABLE**

As of June 30, 2020, and 2019, 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>2020</u>	<u>2019</u>
California Department of Education	\$ 1,973	\$ 43,117
City of Fresno	-0-	37,832
Department of Social Services	13,101	98,430
First 5	12,809	-0-
Fresno County DBH	30,236	10,659
Fresno County DPH	200,107	192,268
Fresno County Office of Education	3,159	6,317
Fresno Unified School District	-0-	12,634
Napa County HHS	-0-	1,349
Office of Planning and Research	46,107	-0-
Public Utilities Commission	30,604	23,530
UMP	28,731	18,989
Miscellaneous	<u>\$ (607)</u>	<u>\$ (132)</u>
Total	<u>\$ 366,220</u>	<u>\$ 444,993</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, 2020

**NOTE 6 – SHORT-TERM INVESTMENTS**

Short Term Investments as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
PIMCO ETF Short Term Maturity Bonds	2,0943,199	-0-
Total	\$ -0-	\$ -0-

The PIMCO Exchange Traded Funds consist of short term maturity US Treasury Bonds. The fund bears an interest rate of 2.27%

At June 30, 2020 and 2019, all investments are held in commercial banks were fully insured by the Securities Investor Protection Corporation (SPIC).

The following schedule summarizes the investment return and its classification in the Statement of Activities for the year ended June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investment Income	\$ 3,626	\$ -0-

**NOTE 7 – INVESTMENTS IN SECURITIES**

Investments in securities as of June 30, 2020 and 2019 are as follows:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Stocks	\$ 105,870	\$ 116,081
Bonds	1,308,440	2,669,369
ETF	949,935	923,151
Money Market	<u>443,186</u>	<u>49,049</u>
Total	<u>\$ 2,807,431</u>	<u>\$ 3,757,650</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, 2020

**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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Investment return:		
Investment income, net of expenses of \$-0- in 2020 and \$-0- in 2019	\$ 73,648	\$ 47,965
Realized gain (loss) on investments	1,137	5,665
Unrealized gain (loss) on Investments	<u>72,079</u>	<u>61,459</u>
Total	\$ 146,864	\$ 115,089

**NOTE 8 – PROPERTY AND EQUIPMENT**

As of June 30, 2020, and 2019, property and equipment consist of the following:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Land	\$ 150,000	\$ 150,000
Buildings	474,452	474,452
Equipment	150,353	150,353
Leasehold Improvements	<u>366,332</u>	<u>366,332</u>
Subtotal	<u>1,141,137</u>	<u>1,141,137</u>
Less: Accumulated Depreciation	<u>(392,939)</u>	<u>(359,160)</u>
Net Book Value	<u>\$ 748,198</u>	<u>\$ 781,977</u>

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2020

**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, 2020 and 2019 was \$ -0- and \$-0- 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, 2020 and 2019, in-kind contributions of \$237,503 and \$225,105 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, 2020

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

The Organization conducts program activities from facilities that are lease under operating leases. Lease terms range from July 2019 through June 2028

Rent expense for the year ended June 30, 2020 and 2019 was \$97,612 and \$140,285 respectively

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

2021	\$ 54,000
2022	54,000
2023	54,000
2024	54,000
2025	<u>54,000</u>
Total	<u>\$ 270,000</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>2020</u>	<u>2019</u>
Accrued Payroll	\$ 91,380	\$ 99,641
Accrued PTO	187,134	154,386
Expense Reimbursement Payable	(773)	1,344
Use Tax Payable	132	-0-
Other Accrued Expenses	<u>4,035</u>	<u>19,170</u>
Total	<u>\$ 281,908</u>	<u>\$ 274,541</u>

**NOTE 9 – NOTE PAYABLE**

On May 4, 2020 the Organization obtained a Note Payable administered by Bank of the Sierra under the Small Business Administration (SBA) Payroll Protection Program. Under this SBA program if the Organization complies with the loan requirements the loan is forgiven in full. The Organization is awaiting the loan forgiveness application from Bank of the Sierra. Should the Organization fail to comply with the terms of this SBA Loan Program a portion or all the note payable will become due and payable. It is the opinion of management that the loan will be forgiven in full. Below are the terms of the note if the loan is not forgiven. Note payable to Bank of the Sierra under the SBA Payroll Protection Program. No collateral is required for this loan program and no fees were charged to secure the loan. The loan is payable at the rate of \$10,016 per month which includes interest charged at 1% per annum. The loan matures on May 4, 2022.

**READING AND BEYOND**

*Notes to the Financial Statements*

June 30, 2020

**NOTE 9 – NOTE PAYABLE (cont'd)**

Note Payable	\$ 177,960
Less: Current portion	<u>(68,350)</u>
Long term Portion	<u>\$ 109,610</u>

Principal payment obligations over the next five years are as follows:

2021	\$ 68,350
2022	109,610
2023	-0-
2024	-0-
2025	<u>-0-</u>
Total	<u>\$ 177,960</u>

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

Grant advances consist of the following:

	<u>2020</u>	<u>2019</u>
California Emerging Technology Fund	1,749	2,181
Chabot-Los Positas Community College	219,394	290,199
College Futures	98,514	42,535
Comcast	18,891	18,891
Fresno County Office of Education	-0-	13,312
Golden 1 Credit Union	11,359	1,155
James Irvine Foundation	1,199,202	440,382
Insurance Agency Charitable Trust	5,000	-0-
Sierra Health Foundation	26,023	-0-
Wesley Foundation	25,000	25,000
Other	<u>4,737</u>	<u>(11,116)</u>
Total	<u>\$ 1,609,869</u>	<u>\$ 766,077</u>

**NOTE 13 – NET ASSETS WITH RESTRICTIONS**

Net Assets with restrictions below are donor imposed restricted support.

	<u>2020</u>	<u>2019</u>
Back to School Success	\$ 21,755	\$ 21,755
Promise Neighborhoods	6,081	6,081
Family Success Zone	13,476	13,476
Bridge Academy	<u>38,285</u>	<u>34,285</u>
Total	<u>\$ 79,597</u>	<u>\$ 75,597</u>

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2020

**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, 2020 and 2019 the matching amount contributed to the plan was \$67,422 and \$67,409 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.

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.

<u>Expense</u>	<u>Method of Allocation</u>
General operating expenses	Time and effort
Occupancy expense	Time and effort
Salary, benefits and related expense	Time and effort
Services and professional fees	Time and effort
Other expenses	Time and effort

**READING AND BEYOND**  
*Notes to the Financial Statements*  
June 30, 2020

**NOTE 16 – PRIOR YEAR ADJUSTMENTS**

The June 30, 2020 net assets have been adjusted in the amount of \$(9,641) due to the following:

Reimbursement recorded as revenue	\$ (10,000)
Repayment of grant revenue	(308)
Reduction in accumulated depreciation for reimbursement	<u>667</u>
Total	<u>\$ (9,641)</u>

**NOTE 17 – LIQUIDITY**

The Organization has a policy to structure its financial assets to be available as general expenditures, liability and other obligations come due. The Organization is substantially supported by federal/state grants and foundation funds.

Financial assets, at year end	\$ 5,747,647
Less those unavailable for general expenditure within one year due to	
Expense prepayment	(26,129)
Deposit paid	<u>(35,972)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,685,546</u>

**NOTE 17 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 25, 2021 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, 2020

<b><u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-through Entity ID No</u></b>	<b><u>Federal Expenditures</u></b>
<u>U.S Department of Agriculture</u>			
Pass through California Department of Education	10.558	05232-CACFP	\$ 72,485
Pass through Fresno Co Department of Social Services			
Supplemental Nutrition Assistance Program	10.551	A-15-023-1	27,333
Supplemental Nutrition Assistance Program			
Pass through Madera Co Department of Social Services			
Supplemental Nutrition Assistance Program	10.561	10827-C-2017	86,073
Total Pass through Program			<u>185,891</u>
Total U.S. Department of Agriculture			<u>185,891</u>
<u>U.S. Department of Health and Human Services</u>			
Pass through County of Fresno			
Temporary Assistance for Needy Families	93.558	A-15-156	80,886
Pass through County of Fresno, Dept of Public Health			
Local Dental Pilot Program	93.778	17-397	1,173,586
Total Pass through Program			<u>1,254,472</u>
Total U.S. Department of Health and Human Services			<u>1,254,472</u>
Total Expenditures of Federal Awards			<u>\$ 1,440,363</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, 2020

### **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, 2020. 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.

### **NOTE 3 - INDIRECT COST RATE LIMITATION**

The Organization does not use the 10 percent de minimis indirect cost rate.



**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, 2020, 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 February 25, 2020.

**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  
February 25, 2020



***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, 2020. 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, 2020.

## **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  
February 25, 2020

**READING AND BEYOND**  
*Schedule of Findings and Questioned Costs*  
 For the Year Ended June 30, 2020

**SECTION I: Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified 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 Xnone 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 Xno

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? Xyes \_\_\_\_\_no

Identification of major programs:

Name of Federal Program or Cluster  
CFDA Number(s)

Dental Pilot Program  
 Agreement Number:  
 17-397

93.778

**READING AND BEYOND**  
*Schedule of Findings and Questioned Costs*  
For the Year Ended June 30, 2020

<u>SECTION II: Financial Statement Findings</u>	None
<u>SECTION III – Federal Award Findings and Questioned Costs – Current Year</u>	None
<u>SECTION IV – State Award Findings and Questioned Costs – Current Year</u>	None

**READING AND BEYOND**  
*Status of Prior Year Findings*  
For the Year Ended June 30, 2020

Status of Prior Year Findings

19-01      Occupancy Costs Overstated

Program Information: Dental Pilot Program CFDA No: 93.778

Questioned Costs: Total - \$46,671. Calculation: \$72,450 (occupancy costs charged) less \$25,779 (allowable occupancy costs).

Criteria: Costs charged to the program should be in compliance with the Uniform Guidance for Allowable Costs/Cost Principles

Condition: During our review of costs charged to the program, we noted occupancy costs charged were in excess of allowable costs. Occupancy costs were charged monthly at a fixed rate of \$1.70 per sq ft for the period of July 2019 through December 2019; and \$1.75 per sq ft for the period of January 2020 through June 2020.

Effect: Occupancy costs were over charged by \$46,671

Cause: Policies and procedures are in place for the Organization to bill costs in compliance with the Uniform Guidance. The Organization did not utilize the guidance in determining the costs charged for occupancy.

Recommendation: We recommend the Organization review the Uniform Guidance to determine allowable occupancy; and a review of the invoice is performed prior to submission to ensure that either actual costs are billed or the fixed rate billed is aligned with actual costs incurred.

View of Responsible Officials: We are working with Fresno County to resolve any discrepancies in how rent was billed and in the future make sure we are compliant with the Uniform Guidance

CORRECTIVE ACTION: Corrective action was taken on the prior year audit finding

**READING AND BEYOND**

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

**June 30, 2020**

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## **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, 2020, and have issued our report thereon dated February 25, 2021, 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  
Accountancy Corporation, P.C.  
Fresno, California  
February 25, 2020

**READING AND BEYOND**

*General Information for Child Development Services*

June 30, 2020

NAME:

Reading and Beyond

PROGRAM NAME AND CONTRACT NUMBER:

California State Preschool Program  
Child and Adult Care Food Program  
Prekindergarten and Family Literacy

CSPP-9089  
05232-CACFP-10-NP-CS  
CPKS-9013

TYPE OF AGENCY:

Non-Profit Corporation

ADDRESS OF AGENCY HEADQUARTERS:

4670 E Butler Avenue  
Fresno, CA 93702

TELEPHONE NUMBER:

(559) 342-8600

EXECUTIVE DIRECTOR:

Luis Santana

CONTROLLER:

Lesley Fairburn

PERIOD COVERED BY EXAMINATION:

Fiscal Year July 1, 2019 to June 30, 2020

NUMBER OF DAYS OF OPERATIONS:

228 Days

SCHEDULE HOURS OF OPERATIONS:

Full Day: 7:00 A.M. to 5:30pm

**READING AND BEYOND**  
*Schedule of Federal and State Awards*  
For the Year Ended June 30, 2020

Grantor	Federal	Contract	Awards Amount			Expenditure		
	CFDA No	No	Federal	State	Total	Federal	State	Total
U.S. Department of Agriculture Pass through California Department of Education Child and Adult Care Food Program	10.558	05232-CACFP- 10-NP-CS	70,882	0	70,882	72,485	0	72,485
U.S. Department of Health & Human Services Pass through California Department of Education State Preschool	93.596/ 93.575	CSPP-9089	0	995,262	995,262	0	824,863	824,863
Prekindergarten and Family Literacy		CPKS-9013		2,309	2,309		2,309	2,309

*See accompanying notes to the financial statements*

## **READING AND BEYOND**

*Statement of Activities for Child Development Services*

For the Year Ended June 30, 2020

	State Preschool	Literacy	CACFP Food Program	Total CDE Grant	QRIS Non- CDE Grant	Total Preschool	Non- Preschool Programs	Grand Total
<b>Revenue and Support</b>								
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 117,640	\$ 117,640
Grants - Governments/Foundations	995,262	2,309	70,882	1,068,453	47,958	1,116,411	2,755,488	3,871,899
Family fees - certified	2,022	-	-	2,022	-	2,022	-	2,022
Family fees - non certified	-	-	-	-	-	-	-	-
Transfer from CD reserves	-	-	-	-	-	-	-	-
Donated goods and services	-	-	-	-	-	-	237,503	237,503
Rental income	-	-	-	-	-	-	12,621	12,621
Investment income	-	-	-	-	-	-	77,274	77,274
Realized gain (loss) on investment	-	-	-	-	-	-	1,137	1,137
Unrealized gain (loss) on investment	-	-	-	-	-	-	72,079	72,079
Loss on impairment of asset	-	-	-	-	-	-	(132,000)	(132,000)
Miscellaneous income	-	-	-	-	-	-	2,375	2,375
<b>Total Revenue and Support</b>	<b>997,284</b>	<b>2,309</b>	<b>70,882</b>	<b>1,070,474</b>	<b>47,958</b>	<b>1,118,432</b>	<b>3,144,116</b>	<b>4,262,549</b>
<b>Expenses</b>								
Alarm and security	-	-	-	-	-	-	-	-
Bad Debts	116	-	-	116	-	116	-	116

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, 2020

	State Preschool	Literacy	CACFP Food Program	Total CDE Grant	QRIS Non- CDE Grant	Total Preschool	Non-CDE Programs	Grand Total
Board and committee meeting	-	-	-	-	-	-	437	437
Consulting expense	-	-	-	-	-	-	5,803	5,803
Depreciation	787	-	-	787	3,067	3,854	29,256	33,111
Dues and subscriptions	99	-	-	99	-	99	1,966	2,065
Equipment & Technology	-	-	-	-	-	-	12,036	12,036
Fingerprinting expense	1,025	-	-	1,025	-	1,025	3,007	4,032
Food	18,192	-	72,485	90,676	-	90,676	3,447	94,123
Indirect costs	75,027	210	7,248	82,486	4,035	86,520	(86,520)	-
In Kind expense - services	-	-	-	-	-	-	-	-
In Kind expense - goods	-	-	-	-	-	-	237,503	237,503
Insurance	1,736	-	-	1,736	-	1,736	25,165	26,901
Legal and accounting	6,000	-	-	6,000	-	6,000	14,084	20,084
Licenses and fees	1,301	-	-	1,301	-	1,301	14,135	15,435
Marketing and public relations	-	-	-	-	-	-	9	9
Other employee benefits	93,316	-	-	93,316	183	93,500	353,546	447,045
Office expenses	43	-	-	43	-	43	1,415	1,458
Payroll processing and bank fees	-	-	-	-	-	-	6,751	6,751
Payroll taxes	46,473	-	-	46,473	168	46,641	167,671	214,312
Printing & Copying	2,515	-	-	2,515	-	2,515	10,008	12,523
Property taxes	601	-	-	601	-	601	599	1,200

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, 2020

	State Preschool	Literacy	CACFP Food Program	Total CDE	QRIS Non- CDE Grant	Total Preschool	Non-CDE Programs	Grand Total
Rent and janitorial	54,000	-	-	54,000	-	54,000	43,612	97,612
Repairs and maintenance	10,073	-	-	10,073	14,837	24,910	19,854	44,764
Special program expense	-	-	-	-	1,440	1,440	188,266	189,706
Supplies	20,628	2,099	-	22,726	21,721	44,448	54,328	98,776
Subcontractors	-	-	-	-	-	-	50,000	50,000
Telephone and internet	3,129	-	-	3,129	-	3,129	65,203	68,332
Travel, training and conference	2,323	-	-	2,323	307	2,630	66,588	69,218
Utilities	-	-	-	-	-	-	11,748	11,748
Salary & wages	487,480	-	-	487,480	2,200	489,680	1,908,800	2,398,480
<b>TOTAL EXPENSES</b>	<b>824,863</b>	<b>2,309</b>	<b>79,733</b>	<b>906,905</b>	<b>47,958</b>	<b>954,863</b>	<b>3,208,718</b>	<b>4,163,581</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 172,420</b>	<b>\$ -</b>	<b>\$ (8,851)</b>	<b>\$ 163,569</b>	<b>\$ -</b>	<b>\$ 163,569</b>	<b>\$ (64,601)</b>	<b>\$ 98,968</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, 2020

<b>EXPENDITURES</b>	<u>CSPP-9089</u>	<u>CPKS-9013</u>	<u>Total</u>
1000      Certificated Salaries	\$ 34,167	\$ -	\$ 34,167
2000      Classified Salaries	453,313	0	453,313
3000      Employee Benefits	139,789	0	139,789
4000      Books and supplies	111,304	2,099	113,403
5000      Services and other operating expenses	82,960	0	82,960
6100/6200 Other approved capital outlay		0	0
6400      New equipment		0	0
6400      Replacement equipment		0	0
Depreciation or use allowance	787		787
Start-up expenses- service level exemption		0	0
Budget impasse credit	-	0	0
Indirect costs	82,276	210	82,486
Total Expenses Claimed for Reimbursement	<u>904,596</u>	<u>2,309</u>	<u>906,905</u>
 Total Supplemental Expenses	 <u>47,958</u>	 <u>0</u>	 <u>47,958</u>
 Total Expenditures	 <u>\$ 952,554</u>	 <u>\$ 2,309</u>	 <u>\$ 954,863</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.*

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

**READING AND BEYOND**

*Child Development Services*

*Schedule of Reimbursable Expenditures for Renovations and Repairs*

For the Year Ended June 30, 2020

	CSPP-9089	CPKS-9013	Total
<u>Unit Cost Under \$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>
<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>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, 2020

	<u>CSPP-9089</u>	<u>CPKS-9013</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>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 Administrative Costs*

For the Year Ended June 30, 2020

	<u>CSPP-9089</u>	<u>CPKS-9013</u>	<u>Total</u>
Administrative Salary	\$ 14,852	\$ -	\$ 14,852
Employee benefits/payroll taxes	1,338	0	1,338
Telephone & Internet	0	0	-
Professional fees	6,000	0	6,000
Indirect costs	<u>82,276</u>	<u>210</u>	82,486
Total Administrative Costs	<u>\$ 104,466</u>	<u>\$ 210</u>	<u>\$ 104,676</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**

A U D 8501 Page 1 of 8

Fiscal Year Ending **June 30, 2020**

Contract Number **CSPP-9089**

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 Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time	16,719	-26	16,693	1.0000	16,693
Three Years and Older Three-quarters-time	1,029		1,029	0.7500	771.75
Three Years and Older One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0
Limited and Non-English Proficient Full-time-plus	1,640		1,640	1.2980	2,128.72
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

Full Name of Contractor **Reading and Beyond**

**Section 1 - Days of Enrollment Certified Children (continued)**

	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				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
<b>TOTAL DAYS OF ENROLLMENT</b>	<b>19,388</b>	<b>-26</b>	<b>19,362</b>	N/A	<b>19,593.47</b>
<b>DAYS OF OPERATION</b>	<b>228</b>		<b>228</b>	N/A	N/A
<b>DAYS OF ATTENDANCE</b>	<b>18,623</b>		<b>18,623</b>	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

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				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus				1.1800	0
Three Years and Older Full-time				1.0000	0
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0

Full Name of Contractor **Reading and Beyond**

**Section 2 - Days of Enrollment Non-Certified Children (continued)**

	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
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
<b>TOTAL NON-CERTIFIED DAYS OF ENROLLMENT</b>				<b>N/A</b>	<b>0</b>

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	70,882		70,882
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
<b>Restricted Income - Subtotal</b>	<b>70,882</b>		<b>70,882</b>
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
<b>Transfer from Reserve Total</b>			
Family Fees for Certified Children	1,660		1,660
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
<b>Total Revenue</b>	<b>72,542</b>		<b>72,542</b>

Comments:

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	34,373	-206	34,167
2000 Classified Salaries	453,647	-334	453,313
3000 Employee Benefits	139,864	-75	139,789
4000 Books and Supplies	111,303	1	111,304
5000 Services and Other Operating Expenses	82,961	-1	82,960
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	538	249	787
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)	82,275	1	82,276
Non-Reimbursable (State use only)			
<b>Total Reimbursable Expenses</b>	<b>904,961</b>	<b>-365</b>	<b>904,596</b>
Total Administrative Cost (included in Section 4 above)	104,466		104,466
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate: **10.0%**

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

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	47,958		47,958
Other:			
<b>Total Supplemental Revenue</b>	<b>47,958</b>		<b>47,958</b>

**Section 6 - Supplemental Expenses**

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries	2,200		2,200
2000 Classified Salaries			
3000 Employee Benefits	352		352
4000 Books and Supplies	23,161		23,161
5000 Services and Other Operating Expenses	15,143		15,143
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance	3,067		3,067
Indirect Costs	4,035		4,035
Non-Reimbursable Supplemental Expenses			
<b>Total Supplemental Expenses</b>	<b>47,958</b>		<b>47,958</b>

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	19,388	-26	19,362
Days of Operation	228		228
Days of Attendance	18,623		18,623
Restricted Program Income	70,882		70,882
Transfer from Reserve			
Family Fees for Certified Children	1,660		1,660
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	904,961	-365	904,596
Total Administrative Cost	104,466		104,466
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **19,593.47**

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:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): **Yes**

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): **Yes**

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

**California Department of Education  
Audited Fiscal Report for  
Child Development Support Contracts**

A U D 9529 Page 1 of 4

Fiscal Year Ending **June 30, 2020**

Contract Number **CPKS-9013**

Vendor Code **Z642**

Full Name of Contractor **Reading and Beyond**

**Section 1 - Revenue**

	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative 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>			

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	2,099		2,099
5000 Services and Other Operating Expenses			
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Indirect Costs (include in Total Administrative Cost)	210		210
Non-Reimbursable (State use only)			
<b>Total Reimbursable Expenses</b>	<b>2,309</b>		<b>2,309</b>
Total Administrative Cost (included in Section 2 above)	210		210

Approved Indirect Cost Rate:

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

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 Supplemental Expenses			
<b>Total Supplemental Expenses</b>			

Full Name of Contractor **Reading and Beyond**

**Section 5 - Summary**

	Column A Cumulative CDNFS 9529	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Program Income			
Match Requirement			
Interest Earned on Child Development Apportionment Payments			
Total Reimbursable Expenses	2,309		2,309
Total Administrative Cost	210		210

Comments:

# California Department of Education Audited Reserve Account Activity Report

Fiscal Year End

June 30, 2020

Reserve Account Type

Center-Based

Vendor Code

Z642

A U D 9530A Page 1 of 1

Full Name of Contractor **Reading and Beyond**

## Section 1 - Prior Year Reserve Account Activity

1. Beginning Balance (2018–19 AUD 9530A Ending Balance)	
2. Plus Transfers to Reserve Account:	Per 2018–19 Post-Audit CDNFS 9530
Contract No. CSPP-9089	
Contract No.	
<b>Total Transferred from 2018–19 Contracts to Reserve</b>	
3. Less Excess Reserve to be Billed	
<b>4. Ending Balance per 2018–19 Post-Audit CDNFS 9530</b>	

## Section 2 - Current Year Reserve Account Activity

	Column A CDNFS 9530A	Column B Audit Adjustments	Column C per Audit
5. Plus Interest Earned This Year on Reserve			
6. Less Transfers to Contracts from Reserve:			
CSPP General-Contract No.			
CSPP General-Contract No.			
CSPP Professional Development-Contract No.			
CSPP Professional Development-Contract No.			
<b>Subtotal CSPP Transfers</b>			
Other Contract No.			
<b>Subtotal Other Contract Transfers</b>			
<b>Total Transferred to Contracts from Reserve Account</b>			
<b>7. Ending Balance on June 30, 2020</b>			

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

**READING AND BEYOND**  
*Child Development Services*  
*Notes to the Supplementary Information*  
 June 30, 2020

**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 2019-2020.

**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, 2019	<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, 2020	<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, 2020

**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>130,489</u>	<u>129,702</u>
Net Fixed Assets, June 30, 2020	<u>51,392</u>	<u>52,179</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, 2020, the reserve’s total balance was \$-0-.

**NOTE 6 – COST ALLOCATION PLAN**

Reading and Beyond allocates its costs based on the relative benefits received by the programs or activities. Accordingly, the organization applies several methods for allocating costs:

**Direct Costs.** Costs identified 100 percent to a specific program are charged directly to that program.

**Shared Direct Costs.** Costs identified to specific multiple programs or activities are shared between the programs benefitting.

- Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.

## **READING AND BEYOND**

*Notes to the Supplementary Information*

June 30, 2020

### **NOTE 6 – COST ALLOCATION PLAN (cont'd)**

- Rent and associated utilities, maintenance, and insurance are allocated using the square footage of building space occupied by each program, according to floor plans and/or room measurements.
- Training costs for staff members are allocated to programs in proportion to the actual time employees spent working in those programs.
- Legal fees and audit costs are allocated in proportion to the direct hours charged to each program, based on invoices or engagement letters. 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.

Indirect Costs. Costs that benefit the operations of the entire organization, which cannot be identified to specific programs or activities, are allocated according to an approved indirect cost allocation plan.

### **NOTE 7 – EMERGENCY CLOSURE CREDITS**

The agency was approved for and received report credits on their fourth quarter Child Development and Nutrition Fiscal Service's Attendance and Fiscal Report (CDNSF form 8501). The site was closed April 1, 2020 through June 8, 2020 due to the COVID-19 emergency.