READING AND BEYOND

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

ENTITY IDENTIFICATION NO.: 77-0508471

READING AND BEYOND

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2013 AND 2012

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GENERAL INFORMATION

Name of Agency:	Reading and Beyond
Program Name and Contract No.:	
California State Preschool Program	CSPP-2082
Prekindergarten and Family Literacy (Support)	CPKS-2014
Type of Agency:	Nonprofit Corporation
Address of Agency:	4670 E. Butler Avenue Fresno, California 93702
Names of Executive Director and Financial Manager	
Executive Director	Luis Santana
Financial Manager	Jonathan Cook
Telephone Number:	(559) 600-6191
Period Covered by Audit:	Fiscal Year July 1, 2012 to June 30, 2013
Number of Days of Operations by Agency:	248
Scheduled Hours of Operation Each Day:	7:00 a.m. to 5:30 p.m.

Moore Grider & Company
Certified Public Accountants

A Partnership Including Accountancy Corporations

Richard L. Holland, C.P.A.
Thomas L. Bell, C.P.A., Accountancy Corporation
Denise S. Hurst, C.P.A.
Kenneth J. Labendeira, C.P.A., Accountancy Corporation
Pamela J. Gallemore, C.P.A., Accountancy Corporation
Karl L. Noyes, C.P.A., Accountancy Corporation
Cory J. Bell, C.P.A.
Kendall K. Wheeler, C.P.A.
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Nicholas Medeiros, C.P.A.
Oscar Espinoza, C.P.A.
David M. DeWall, C.P.A.

L. Jerome Moore, C.P.A. Retired
Robert E. Grider, C.P.A. Retired

INDEPENDENT AUDITORS' REPORT

Board of Directors
Reading and Beyond
Fresno, California

Report on the Financial Statements

We have audited the accompanying financial statements of Reading and Beyond, which comprise the statements of financial position as of June 30, 2013 and 2012, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 opinion.

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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, 2013 and 2012, and the changes in its net assets and its cash flows for the years 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. On pages 18 and 19 the accompanying schedule of expenditures of federal and state awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information on pages 20 to 29 is presented for purposes of additional analysis, as required by the CDE Audit Guide issued by the California Department of Education, and is also not a required part of the financial statements. Such information and the schedule of expenditures of federal and state awards 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 in conformity with the CDE Audit Guide 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 September 17, 2013, 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, 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.

Moore Grider + Company

September 17, 2013

READING AND BEYOND

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	$ 368,492	$ 489,710
Short-term investments (Note 3)	1,699,837	1,451,115
Accounts receivable	11,192	11,965
Grants and contracts receivable (Note 5)	357,816	375,356
Prepaid expenses	79,641	59,337
TOTAL CURRENT ASSETS	2,516,978	2,387,483
INVESTMENT IN SECURITIES (Note 4)	1,035,533	1,003,253
PROPERTY AND EQUIPMENT, net of accumulated depreciation (Note 6)	166,451	172,389
LICENSE RIGHTS	213,650	0
TOTAL ASSETS	3,932,612	3,563,125
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	24,881	38,642
Accrued liabilities	189,754	191,376
Credit card payable	12,159	22,321
Grant advances (Note 7)	371,520	171,158
Child development reserve (Note 8)	4,981	4,971
TOTAL CURRENT LIABILITIES	603,295	428,468
COMMITMENTS AND CONTINGENCIES (Note 9)	0	0
NET ASSETS		
Unrestricted	3,329,317	3,134,657
TOTAL LIABILITIES AND NET ASSETS	$ 3,932,612	$ 3,563,125

See Accompanying Notes to Financial Statements

READING AND BEYOND

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
UNRESTRICTED REVENUE AND SUPPORT		
Contributions	$ 27,332	$ 16,499
Grants and contracts - Foundations and others	419,176	421,316
Grants and contracts - Governments	2,317,582	2,183,035
Child care food program	30,243	34,158
Prior year reserve release	0	3,499
Program service fee revenues - tuition	95,733	95,368
Donated goods and services (Note 10)	627,799	505,815
Rental income	91,276	68,242
Fundraising, net of expenses of $5,156 in 2013 and $384 in 2012	5,064	2,054
Investment income (Notes 3 & 4)	33,014	24,150
Realized loss on investments (Note 4)	(2,682)	0
Unrealized gain (loss) on investments (Note 4)	14,107	(2,960)
Miscellaneous	2,510	2,504
Loss on disposal of asset	0	(3,729)
TOTAL UNRESTRICTED REVENUE AND SUPPORT	3,661,154	3,349,951
EXPENSES		
Program services	2,941,562	2,782,655
Management and general	521,648	457,393
Fundraising expenses	3,284	4,284
TOTAL EXPENSES	3,466,494	3,244,332
INCREASE IN UNRESTRICTED NET ASSETS	194,660	105,619
UNRESTRICTED NET ASSETS, beginning of year	3,134,657	3,029,038
UNRESTRICTED NET ASSETS, end of year	**$ 3,329,317**	**$ 3,134,657**

See Accompanying Notes to Financial Statements

READING AND BEYOND

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013				2012			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES:								
Bad debt expense	$ 2,065	$ 0	$ 0	$ 2,065	$ 562	$ 0	$ 0	$ 562
Consulting expense	94,500	0	0	94,500	24,000	8,602	0	32,602
Contracted instructors	2,900	0	0	2,900	29,160	0	0	29,160
Depreciation	42,737	8,222	0	50,959	11,313	5,390	0	16,703
Dues and subscriptions	2,653	3,363	50	6,066	783	825	0	1,608
Fingerprinting expense	4,889	412	0	5,301	5,567	42	0	5,609
Indirect costs	0	0	0	0	0	0	0	0
In-kind expense - books and supplies	21,502	0	0	21,502	24,331	0	0	24,331
In-kind expense - services	427,922	84,551	0	512,473	404,149	77,051	0	481,200
Insurance	1,371	17,439	65	18,875	1,713	15,829	0	17,542
Legal and accounting	0	18,300	0	18,300	0	18,369	0	18,369
Licenses and fees	1,005	2,601	0	3,606	990	2,178	0	3,168
Other employee benefits	192,327	37,362	539	230,228	188,283	27,472	513	216,268
Outreach/volunteer retention	172	4,936	0	5,108	6,625	2,827	0	9,452
Payroll processing and bank fees	29	5,000	10	5,039	148	3,089	4	3,241
Payroll taxes	171,982	23,641	145	195,768	168,746	19,919	295	188,960
Postage	155	827	168	1,150	501	754	141	1,396
Printing and copying	10,841	2,281	118	13,240	6,591	3,188	132	9,911
Rent and janitorial	14,285	3,479	0	17,764	18,505	14,875	0	33,380
Special program expense	84,038	0	0	84,038	108,034	0	0	108,034
Supplies and food	124,412	6,617	319	131,348	143,799	7,696	118	151,613
Telephone and internet	3,744	5,391	0	9,135	1,352	3,949	0	5,301
Travel/conference expense	36,866	2,557	28	39,451	37,382	1,790	24	39,196
Utilities	46,096	25,681	0	71,777	34,209	20,047	0	54,256
Wages	1,655,071	268,988	1,842	1,925,901	1,565,912	223,501	3,057	1,792,470
TOTAL EXPENSES	$ 2,941,562	$ 521,648	$ 3,284	$ 3,466,494	$ 2,782,655	$ 457,393	$ 4,284	$ 3,244,332

See Accompanying Notes to Financial Statements

READING AND BEYOND

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 194,660	$ 105,619
Adjustments to reconcile increase in net assets to net cash provided from operating activities		
Depreciation	50,959	16,703
Realized loss on investments	2,682	0
Unrealized (gain) loss on investments	(14,107)	2,960
Loss on disposal of asset	0	3,729
Bad debt expense	2,065	562
In-kind donation - license rights	(93,825)	0
Changes in:		
Accounts receivable	(1,292)	(7,608)
Grants and contracts receivable	17,540	114,043
Prepaid expenses	(20,304)	(25,038)
Rental deposits	0	3,181
Accounts payable	(13,761)	(18,970)
Accrued liabilities	(1,622)	59,896
Credit card payable	(10,162)	15,703
Grant advances	200,362	22,627
Child development reserve	10	4,971
NET CASH PROVIDED FROM OPERATING ACTIVITIES	313,205	298,378
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in investments	(269,577)	(267,507)
Purchase of license rights	(119,825)	0
Purchase of property and equipment	(44,119)	(67,097)
Increase in construction in progress	(902)	(98,646)
NET CASH USED BY INVESTING ACTIVITIES	(434,423)	(433,250)
CASH FLOWS FROM FINANCING ACTIVITIES	0	0
NET DECREASE IN CASH	(121,218)	(134,872)
CASH AND CASH EQUIVALENTS, beginning of year	489,710	624,582
CASH AND CASH EQUIVALENTS, end of year	$ 368,492	$ 489,710
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Transfer of construction in progress to property and equipment	$ 98,646	$ 0

See Accompanying Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Reading and Beyond (the Organization), formerly known as the Fresno Covenant Foundation, was established in March 1999. The Organization is a nonprofit organization committed to helping academically at-risk children improve their academic performance and foster their development into successful students and thriving members of the community. The Organization's after-school tutoring centers are located in low-income neighborhoods as a way to serve students in different areas of the City of Fresno. The number of open sites they operate depend on availability of funding.

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

Basis of accounting – The financial statements are prepared using the accrual basis of accounting in which support and revenue are recognized when earned or due and expenses are recognized when incurred.

Recognition of donor restrictions – Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents – Cash and cash equivalents consist of cash held in checking, savings, money market, and certificate of deposit accounts with an initial maturity of three months of less. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

Grants and contract receivables – Grants and contract receivables are stated at the amount management expects to collect from outstanding balances. At June 30, 2013 and 2012, the Organization considers all amounts to be fully collectible; therefore, no allowance for doubtful amounts is reflected.

Investment in securities – The organization's investment in securities is classified as "available for sale" securities and is carried on the financial statements at fair value.

Property and equipment – Property and equipment are carried at cost. Acquisitions of fixed assets in excess of $1,000 are capitalized. 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.

Property and equipment are depreciated using the straight-line method over their estimated useful lives. Routine repairs and maintenance are expensed as incurred.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property and equipment (Continued)
Construction in progress is stated at cost, which includes the cost of construction and other direct costs attributable to the construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and put into use.

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. The license rights have indefinite lives that are subject to annual impairment tests.

Compensated absences – The cost of compensated leave is accrued as it is vested to the employee. Accrued compensated absences are included in accrued liabilities on the statements of financial position.

Grant advances – Grant revenue received in advance of expenditures is deferred and recognized over the period to which the expenditure relates.

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.

Income taxes – The organization is incorporated as a non-profit California corporation and is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Tax returns are filed in U.S. federal and state of California jurisdictions. Tax returns remain subject to examination by the U.S. federal jurisdiction for three years after the return is filed and for four years by the California jurisdiction. There are currently no tax years under examination. Interest and penalties on tax assessments are classified as an expense when incurred. For the years ended June 30, 2013 and 2012, interest and penalties totaled $0.

Generally accepted accounting principles provides accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken in its federal and state tax returns are more likely than not to be sustained upon examination.

Accounting estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Expense allocation – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reconciliation of CDE and GAAP Expense Reporting – The supplementary Combining Statement of Activities and basic financial statements present financial data in conformity with GAAP. The other supplementary financial data presented in the audit, including data in the Combining Schedule of Expenditures by State Categories, present expenditures according to CDE reporting requirements. However, reporting differences arise because CDE contract funds must be expended during the contract period (usually one year). For example, program amounts that are capitalized and depreciated over multiple years under GAAP are expensed in the contract period under CDE requirements. To address such reporting differences, the audit report includes a Reconciliation of CDE and GAAP Expense Reporting.

NOTE 2: **CASH AND CASH EQUIVALENTS**

At June 30, 2013 and 2012, cash and cash equivalents consist of the following:

		2013	2012
Bank of the Sierra	Business checking	$ 124,033	$ 228,300
Bank of the Sierra	Business savings	20,808	18,231
Citibank	Money market fund	223,551	243,179
Change fund		100	0
		$ 368,492	**$ 489,710**

At June 30, 2013 and 2012, cash and cash equivalents included $368,492 and $489,710, respectively, held in commercial banks, which are fully insured by the Federal Deposit Insurance Corporation.

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See next page for continuation of notes.

NOTE 3: SHORT-TERM INVESTMENTS

Investments as of June 30, 2013 and 2012, are summarized as follows:

		2013	2012
Bank of America	Certificate of deposit	$ 240,408	$ 0
Bank of the Sierra	Certificate of deposit	0	226,790
Central Valley Community Bank	Certificate of deposit	240,836	0
Fresno First Bank	Certificate of deposit	240,047	246,392
Murphy Bank	Certificate of deposit	243,621	241,991
Premier Valley Bank	Certificate of deposit	240,563	0
Security First Bank	Certificate of deposit	245,297	243,242
United Security Bank	Certificate of deposit	249,065	246,924
West America Bank	Certificate of deposit	0	245,776
		$ 1,699,837	**$ 1,451,115**

The certificates bear interest ranging from 0.25% to 1.1% and have maturities ranging from twelve months to twenty-four months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

At June 30, 2013 and 2012, all investments 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 Statements of Activities for the years ended June 30, 2013 and 2012:

	2013	2012
Investment income	**$ 12,160**	**$ 17,937**

Investment earnings have been reinvested and are included in the cost of the investments.

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See next page for continuation of notes.

NOTE 4: INVESTMENT IN SECURITIES

Investment in securities as of June 30, 2013, is summarized as follows:

	Quoted Market Value	Unrealized Gain
Available-for-sale securities:		
Money market	$ 41,421	$ 683
Fixed income	706,234	11,639
Equities	287,878	4,745
	$ 1,035,533	$ 17,067

Investment in securities as of June 30, 2012, is summarized as follows:

	Quoted Market Value	Unrealized Loss
Available-for-sale securities:		
Money market	$ 15,049	$ (44)
Fixed income	729,365	(2,152)
Equities	258,839	(764)
	$ 1,003,253	$ (2,960)

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2013 and 2012:

	2013	2012
Investment return:		
Investment income, net of expenses of $5,239 in 2013 and $2,271 in 2012	$ 20,854	$ 6,213
Realized loss	(2,682)	0
Unrealized gain (loss)	14,107	(2,960)
	$ 32,279	$ 3,253

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See next page for continuation of notes.

NOTE 5: GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2013 and 2012, amounts due to the Organization for expenditures that are reimbursable by the granting or contracting agency are as follows:

	2013	2012
AIMS Education Foundation	$ 0	$ 10,000
Boys & Girls Club of Fresno County	1,656	0
California Department of Education	2,235	2,708
Central Unified School District	0	385
Ceres Unified School District	0	413
Comcast	0	2,500
First 5 Fresno County	0	25,498
Fresno County DBH	3,110	9,645
Fresno County DSS	101,119	89,512
Fresno County Office of Education	148,022	36,855
Fresno Regional Workforce Investment Board	0	6,941
Fresno Unified School District	87,861	124,965
Madera Unified School District	13,101	0
Mendota Unified School District	165	2,640
Merced City School District	547	0
U.S. Department of Education	0	55,323
SJV Healthcare Workforce	0	7,751
Other	0	220
	$ 357,816	**$ 375,356**

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See next page for continuation of notes.

NOTE 6: **PROPERTY AND EQUIPMENT**

At June 30, 2013 and 2012, property and equipment consist of the following:

	2013	2012
Equipment	$ 89,653	$ 52,095
Vehicles	129,336	129,336
Leasehold improvements	163,278	58,071
Construction in progress	902	98,646
	383,169	338,148
Less: Accumulated depreciation	(216,718)	(165,759)
	$ 166,451	$ 172,389

Depreciation expense was $50,959 and $16,703 for the years ended June 30, 2013 and 2012, respectively.

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See next page for continuation of notes.

NOTE 7: GRANT ADVANCES

At June 30, 2013 and 2012, grant advances consist of the following:

	2013	2012
All Management Corporation	$ 0	$ 127
AT&T	0	11,058
Bank of America	37,050	140
Bullard Talent PTA	825	0
California Department of Education	582	0
California Endowment	6,650	13,475
California Health Care Foundation	350	350
Comcast	13,100	14,300
Educational Employees Credit Union	10,000	0
Families in Schools	19,520	15,771
Fresno County DSS	6,500	6,500
Fresno County Office of Education	10,000	0
Fresno Regional Foundation	137,582	0
Fresno Wesley Foundation	0	1,500
James Irvine Foundation	91,415	75,000
Kaiser Permanente	12,579	1,133
Other	15,944	14,779
S.H. Cowell Foundation	0	7,025
SJV Workforce Funders Collaborative	995	0
Walter Johnson Foundation	1,625	0
Wells Fargo Foundation	6,803	10,000
	$ 371,520	$ 171,158

NOTE 8: 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, 2013 and 2012 was $4,981 and $4,971, respectively, which is recorded as an asset in the cash account.

NOTE 8: **CHILD DEVELOPMENT RESERVE ACCOUNT** (Continued)

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

The reserve account balance at June 30, 2013 and 2012 includes interest of $10 and $13, respectively, that the bank paid during each respective year.

NOTE 9: **COMMITMENTS AND CONTINGENCIES**

Grants

In connection with federal and state grant programs, the Organization is obligated to administer the programs in accordance with regulatory restrictions, and is subject to audit by grantor agencies. In case of noncompliance, the agencies involved may require the Organization to refund program monies. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

The Organization is contingently liable in connection with claims and contracts arising in the normal course of its activities. Management is of the opinion that the outcome of such matters will not have a material effect on the financial statements.

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

Operating Leases

The Organization conducts its administrative activities from facilities that are leased under an operating lease that expires May 31, 2016. The lease agreement grants use of the facilities without payment of use fees. However, the Organization is required to pay 100% of gas and electricity on the entire facility. For the years ended June 30, 2013 and 2012, in-kind contributions of $160,200 have been recorded. See Note 10.

The Organization subleases a portion of the administrative facilities to the County of Fresno. The lease is for the period September 1, 2011 – May 31, 2016 for a fee of $6,500 per month.

The Organization conducts certain program activities from facilities that are leased under a month-to-month operating lease. The lease agreement grants use of the facilities without payment of use fees. However, the Organization is required to pay 50% of gas and electricity on the entire facility. For the years ended June 30, 2013 and 2012, in-kind contributions of $88,275 and $0 have been recorded. See Note 10.

NOTE 10: DONATED GOODS AND SERVICES

Donated goods and services consist of the following:

		2013		2012
Free use of facilities (admin & program sites), services	$	512,473	$	481,200
Activities supplies		115,326		24,615
	$	**627,799**	**$**	**505,815**

NOTE 11: RETIREMENT PLAN

The Organization has a salary reduction plan (401k) in place, which is available to all employees who have worked 12 months and more than 1,000 hours during the calendar year. The amount of the salary reduction is paid directly to an independent administrator and applied directly to the employee retirement investment account. The Organization makes 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 years ended June 30, 2013 and 2012, the matching amount contributed to the plan was $36,569 and $32,470, respectively. The contribution is included in Other Employee Benefits expense on the statements of functional expenses.

NOTE 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 17, 2013 (date financial statements available to be issued) and determined no events have occurred subsequent to June 30, 2013 that would require adjustment to, or disclosure in the financial statements.

READING AND BEYOND

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2013

Agency Name/Pass-Through Agency Program Title	CFDA Number	Grantor's Number	Award Amount Federal	Award Amount State	Award Amount Total	Expenditures Federal	Expenditures State
U.S. Department of Agriculture							
Passed through California Department of Education:							
Child and Adult Care Food Program	10.558	05232-CACFP-10-NP-IC	$ 30,243	$ 0	$ 30,243	$ 30,243	$ 0
Passed through County of Fresno:							
Supplemental Nutrition Assistance Program	10.551	A-12-106	290,000	0	290,000	96,312	0
Supplemental Nutrition Assistance Program	10.551	A-12-106	448,148	0	448,148	281,068	0
			738,148	0	738,148	377,380	0
U.S. Department of Health & Human Services							
Passed through County of Fresno							
Temporary Assistance for Needy Families (TANF)	93.558	10-325-1	435,098	0	435,098	423,231	0
U.S. Department of Education							
Fund for Improvement of Education	84.215P	U215P110139	484,678	0	484,678	345,830	0
			1,688,167	0	1,688,167	1,176,684	0
California Department of Education							
California State Preschool Program	93.596/ 93.575	CSPP-2082	40,824	106,950	147,774	40,824	104,000
Prekindergarten and Family Literacy (Support)		CPKS-2014	0	2,500	2,500	0	2,491
Reserve Account		n/a	0	0	0	0	0
			40,824	109,450	150,274	40,824	106,491
First 5 Fresno County							
Fatherhood Challenge		2012DS6136	0	50,000	50,000	0	23,356
Total Federal and State Awards			$ 1,728,991	$ 159,450	$ 1,888,441	$ 1,217,508	$ 129,847

READING AND BEYOND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2013

NOTE A: **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state grant activity of Reading and Beyond under programs of the federal and state government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the 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 Reading and Beyond.

NOTE B: **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 OMB Circular A-122, *Costs Principles for Non-profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C: **CLAIM PREPARATION**

Monthly CACFP claims were prepared in accordance with the Actual Count Claim method.

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2013, WITH COMPARATIVE TOTALS FOR 2012

	CSPP 2082	CPKS 2014	Total CDE CD Contracts	Non-CDE Programs	TOTAL 2013	TOTAL 2012
REVENUE AND SUPPORT						
Contributions	$ 0	$ 0	$ 0	$ 27,332	$ 27,332	$ 16,499
Grants and contracts - Foundations and others	0	0	0	419,176	419,176	421,316
Grants and contracts - Governments	160,119	2,491	162,610	2,154,972	2,317,582	2,183,035
Child care food program, #05232-CACFP-10-NP-IC	17,337	0	17,337	12,906	30,243	34,158
Prior year reserve release	0	0	0	0	0	3,499
Program service fee revenues - tuition	0	0	0	95,733	95,733	95,368
Donated goods and services	0	0	0	627,799	627,799	505,815
Rental income	0	0	0	91,276	91,276	68,242
Fundraising	0	0	0	5,064	5,064	2,054
Investment income	34	0	34	32,980	33,014	24,150
Realized loss on investment	0	0	0	(2,682)	(2,682)	0
Unrealized gain (loss) on investments	0	0	0	14,107	14,107	(2,960)
Miscellaneous	0	0	0	2,510	2,510	2,504
Loss on disposal of asset	0	0	0	0	0	(3,729)
TOTAL REVENUE AND SUPPORT	177,490	2,491	179,981	3,481,173	3,661,154	3,349,951
EXPENSES						
Bad debt expense	39	0	39	2,026	2,065	562
Consulting expense	0	0	0	94,500	94,500	32,602
Contracted instructors	0	0	0	2,900	2,900	29,160
Depreciation	13,152	0	13,152	37,807	50,959	16,703
Dues and subscriptions	870	0	870	5,196	6,066	1,608
Fingerprinting expense	92	0	92	5,209	5,301	5,609
Indirect costs	10,886	184	11,070	(11,070)	0	0
In-kind expense - books and supplies	0	0	0	21,502	21,502	24,331
In-kind expense - services	0	0	0	512,473	512,473	481,200
Insurance	0	0	0	18,875	18,875	17,542
Legal and accounting	4,000	0	4,000	14,300	18,300	18,369
Licenses and fees	0	0	0	3,606	3,606	3,168
Other employee benefits	13,535	313	13,848	216,380	230,228	216,268
Outreach/volunteer retention	32	0	32	5,076	5,108	9,452
Payroll processing and bank fees	0	0	0	5,039	5,039	3,241
Payroll taxes	9,573	150	9,723	186,045	195,768	188,960
Postage	0	0	0	1,150	1,150	1,396
Printing and copying	585	0	585	12,655	13,240	9,911
Rent and janitorial	3,894	0	3,894	13,870	17,764	33,380
Special program expense	19,686	78	19,764	64,274	84,038	108,034
Supplies and food	5,414	234	5,648	125,700	131,348	151,613
Telephone and internet	515	0	515	8,620	9,135	5,301
Travel/conference expense	500	0	500	38,951	39,451	39,196
Utilities	3,847	0	3,847	67,930	71,777	54,256
Wages	90,870	1,532	92,402	1,833,499	1,925,901	1,792,470
TOTAL EXPENSES	177,490	2,491	179,981	3,286,513	3,466,494	3,244,332
CHANGE IN NET ASSETS	$ 0	$ 0	$ 0	$ 194,660	$ 194,660	$ 105,619

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

YEAR ENDED JUNE 30, 2013

		CSPP 2082	CPKS 2014	TOTAL CDE CD CONTRACTS
1000	Certificated salaries	$ 63,895	$ 1,514	$ 65,409
2000	Classified salaries	26,975	18	26,993
3000	Employee benefits	23,108	463	23,571
4000	Books and supplies	25,100	312	25,412
5000	Services and other operating expenses	14,374	0	14,374
6100/6200	Other approved capital outlay	0	0	0
6400	New equipment (program-related)	0	0	0
6500	Replacement equipment (program-related)	0	0	0
Depreciation or use allowance		13,152	0	13,152
Start-up expenses - service level exemption		0	0	0
Budget impasse credit		0	0	0
Indirect costs		10,886	184	11,070
Total Expenses Claimed for Reimbursement		177,490	2,491	179,981
Total Supplemental Expenses		0	0	0
Total Expenditures		$ 177,490	$ 2,491	$ 179,981

Notes:
(a) A written indirect cost allocation plan for the current fiscal year, approved by the Board of Directors, is on file in the main accounting office of Reading and Beyond.

(b) Any food expenses have been allocated to the appropriate contracts.

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 PROGRAM

RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING

YEAR ENDED JUNE 30, 2013

	CSPP 2082	CPKS 2014	TOTAL CDE CD CONTRACTS
Schedule of Expenditures by State Categories (CDE)	$ 177,490	$ 2,491	$ 179,981
Adjustments to Reconcile Differences in Reporting:	0	0	0
Combining Statement of Activities (GAAP)	**$ 177,490**	**$ 2,491**	**$ 179,981**

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES

YEAR ENDED JUNE 30, 2013

	CSPP 2082	CPKS 2014	Total Costs
Unit Cost Under $7,500 per Item:			
None	$ 0	$ 0	$ 0
Unit Cost Over $7,500 With Prior CDE Approval:			
None	0	0	0
Unit Cost Over $7,500 Without Prior CDE Approval			
None	0	0	0
Total Equipment Expenditures	**$ 0**	**$ 0**	**$ 0**

Note:
Reading and Beyond's capitalization threshold is $1,000, or more.

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

SCHEDULE OF REIMBURSABLE EXPENDITURES FOR RENOVATIONS AND REPAIRS

YEAR ENDED JUNE 30, 2013

	CSPP 2082	CPKS 2014	Total Costs
Unit Cost Under $10,000 per Item:			
None	$ 0	$ 0	$ 0
Unit Cost Over $10,000 With Prior CDE Approval:			
None	0	0	0
Unit Cost Over $10,000 Without Prior CDE Approval:			
None	0	0	0
Total Renovation and Repair Expenditures	$ 0	$ 0	$ 0

Note:
Reading and Beyond's capitalization threshold is $1,000, or more.

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS

YEAR ENDED JUNE 30, 2013

	CSPP 2082	CPKS 2014	TOTAL COSTS
Administrative salaries	$ 6,218	$ 0	$ 6,218
Administrative benefits/payroll taxes	1,984	0	1,984
Legal and accounting	4,000	0	4,000
Indirect costs	10,886	184	11,070
Total Administrative Costs	**$ 23,088**	**$ 184**	**$ 23,272**

See Accompanying Notes to Financial Statements

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: Reading and Beyond Child Development Program Vendor No. 10-Z642

Fiscal Year Ended: June 30, 2013 Contract No. CSPP-2082

Independent Auditor's Name: Moore Grider & Company

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
Three and Four Year Olds					
Full-time-plus	-		-	1.1800	-
Full-time	2,107		2,107	1.0000	2,107.000
Three-quarters-time	-		-	0.7500	-
One-half-time	104		104	0.6172	64.189
Exceptional Needs					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6172	-
Limited and Non-English Proficient					
Full-time-plus	-		-	1.2980	-
Full-time	2,421		2,421	1.1000	2,663.100
Three-quarters-time	-		-	0.8250	-
One-half-time	43		43	0.6172	26.540
At Risk of Abuse or Neglect					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
Severely Disabled					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT	4,675	-	4,675		4,860.828
DAYS OF OPERATION	248	-	248		
DAYS OF ATTENDANCE	4,672	-	4,672		

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

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

AUDITED ATTENDANCE AND FISCAL REPORT
for California State Preschool Programs

Agency Name: Reading and Beyond Child Development Program — Vendor No. 10-Z642

Fiscal Year End: June 30, 2013 — Contract No. CSPP-2082

SECTION III - REVENUE		COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED INCOME				
Child Nutrition Programs		$17,337	$0	$17,337
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
	Subtotal	$17,337	$0	$17,337
Transfer from Reserve	Contract #			0
	Contract #			0
Family Fees for Certified Children	Contract #	15,295		15,295
	Contract #			0
Interest Earned on Apportionments	Contract #	34		34
	Contract #			0
UNRESTRICTED INCOME				
Family Fees for Noncertified Children				0
Head Start Program (EC § 8235(b))				0
Other (Specify):				0
	TOTAL REVENUE	$32,666	$0	$32,666
SECTION IV - REIMBURSABLE EXPENSES				
1000 Certificated Salaries		$63,895	$0	$63,895
2000 Classified Salaries		26,975		26,975
3000 Employee Benefits		23,108		23,108
4000 Books and Supplies		25,100		25,100
5000 Services and Other Operating Expenses		14,374		14,374
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (*program-related*)				0
6500 Replacement Equipment (*program-related*)				0
Depreciation or Use Allowance		13,152		13,152
Start-Up Expenses (service level exemption)				0
Budget Impasse Credit				0
Indirect Costs. Rate: 7.09%	(Rate is Self-Calculating)	10,886		10,886
	TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	$177,490	$0	$177,490
TOTAL ADMINISTRATIVE COSTS (included in section IV above)		$23,088	$0	$23,088
FOR CDE-A&I USE ONLY:				

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

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

☑ YES

☐ NO - Explain any discrepancies.

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

☑ YES

☐ NO - Explain any discrepancies.

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

Reading and Beyond provided $17,337 of food for this contract under CACFP Agreement No. 05232-CACFP-10-NP-IC.

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

AUD 8501, Page 3 of 4 (FY 2012-13) — California Department of Education

See Accompanying Note to Financial Statements

AUDITED FISCAL REPORT
for Child Development Support Contracts

Agency Name: Reading and Beyond Child Development Program   Vendor No. 10-Z642

Fiscal Year End: June 30, 2013   Contract No. CPKS-2014

Multi-Year Contract? (Check "No" Box **or** Enter Contract Period): No: ☑ **or** Period:

Independent Auditor's Name: Moore Grider & Company

SECTION I - REVENUE	COLUMN A1 PRIOR YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	COLUMN A2 CURRENT FISCAL YEAR PER FORM CDFS 9529	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
RESTRICTED INCOME				
Match Requirement	$0	$0	$0	$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
				0
Subtotal	$0	$0	$0	$0
INTEREST EARNED ON APPORTIONMENTS				0
UNRESTRICTED INCOME Other (Specify):				0
				0
TOTAL REVENUE	$0	$0	$0	$0
SECTION II - REIMBURSABLE EXPENSES				
1000 Certificated Salaries	$0	$1,514	$0	$1,514
2000 Classified Salaries		18		18
3000 Employee Benefits		463		463
4000 Books and Supplies		312		312
5000 Services and Other Operating Expenses				0
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (*program-related*)				0
6500 Replacement Equipment (*program-related*)				0
Depreciation or Use Allowance				0
Indirect Costs. Rate: 7.98%		184		184
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	$0	$2,491	$0	$2,491
TOTAL ADMINISTRATIVE COSTS (included in section II above)	$0	$184	$0	$184
FOR CDE-A&I USE ONLY:				

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

☑ NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 2 if there are no supplemental revenues or expenses to report.

AUD 9529, Page 1 of 2 (FY 2012-13)   California Department of Education

See Accompaying Notes to Financial Statements

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: Reading & Beyond Child Development Program

Fiscal Year End: June 30, 2013 Vendor No. 10-Z642

Independent Auditor's Name: Moore Grider & Company

RESERVE ACCOUNT TYPE (Check One): ☑ Center Based ☐ Resource and Referral ☐ Alternative Payment	COLUMN A PER AGENCY	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C PER AUDIT
LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	$4,971	$0	$4,971
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No.	$0	$0	$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	0	0	0
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)	$0		$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	$4,971	$0	$4,971
THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	$10	$0	$10
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Contract No.	$0	$0	$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Contracts from Reserve Account	0	0	0
7. Ending Balance on June 30, 2013 (column A must agree with this year's CDFS 9530-A, Section IV)	$4,981	$0	$4,981

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

AUD 9530-A, Page 1 of 1 (FY 2012-13) California Department of Education

See Accompanying Notes to Financial Statements

Moore Grider & Company
Certified Public Accountants

A Partnership Including Accountancy Corporations

Richard L. Holland, C.P.A.
Thomas L. Bell, C.P.A., Accountancy Corporation
Denise S. Hurst, C.P.A.
Kenneth J. Labendeira, C.P.A., Accountancy Corporation
Pamela J. Gallemore, C.P.A., Accountancy Corporation
Karl L. Noyes, C.P.A., Accountancy Corporation
Cory J. Bell, C.P.A.
Kendall K. Wheeler, C.P.A.
Necia Wollenman, C.P.A.

Rena R. Avedikian, C.P.A.
Kelli D. Steele, C.P.A.
Julie B. Fillmore, C.P.A.
Carrie M. Wiebe, C.P.A.
Nora E. Crow, C.P.A.
Nicholas Medeiros, C.P.A.
Oscar Espinoza, C.P.A.
David M. DeWall, C.P.A.

L. Jerome Moore, C.P.A. Retired
Robert E. Grider, C.P.A. Retired

INDEPENDENT AUDITORS' 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

Board of Directors
Reading and Beyond
Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of Reading and Beyond, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 17, 2013.

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 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Reading and Beyond's financial statements are free of 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moore Grider & Company

September 17, 2013

Moore Grider & Company
Certified Public Accountants

A Partnership Including Accountancy Corporations

Richard L. Holland, C.P.A.
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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Reading and Beyond
Fresno, California

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs.

Auditors' 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 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

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each of its major federal programs for the year ended June 30, 2013.

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 OMB Circular A-133, 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 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 requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moore Grider + Company

September 17, 2013

READING AND BEYOND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

▪ Type of auditors' report issued:	Unqualified opinion
▪ Internal control over financial reporting:	
Material weakness identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
▪ Noncompliance material to the financial statements noted:	No

Federal Awards

▪ Internal control over major programs:	
Material weakness identified:	No
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
▪ Type of auditors' report issued on compliance for major programs:	Unqualified opinion
▪ Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133:	No

- Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.551	Supplemental Nutrition Assistance Program
84.215P	Fund for Improvement of Education

▪ Dollar threshold used to distinguish between Type A and Type B programs for program determination:	$300,000
▪ Reading and Beyond qualified as low-risk auditee:	Yes

SECTION II – FINANCIAL STATEMENT FINDINGS	None
SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS	None

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS

13-01. Application for Child Development Services and Certification of Eligibility Not Complete

Program Information: California State Preschool Program – CFDA No. 93.596/93.575; Grant No. CSPP 2082; Grant period – Year ended June 30, 2013

Criteria: Program eligibility requires the CD 9600 to be certified and signed by the parent.

Condition: During our review of eligibility files, we noted in four files that the CD 9600, Application for Child Development Services and Certification of Eligibility, had not been certified and signed by the parent.

Questioned costs: $0

Effect: The child's CD 9600 was not certified and signed by the parent.

Cause: Policies and procedures are in place for program staff to verify that the CD 9600 is certified and signed by the parent. The Organization was inconsistent in following these policies and procedures.

Recommendation: We recommend that all documentation in the parent files be reviewed for completeness, and that all documentation be maintained in date order, hole-punched, and filed in the appropriate portion of the file.

Views of Responsible Officials and Planned Corrective Actions: Effective immediately, each CD 9600 "Application for Child Development Services and Certification of Eligibility" will be reviewed and signed off by two RAB Preschool representatives. A copy of the completed CD 9600 will be provided to the Finance Department within five business days after a child's effective date of enrollment and within five business days after any subsequent application update.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS (Continued)

13-02. Meal Eligibility Determination Reported on Agency Enrollment/Eligibility Roster Not Correct

Program Information: Child & Adult Care Food Program – CFDA No. 10.558; Grant No. 05232-CACFP-10-NP-IC; Grant period – Year ended June 30, 2013

Criteria: Program regulations require the Organization to correctly list the meal benefit status for each participant on the NSD 3110, Agency Enrollment/Eligibility Roster, for each reported month.

Condition: During our review of eligibility files, we noted in two files that the NSD 3110 reported the incorrect meal eligibility information.

Questioned costs: $0

Effect: The Organization incorrectly reported meal eligibility, and was not correctly reimbursed by CDE for the cost of meals provided.

Cause: Policies and procedures are in place for program staff to verify that the NSD 3110 reflects the current determined eligibility information for each participant. The Organization was inconsistent in following these policies and procedures.

Recommendation: We recommend that program staff review and verify that the NSD 3110 reflects the current determined eligibility information for each participant, based upon the completed and certified NSD 3101, Meal Benefit Form, located in each participants eligibility file.

Views of Responsible Officials and Planned Corrective Actions: Effective immediately, the NSD 3101, Meal Benefit Form for Children, will be provided to the Finance Department monthly for all new enrollees at the same time the NSD 3110, Agency Enrollment/Eligibility Roster, is provided to the Finance Department. Finance Department will review to ensure the information on the NSD 3101 agrees with the NSD 3110.

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS (Continued)

13-03. Meal Benefit Form for Children Not Complete

Program Information: Child & Adult Care Food Program – CFDA No. 10.558; Grant No. 05232-CACFP-10-NP-IC; Grant period – Year ended June 30, 2013

Criteria: Program regulations regarding NSD 3101, Meal Benefit Form for Children, require the following:

1) The NSD 3101 must be certified and signed by the parent.

2) The NSD 3101 must be completed, certified and signed by a Reading and Beyond representative.

3) If the NSD 3101 notes a child is eligible due to participation in CalFresh/CAlWorks, either the case information must be present, or the parents SSN must be noted.

Condition: During our review of eligibility files, we noted the following:

1) In one file, the NSD 3101 had not been certified and signed by the parent.

2) In one file, the NSD 3101, had not been completed, certified and signed by a Reading and Beyond representative.

3) In one file, the NSD 3101, noted child eligible due to participation in CalFresh/CAlWorks in 'For Agency Use Only' area, but no such case information or parent SSN noted.

Questioned costs: $0

Effect: Documentation of certification of eligibility for services was incomplete on the NSD 3101.

Cause: Policies and procedures are in place for program staff to verify that the NSD 3101 is complete in its entirety, and for an agency representative to certify and sign the form. The Organization was inconsistent in following these policies and procedures.

Recommendation: We recommend that program staff review and verify that the NSD 3101 is completed in its entirety, and for an agency representative to certify and sign the form.

Views of Responsible Officials and Planned Corrective Actions: Effective immediately, each NSD 3101, Meal Benefit Form for Children, is going to be reviewed and signed off by two RAB Preschool representatives. This form will be provided to the Finance

SECTION III – STATE AWARD FINDINGS AND QUESTIONED COSTS (Continued)

13-03. Meal Benefit Form for Children Not Complete (Continued)

Department monthly for all new enrollees at the same time the NSD 3110, Agency Enrollment/Eligibility Roster, is provided to the Finance Department. Finance Department will review each NSD 3101 to ensure it has been completed accurately.

READING AND BEYOND

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

Section II - Financial Statement Findings	None
Section III - Federal Award Findings and Questioned Costs:	None
Section III - State Award Findings and Questioned Costs:	None