

READING AND BEYOND

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2014 AND 2013

ENTITY IDENTIFICATION NO.: 77-0508471

READING AND BEYOND
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2014 AND 2013

TABLE OF CONTENTS

	PAGE
GENERAL INFORMATION	1
INDEPENDENT AUDITORS' REPORT	2 - 3
FINANCIAL STATEMENTS	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 19
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal and State Awards	20
Notes to Schedule of Expenditures of Federal and State Awards	21
Combining Statement of Activities	22
Combining Schedule of Expenditures by State Categories	23
Reconciliation of CDE and GAAP Expense Reporting	24
Schedule of Reimbursable Equipment Expenditures	25
Schedule of Reimbursable Expenditures for Renovations and Repairs	26
Schedule of Reimbursable Administrative Costs	27
AUDITED ATTENDANCE AND FISCAL REPORTS/AUDITED FISCAL REPORTS	
AUD 8501 California State Preschool Program (CSPP-3080)	28 - 31
AUD 9529 Prekindergarten and Family Literacy (CPKS-3014)	32
AUD 9530-A Reserve Account Activity Report	33
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 <u>GOVERNMENT AUDITING STANDARDS</u>	34 - 35
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	36 - 37
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	38
SUMMARY OF PRIOR YEAR AUDIT FINDINGS	39 - 42

GENERAL INFORMATION

Name of Agency:	Reading and Beyond
Program Name and Contract No.:	
California State Preschool Program	CSPP-3080
Prekindergarten and Family Literacy (Support)	CPKS-3014
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	Rich Coon
Telephone Number:	(559) 600-6191
Period Covered by Audit:	Fiscal Year July 1, 2013 to June 30, 2014
Number of Days of Operations by Agency:	246
Scheduled Hours of Operation Each Day:	7:00 a.m. to 5:30 p.m.



Moore Grider & Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

*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.
Tom Collins, 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., M.B.A.

Nora E. Crow, C.P.A.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.F.E.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

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, 2014 and 2013, 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.

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, 2014 and 2013, 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 20 and 21 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 22 to 33 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 November 17, 2014, 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 Greider & Company

November 17, 2014

READING AND BEYOND

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2014 AND 2013

	2014	2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,200,356	\$ 368,492
Short-term investments (Note 3)	971,010	1,699,837
Accounts receivable	12,670	11,192
Grants and contracts receivable (Note 5)	230,534	357,816
Prepaid expenses	<u>74,056</u>	<u>79,641</u>
TOTAL CURRENT ASSETS	2,488,626	2,516,978
INVESTMENT IN SECURITIES (Note 4)	1,303,350	1,035,533
PROPERTY AND EQUIPMENT , net of accumulated depreciation (Note 6)	117,785	166,451
LICENSE RIGHTS	<u>213,650</u>	<u>213,650</u>
TOTAL ASSETS	<u>4,123,411</u>	<u>3,932,612</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	21,667	24,881
Accrued liabilities	235,239	189,754
Credit card payable	10,758	12,159
Grant advances (Note 7)	413,005	371,520
Child development reserve (Note 8)	<u>7,404</u>	<u>4,981</u>
TOTAL CURRENT LIABILITIES	688,073	603,295
COMMITMENTS AND CONTINGENCIES (Note 10)	0	0
NET ASSETS		
Unrestricted	<u>3,435,338</u>	<u>3,329,317</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,123,411</u>	<u>\$ 3,932,612</u>

See Accompanying Notes to Financial Statements

READING AND BEYOND

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
UNRESTRICTED REVENUE AND SUPPORT		
Contributions	\$ 19,358	\$ 27,332
Grants and contracts - Foundations and others	447,666	419,176
Grants and contracts - Governments	2,383,555	2,317,582
Child care food program	26,081	30,243
Prior year reserve release	0	0
Program service fee revenues - tuition	62,371	95,733
Donated goods and services (Note 11)	511,824	627,799
Rental income	94,305	91,276
Fundraising, net of expenses of \$81,058 in 2014 and \$5,156 in 2013	35,072	5,064
Investment income, net of investment expenses of \$5,934 in 2014 and \$5,239 in 2013 (Notes 3 and 4)	25,619	33,014
Realized loss on investments (Note 4)	(15,508)	(2,682)
Unrealized gain on investments (Note 4)	66,394	14,107
Miscellaneous	21,447	2,510
Loss on disposal of assets	(2,514)	0
	3,675,670	3,661,154
EXPENSES		
Program services	2,989,778	2,941,562
Management and general	568,930	521,648
Fundraising expenses	10,941	3,284
	3,569,649	3,466,494
INCREASE IN UNRESTRICTED NET ASSETS	106,021	194,660
UNRESTRICTED NET ASSETS, beginning of year	3,329,317	3,134,657
UNRESTRICTED NET ASSETS, end of year	\$ 3,435,338	\$ 3,329,317

See Accompanying Notes to Financial Statements

READING AND BEYOND

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2014 AND 2013

2014

2013

	2014			2013				
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES:								
Alarm and security	\$ 2,209	\$ 0	\$ 0	\$ 2,209	\$ 0	\$ 0	\$ 0	\$ 2,209
Bad debt expense	1,955	0	0	1,955	2,065	0	0	2,065
Board and committee meetings	0	298	0	298	0	0	0	0
Consulting expense	21,000	0	0	21,000	94,500	0	0	94,500
Contracted instructors	7,201	0	0	7,201	2,900	0	0	2,900
Depreciation	46,393	9,109	0	55,502	42,737	8,222	0	50,959
Dues and subscriptions	421	4,621	50	5,092	2,653	3,363	50	6,066
Fingerprinting expense	4,367	446	0	4,813	4,889	412	0	5,301
Indirect costs	0	0	0	0	0	0	0	0
In-kind expense - goods	32,141	0	0	32,141	21,502	0	0	21,502
In-kind expense - services	412,038	67,645	0	479,683	427,922	84,551	0	512,473
Insurance	2,518	16,534	0	19,052	1,371	17,439	65	18,875
Legal and accounting	0	19,550	0	19,550	0	18,300	0	18,300
Licenses and fees	1,440	3,743	0	5,183	1,005	2,601	0	3,606
Other employee benefits	192,158	50,686	1,606	244,450	192,327	37,362	539	230,228
Outreach/volunteer retention	682	2,727	14	3,423	172	4,936	0	5,108
Payroll processing and bank fees	492	8,832	8	9,332	29	5,000	10	5,039
Payroll taxes	191,715	27,621	829	220,165	171,982	23,641	145	195,768
Postage	67	750	0	817	155	827	168	1,150
Printing and copying	9,424	1,155	46	10,625	10,841	2,281	118	13,240
Rent and janitorial	12,328	3,224	0	15,552	14,285	3,479	0	17,764
Special program expense	19,216	0	0	19,216	84,038	0	0	84,038
Supplies and food	155,708	5,341	11	161,060	124,412	6,617	319	131,348
Telephone and internet	4,467	3,800	0	8,267	3,744	5,391	0	9,135
Travel/conference expense	28,969	2,073	120	31,162	36,866	2,557	28	39,451
Utilities	50,488	24,039	0	74,527	46,096	25,681	0	71,777
Wages	1,792,381	316,736	8,257	2,117,374	1,655,071	268,988	1,842	1,925,901
TOTAL EXPENSES	\$ 2,989,778	\$ 568,930	\$ 10,941	\$ 3,569,649	\$ 2,941,562	\$ 521,648	\$ 3,284	\$ 3,466,494

See Accompanying Notes to Financial Statements

READING AND BEYOND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 106,021	\$ 194,660
Adjustments to reconcile increase in net assets to net cash provided from operating activities		
Depreciation	55,502	50,959
Realized loss on investments	15,508	2,682
Unrealized gain on investments	(66,394)	(14,107)
Loss on disposal of assets	2,514	0
Bad debt expense	2,209	2,065
In-kind donation - license rights	0	(93,825)
Changes in:		
Accounts receivable	(3,687)	(1,292)
Grants and contracts receivable	127,282	17,540
Prepaid expenses	5,585	(20,304)
Accounts payable	(3,214)	(13,761)
Accrued liabilities	45,485	(1,622)
Credit card payable	(1,401)	(10,162)
Grant advances	41,485	200,362
Child development reserve	2,423	10
	<u>329,318</u>	<u>313,205</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Net decrease (increase) in investments	511,896	(269,577)
Purchase of license rights	0	(119,825)
Purchase of property and equipment	(8,833)	(44,119)
Increase in construction in progress	(517)	(902)
	<u>502,546</u>	<u>(434,423)</u>
NET CASH PROVIDED FROM (USED BY) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>0</u>	<u>0</u>
NET INCREASE (DECREASE) IN CASH		
	831,864	(121,218)
CASH AND CASH EQUIVALENTS, beginning of year		
	<u>368,492</u>	<u>489,710</u>
CASH AND CASH EQUIVALENTS, end of year		
	<u>\$ 1,200,356</u>	<u>\$ 368,492</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Transfer of construction in progress to property and equipment	<u>\$ 902</u>	<u>\$ 98,646</u>

See Accompanying Notes to Financial Statements

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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 or 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, 2014 and 2013, 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.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

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, 2014 and 2013, 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.

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014 and 2013, cash and cash equivalents consist of the following:

		2014	2013
Bank of the Sierra	Business checking	\$ 284,363	\$ 124,033
Bank of the Sierra	Business savings	17,028	20,808
Citibank	Money market fund	898,865	223,551
Change fund		<u>100</u>	<u>100</u>
		<u>\$ 1,200,356</u>	<u>\$ 368,492</u>

At June 30, 2014 and 2013, cash and cash equivalents included \$1,200,356 and \$368,492, respectively, held in commercial banks. The Federal Deposit Insurance Corporation (FDIC) insures total deposit cash balances up to \$250,000 per bank. At June 30, 2014 and 2013, the organization had accounts with combined balances of \$761,281 and \$0, respectively, which were not FDIC insured.

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READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 3: SHORT-TERM INVESTMENTS

Investments as of June 30, 2014 and 2013, are summarized as follows:

		2014	2013
Bank of America	Certificate of deposit	\$ 0	\$ 240,408
Central Valley			
Community Bank	Certificate of deposit	242,067	240,836
Fresno First Bank	Certificate of deposit	0	240,047
Murphy Bank	Certificate of deposit	245,945	243,621
Premier Valley Bank	Certificate of deposit	241,769	240,563
Security First Bank	Certificate of deposit	0	245,297
United Security Bank	Certificate of deposit	241,229	249,065
		<u>\$ 971,010</u>	<u>\$ 1,699,837</u>

The certificates bear interest ranging from 0.35% to 0.95% and have maturities ranging from six months to twenty-four months with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements.

At June 30, 2014 and 2013, 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, 2014 and 2013:

	2014	2013
Investment income	<u>\$ 8,689</u>	<u>\$ 12,160</u>

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.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 4: INVESTMENT IN SECURITIES

Investment in securities as of June 30, 2014, is summarized as follows:

	Quoted Market Value	Unrealized Gain
Available-for-sale securities:		
Money market	\$ 3,910	\$ 250
Fixed income	941,019	60,259
Equities	<u>358,421</u>	<u>22,952</u>
	<u>\$ 1,303,350</u>	<u>\$ 83,461</u>

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	<u>287,878</u>	<u>4,745</u>
	<u>\$ 1,035,533</u>	<u>\$ 17,067</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2014 and 2013:

	2014	2013
Investment return:		
Investment income, net of expenses of \$5,934 in 2014 and \$5,239 in 2013	\$ 16,930	\$ 20,854
Realized loss	(15,508)	(2,682)
Unrealized gain	<u>66,394</u>	<u>14,107</u>
	<u>\$ 67,816</u>	<u>\$ 32,279</u>

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 5: GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2014 and 2013, amounts due to the Organization for expenditures that are reimbursable by the granting or contracting agency are as follows:

	2014	2013
AIMS Education Foundation	\$ 13,739	\$ 0
Boys & Girls Club of Fresno County	6,625	1,656
California Department of Education	8,973	2,235
Central Unified School District	18,240	0
Clovis Unified School District	4,693	0
First 5 Fresno County	10,762	0
Focus Forward	14,605	0
Fresno County DBH	10,388	3,110
Fresno County DSS	7,395	101,119
Fresno County Office of Education	104,014	148,022
Fresno Unified School District	19,568	87,861
Hanford Elementary School District	3,996	0
Madera Unified School District	3,630	13,101
Other	3,906	712
	<u>\$ 230,534</u>	<u>\$ 357,816</u>

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 6: PROPERTY AND EQUIPMENT

At June 30, 2014 and 2013, property and equipment consist of the following:

	2014	2013
Equipment	\$ 79,679	\$ 89,653
Vehicles	129,336	129,336
Leasehold improvements	167,203	163,278
Construction in progress	517	902
	376,735	383,169
Less: Accumulated depreciation	(258,950)	(216,718)
	\$ 117,785	\$ 166,451

Depreciation expense was \$55,502 and \$50,959 for the years ended June 30, 2014 and 2013, respectively.

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 7: GRANT ADVANCES

At June 30, 2014 and 2013, grant advances consist of the following:

	2014	2013
AT&T	\$ 29,692	\$ 0
Bank of America	47,468	37,050
Bullard Talent PTA	0	825
California Department of Education	0	582
California Endowment	0	6,650
California Health Care Foundation	0	350
Comcast	36,813	13,100
Educational Employees Credit Union	0	10,000
Families in Schools	2,756	19,520
Fresno County DSS	6,500	6,500
Fresno County Office of Education	0	10,000
Fresno Regional Foundation	117,238	137,582
Golden1 Credit Union	20,000	0
James Irvine Foundation	51,938	91,415
Kaiser Permanente	5,483	12,579
SJV Workforce Funders Collaborative	870	995
United Way Fresno County	20,000	0
Walter Johnson Foundation	49,953	1,625
Wells Fargo Foundation	22,468	6,803
Other	1,826	15,944
	<u>\$ 413,005</u>	<u>\$ 371,520</u>

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, 2014 and 2013 was \$7,404 and \$4,981, respectively, which is recorded as an asset in the cash account.

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

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, 2014 and 2013 includes interest of \$15 and \$10, respectively, that the bank paid during each respective year.

NOTE 9: FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of fair value hierarchy under FASB ASC 820 are described below:

- Level 1 Quoted prices for identical assets or liabilities traded in active markets.
- Level 2 Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; quoted prices that are observable for the asset or liability or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2014 and 2013.

Money market funds: Valued at authorized cost, which approximates fair value.

Fixed income: Valued at the closing price reported in the active market in which the individual securities are traded.

Equities: Valued at the closing price reported in the active market in which the individual equities are traded.

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

NOTE 9: FAIR VALUE MEASUREMENTS (Continued)

Donated goods and services: Value based upon vendor invoices and current market price.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The table below presents the level within the hierarchy at which assets are measured at June 30, 2014 and 2013:

	2014			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Recurring:				
Available for sale equity securities:				
Money market	\$ 3,910	\$ 3,910	\$ 0	\$ 0
Fixed income	941,019	941,019	0	0
Equities	358,421	358,421	0	0
Total available for sale equity securities	1,303,350	1,303,350	0	0
Nonrecurring:				
Donated goods and services	511,824	0	511,824	0
	\$ 1,815,174	\$ 1,303,350	\$ 511,824	\$ 0
	2013			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Recurring:				
Available for sale equity securities:				
Money market	\$ 41,421	\$ 41,421	\$ 0	\$ 0
Fixed income	706,234	706,234	0	0
Equities	287,878	287,878	0	0
Total available for sale equity securities	1,035,533	1,035,533	0	0
Nonrecurring:				
Donated goods and services	627,799	0	627,799	0
	\$ 1,663,332	\$ 1,035,533	\$ 627,799	\$ 0

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 10: 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, 2014 and 2013, in-kind contributions of \$160,200 have been recorded. See Note 11.

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, 2014 and 2013, in-kind contributions of \$88,275 have been recorded. See Note 11.

NOTE 11: DONATED GOODS AND SERVICES

Donated goods and services consist of the following:

	2014	2013
Free use of facilities (admin and program sites), services and related utilities	\$ 479,683	\$ 512,473
Activities supplies	32,141	115,326
	\$ 511,824	\$ 627,799

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014 AND 2013

NOTE 12: 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, 2014 and 2013, the matching amount contributed to the plan was \$34,333 and \$36,569, respectively. The contribution is included in Other Employee Benefits expense on the statements of functional expenses.

NOTE 13: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 17, 2014 (date financial statements available to be issued) and determined no events have occurred subsequent to June 30, 2014 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, 2014

Agency Name/Pass-Through Agency Program Title	CFDA Number	Grantor's Number	Award Amount		Expenditures	
			Federal	State	Federal	State
U.S. Department of Agriculture Passed through California Department of Education: Child and Adult Care Food Program Passed through County of Fresno:	10.558	05232-CACFP-10-NP-JC	\$ 26,081	\$ 0	\$ 26,081	\$ 0
Supplemental Nutrition Assistance Program	10.551	A-12-106	590,000	0	590,000	0
Supplemental Nutrition Assistance Program	10.551	A-12-106	448,148	0	448,148	0
			1,038,148	0	1,038,148	0
U.S. Department of Health & Human Services Passed through County of Fresno	93.558	10-325-2	312,916	0	312,916	0
Temporary Assistance for Needy Families (TANF)	93.558	A-13-544	368,879	0	368,879	0
Temporary Assistance for Needy Families (TANF)			681,795	0	681,795	0
			1,746,024	0	1,746,024	0
California Department of Education	93.596/ 93.575	CSP-3080 CPKS-3014 n/a	39,236	132,542	171,778	126,172
California State Preschool Program			0	2,500	2,500	2,500
Prekindergarten and Family Literacy (Support) Reserve Account			0	0	0	0
			39,236	135,042	174,278	128,672
First 5 Fresno County Promise Neighborhood		2014-0947	0	102,000	102,000	48,472
Total Federal and State Awards			\$ 1,785,260	\$ 237,042	\$ 2,022,302	\$ 177,144

READING AND BEYOND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2014

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, 2014. 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, 2014, WITH COMPARATIVE TOTALS FOR 2013

	CSFP 3080	CPKS 3014	Total CDE CD Contracts	Non-CDE Programs	TOTAL	
					2014	2013
REVENUE AND SUPPORT						
Contributions	\$ 0	\$ 0	\$ 0	\$ 19,358	\$ 19,358	\$ 27,332
Grants and contracts - Foundations and others	0	0	0	447,666	447,666	419,176
Grants and contracts - Governments	254,155	2,500	256,655	2,126,900	2,383,555	2,317,582
Child care food program, #05232-CACFP-10-NP-IC	26,081	0	26,081	0	26,081	30,243
Prior year reserve release	0	0	0	0	0	0
Program service fee revenues - tuition	0	0	0	62,371	62,371	95,733
Donated goods and services	0	0	0	511,824	511,824	627,799
Rental income	0	0	0	94,305	94,305	91,276
Fundraising	0	0	0	35,072	35,072	5,064
Investment income	37	0	37	25,582	25,619	33,014
Realized loss on investment	0	0	0	(15,508)	(15,508)	(2,682)
Unrealized gain (loss) on investments	0	0	0	66,394	66,394	14,107
Miscellaneous	1,665	0	1,665	19,782	21,447	2,510
Loss on disposal of asset	0	0	0	(2,514)	(2,514)	0
TOTAL REVENUE AND SUPPORT	281,938	2,500	284,438	3,391,232	3,675,670	3,661,154
EXPENSES						
Alarm and security	2,209	0	2,209	0	2,209	0
Bad debt expense	0	0	0	1,955	1,955	2,065
Board and committee meetings	0	0	0	298	298	0
Consulting expense	0	0	0	21,000	21,000	94,500
Contracted instructors	0	0	0	7,201	7,201	2,900
Depreciation	27,029	0	27,029	28,473	55,502	50,959
Dues and subscriptions	45	0	45	5,047	5,092	6,066
Fingerprinting expense	577	0	577	4,236	4,813	5,301
Indirect costs	16,950	185	17,135	(17,135)	0	0
In-kind expense - goods	0	0	0	32,141	32,141	21,502
In-kind expense - services	0	0	0	479,683	479,683	512,473
Insurance	508	0	508	18,544	19,052	18,875
Legal and accounting	4,000	0	4,000	15,550	19,550	18,300
Licenses and fees	120	0	120	5,063	5,183	3,606
Other employee benefits	19,859	0	19,859	224,591	244,450	230,228
Outreach/volunteer retention	0	0	0	3,423	3,423	5,108
Payroll processing and bank fees	384	0	384	8,948	9,332	5,039
Payroll taxes	14,382	0	14,382	205,783	220,165	195,768
Postage	0	0	0	817	817	1,150
Printing and copying	637	0	637	9,988	10,625	13,240
Rent and janitorial	4,149	0	4,149	11,403	15,552	17,764
Special program expense	0	2,315	2,315	16,901	19,216	84,038
Supplies and food	45,810	0	45,810	115,250	161,060	131,348
Telephone and internet	0	0	0	8,267	8,267	9,135
Travel/conference expense	2,532	0	2,532	28,630	31,162	39,451
Utilities	7,610	0	7,610	66,917	74,527	71,777
Wages	135,137	0	135,137	1,982,237	2,117,374	1,925,901
TOTAL EXPENSES	281,938	2,500	284,438	3,285,211	3,569,649	3,466,494
CHANGE IN NET ASSETS	\$ 0	\$ 0	\$ 0	\$ 106,021	\$ 106,021	\$ 194,660

See Accompanying Notes to Financial Statements

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

YEAR ENDED JUNE 30, 2014

	<u>CSPP 3080</u>	<u>CPKS 3014</u>	<u>TOTAL CDE CD CONTRACTS</u>
1000 Certificated salaries	\$ 72,799	\$ 0	\$ 72,799
2000 Classified salaries	62,338	0	62,338
3000 Employee benefits	34,241	0	34,241
4000 Books and supplies	45,810	2,315	48,125
5000 Services and other operating expenses	22,771	0	22,771
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	27,029	0	27,029
Start-up expenses - service level exemption	0	0	0
Budget impasse credit	0	0	0
Indirect costs	<u>16,950</u>	<u>185</u>	<u>17,135</u>
Total Expenses Claimed for Reimbursement	281,938	2,500	284,438
Total Supplemental Expenses	<u>3,676</u>	<u>0</u>	<u>3,676</u>
Total Expenditures	<u>\$ 285,614</u>	<u>\$ 2,500</u>	<u>\$ 288,114</u>

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, 2014

	<u>CSPP 3080</u>	<u>CPKS 3014</u>	<u>TOTAL CDE CD CONTRACTS</u>
Schedule of Expenditures by State Categories (CDE)	\$ 285,614	\$ 2,500	\$ 288,114
Adjustments to Reconcile Differences in Reporting:	<u>0</u>	<u>0</u>	<u>0</u>
Combining Statement of Activities (GAAP)	<u>\$ 285,614</u>	<u>\$ 2,500</u>	<u>\$ 288,114</u>

See Accompanying Notes to Financial Statements

READING AND BEYOND
CHILD DEVELOPMENT PROGRAM
SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES

YEAR ENDED JUNE 30, 2014

	CSPP 3080	CPKS 3014	Total Costs
<u>Unit Cost Under \$7,500 per Item:</u>			
None	\$ 0	\$ 0	\$ 0
<u>Unit Cost Over \$7,500 With Prior CDE Approval:</u>			
None	0	0	0
<u>Unit Cost Over \$7,500 Without Prior CDE Approval</u>			
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, 2014

	CSPP 3080	CPKS 3014	Total Costs
<u>Unit Cost Under \$10,000 per Item:</u>			
None	\$ 0	\$ 0	\$ 0
<u>Unit Cost Over \$10,000 With Prior CDE Approval:</u>			
None	0	0	0
<u>Unit Cost Over \$10,000 Without Prior CDE Approval:</u>			
None	0	0	0
Total Renovation and Repair Expenditures	\$ 0	\$ 0	\$ 0

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

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS

YEAR ENDED JUNE 30, 2014

	<u>CSPP 3080</u>	<u>CPKS 3014</u>	<u>TOTAL COSTS</u>
Administrative salaries	\$ 6,497	\$ 0	\$ 6,497
Administrative benefits/payroll taxes	1,857	0	1,857
Legal and accounting	4,000	0	4,000
Indirect costs	<u>16,950</u>	<u>185</u>	<u>17,135</u>
Total Administrative Costs	<u>\$ 29,304</u>	<u>\$ 185</u>	<u>\$ 29,489</u>

See Accompanying Notes to Financial Statements

AUDITED ATTENDANCE AND FISCAL REPORT

for California State Preschool Programs

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

Fiscal Year Ended: June 30, 2014 Contract No. CSPP-3080

Independent Auditor's Name: Moore Grider & Company

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus	-		-	1.1800	-
Full-time	1,616		1,616	1.0000	1,616.000
Three-quarters-time	42		42	0.7500	31.500
One-half-time	673		673	0.6172	415.376
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6172	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	3,026		3,026	1.1000	3,328.600
Three-quarters-time	-		-	0.8250	-
One-half-time	501		501	0.6172	309.217
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT	5,858	-	5,858		5,700.693
DAYS OF OPERATION	246	-	246		
DAYS OF ATTENDANCE	5,841	-	5,841		

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 Vendor No. 10-Z642

Fiscal Year Ended: June 30, 2014 Contract No. CSPP-3080

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children. DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus	853		853	1.1800	1,006.540
Full-time	535		535	1.0000	535.000
Three-quarters-time	369		369	0.7500	276.750
One-half-time	98		98	0.6172	60.486
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6172	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	185		185	1.2980	240.130
Full-time	353		353	1.1000	388.300
Three-quarters-time	4		4	0.8250	3.300
One-half-time	2		2	0.6172	1.234
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6172	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6172	-
TOTAL DAYS OF ENROLLMENT	2,399	-	2,399		2,511.740

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

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

Agency Name: Reading and Beyond Vendor No. 10-Z642
 Fiscal Year End: June 30, 2014 Contract No. CSPP-3080

	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$26,081	\$0	\$26,081
County Maintenance of Effort (EC § 8279)			0
Other (Specify): Insurance Proceeds	1,665		1,665
Other (Specify):			0
Subtotal	\$27,746	\$0	\$27,746
Transfer from Reserve			0
Family Fees for Certified Children Full-Day Program	10,931		10,931
Family Fees for Certified Children Part-Day Program	72		72
Interest Earned on Apportionments	37		37
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	76,110		76,110
Head Start Program (EC § 8235(b))			0
Other (Specify): General Fund	10,243		10,243
Other (Specify):			0
TOTAL REVENUE	\$125,140	\$0	\$125,140

SECTION IV - REIMBURSABLE EXPENSES			
1000 Certificated Salaries	\$72,799	\$0	\$72,799
2000 Classified Salaries	62,338		62,338
3000 Employee Benefits	34,241		34,241
4000 Books and Supplies	45,810		45,810
5000 Services and Other Operating Expenses	22,771		22,771
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance	27,029		27,029
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs. Rate: 7.12% (Rate is Self-Calculating)	16,950		16,950
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$281,938	\$0	\$281,938
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$29,304		\$29,304

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, Early Education and Support 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 \$26,081 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 2013-14) California Department of Education

See Accompanying Notes to Financial Statements

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

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

Fiscal Year End: June 30, 2014 Contract No. CSPP-3080

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding	\$0	\$0	\$0
Other (Specify): General Fund	3,676		3,676
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$3,676	\$0	\$3,676

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries	\$0	\$0	\$0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies			0
5000 Services and Other Operating Expenses			0
6000 Equipment/Other Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
NONREIMBURSABLE EXPENSES			
6100-6500 Nonreimbursable Capital Outlay			0
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify): Bad Debt Expense & Other Misc.	3,676		3,676
TOTAL SUPPLEMENTAL EXPENSES	\$3,676	\$0	\$3,676

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

**AUDITED FISCAL REPORT
for Child Development Support Contracts**

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

Fiscal Year End: June 30, 2014 Contract No. CPKS-3014

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

Independent Auditor's Name: Moore Grider & Company

	COLUMN A1	COLUMN A2	COLUMN B	COLUMN C
	PRIOR YEAR'S AUD 9529 ENDING BALANCE FOR THIS CONTRACT (Multi-Year Contract Only)	CURRENT FISCAL YEAR PER FORM CDFS 9529	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE THROUGH CURRENT FISCAL YEAR PER AUDIT
SECTION I - REVENUE				
RESTRICTED INCOME				
Match Requirement	\$0	\$0	\$0	\$0
County Maintenance of Effort (EC § 8279)				0
Other (Specify):				0
Other (Specify):				0
Subtotal	\$0	\$0	\$0	\$0
INTEREST EARNED ON APPORTIONMENTS				
				0
UNRESTRICTED INCOME				
Other (Specify):				0
Other (Specify):				0
TOTAL REVENUE	\$0	\$0	\$0	\$0

SECTION II - REIMBURSABLE EXPENSES

1000 Certificated Salaries	\$0	\$0	\$0	\$0
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies				0
5000 Services and Other Operating Expenses		2,315		2,315
6100/6200 Other Approved Capital Outlay				0
6400 New Equipment (<i>program-related</i>)				0
6500 Replacement Equipment (<i>program-related</i>)				0
Depreciation or Use Allowance				0
Indirect Costs. Rate: 8.00%		185		185
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$0	\$2,500	\$0	\$2,500
TOTAL ADMINISTRATIVE COSTS (included in section II above)	\$0	\$185	\$0	\$185

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.

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: Reading and Beyond

Fiscal Year End: June 30, 2014

Vendor No. 10-Z642

Independent Auditor's Name: Moore Grider & Company

RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
<input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT

LAST YEAR:

1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$4,981	\$0	\$4,981
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CSPP-2082	\$2,408	\$0	\$2,408
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	2,408	0	2,408
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	\$7,389	\$0	\$7,389

THIS YEAR:

5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$15	\$0	\$15
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, 2014 (column A must agree with this year's CDFS 9530-A, Section IV)	\$7,404	\$0	\$7,404

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



Moore Grider & Company
Certified Public Accountants

**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**

*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.

Tom Collins, 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., M.B.A.

Nora E. Crow, C.P.A.

Nicholas Medeiros, C.P.A.

Oscar Espinoza, C.P.A.

Lisa Brown, C.P.A., C.F.E.

L. Jerome Moore, C.P.A.
Retired

Robert E. Grider, C.P.A.
Retired

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, 2014, 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 November 17, 2014.

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.

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 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.

Moore Greider & Company

November 17, 2014



Moore Grider & Company
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

A Partnership Including
Accountancy Corporations

Richard L. Holland, C.P.A.

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Necia Wollenman, C.P.A.

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, 2014. 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 its 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

each of its major federal programs for the year ended June 30, 2014.

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 Glicker & Company

November 17, 2014

READING AND BEYOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

- Type of auditors' report issued: Unmodified 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: Unmodified 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

93.558

Name of Federal Program or Cluster

Temporary Assistance for Needy Families
(TANF)

- 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

None

READING AND BEYOND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

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.

Current Status: The corrective action was implemented during fiscal year 2013. No similar findings were noted in the 2014 audit.

READING AND BEYOND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

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.

Current Status: The corrective action was implemented during fiscal year 2013. No similar findings were noted in the 2014 audit.

READING AND BEYOND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

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/CAIWorks, 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/CAIWorks 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

READING AND BEYOND
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

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.

Current Status: The corrective action was implemented during fiscal year 2013. No similar findings were noted in the 2014 audit.