

READING AND BEYOND

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2015 AND 2014

ENTITY IDENTIFICATION NO.: 77-0508471

READING AND BEYOND
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2015 AND 2014

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GENERAL INFORMATION

Name of Agency:	Reading and Beyond
Program Name and Contract No.:	
California State Preschool Program	CSPP-4081
Prekindergarten and Family Literacy (Support)	CPKS-4013
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, 2014 to June 30, 2015
Number of Days of Operations by Agency:	247
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, 2015 and 2014, 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Reading and Beyond as of June 30, 2015 and 2014, 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 December 4, 2015, 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

Fresno, California
December 4, 2015

READING AND BEYOND
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Note 2)	\$ 1,055,420	\$ 1,200,356
Short-term investments (Note 3)	1,226,000	971,010
Accounts receivable	3,296	12,670
Grants and contracts receivable (Note 5)	238,467	230,534
Escrow deposit	20,000	0
Prepaid expenses	179,120	74,056
TOTAL CURRENT ASSETS	2,722,303	2,488,626
INVESTMENT IN SECURITIES (Note 4)	1,300,829	1,303,350
PROPERTY AND EQUIPMENT , net of accumulated depreciation (Note 6)	72,436	117,785
LICENSE RIGHTS	132,000	213,650
TOTAL ASSETS	4,227,568	4,123,411
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	110,944	21,667
Accrued liabilities	228,481	235,239
Credit card payable	13,180	10,758
Grant advances (Note 7)	387,092	413,005
Child development reserve (Note 8)	8,601	7,404
TOTAL CURRENT LIABILITIES	748,298	688,073
COMMITMENTS AND CONTINGENCIES (Note 10)	0	0
NET ASSETS		
Unrestricted	3,479,270	3,435,338
TOTAL LIABILITIES AND NET ASSETS	\$ 4,227,568	\$ 4,123,411

See Accompanying Notes to Financial Statements

READING AND BEYOND
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
UNRESTRICTED REVENUE AND SUPPORT		
Contributions	\$ 15,646	\$ 19,358
Grants and contracts - Foundations and others	575,118	447,666
Grants and contracts - Governments	2,374,717	2,383,555
Child care food program	31,301	26,081
Prior year reserve release	0	0
Program service fee revenues - tuition	38,077	62,371
Donated goods and services (Note 11)	506,844	511,824
Rental income	93,301	94,305
Fundraising, net of expenses of \$1,106 in 2015 and \$81,058 in 2014	5,149	35,072
Investment income, net of investment expenses of \$6,496 in 2015 and \$5,934 in 2014 (Notes 3 and 4)	28,049	25,619
Realized gain (loss) on investments (Note 4)	6	(15,508)
Unrealized gain (loss) on investments (Note 4)	(24,118)	66,394
Miscellaneous	2,890	21,447
Loss on disposal of assets	(434)	(2,514)
	3,646,546	3,675,670
EXPENSES		
Program services	3,065,319	2,989,778
Management and general	534,381	568,930
Fundraising expenses	2,914	10,941
	3,602,614	3,569,649
INCREASE IN UNRESTRICTED NET ASSETS	43,932	106,021
UNRESTRICTED NET ASSETS, beginning of year	3,435,338	3,329,317
UNRESTRICTED NET ASSETS, end of year	\$ 3,479,270	\$ 3,435,338

See Accompanying Notes to Financial Statements

READING AND BEYOND
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
EXPENSES:								
Alarm and security	\$ 2,099	\$ 53	\$ 0	\$ 2,152	\$ 2,209	\$ 0	\$ 0	\$ 2,209
Bad debt expense	6,812	0	1,239	8,051	1,955	0	0	1,955
Board and committee meetings	0	906	0	906	0	298	0	298
Consulting expense	14,833	0	1,125	15,958	21,000	0	0	21,000
Contracted instructors	3,524	0	0	3,524	7,201	0	0	7,201
Depreciation	44,194	9,598	0	53,792	46,393	9,109	0	55,502
Dues and subscriptions	25	5,763	0	5,788	421	4,621	50	5,092
Fingerprinting expense	6,011	502	0	6,513	4,367	446	0	4,813
Indirect costs	0	0	0	0	0	0	0	0
In-kind expense - goods	29,854	6,006	0	35,860	32,141	0	0	32,141
In-kind expense - services	440,025	36,965	0	476,990	412,038	67,645	0	479,683
Insurance	2,529	16,810	0	19,339	2,518	16,534	0	19,052
Legal and accounting	0	21,000	0	21,000	0	19,550	0	19,550
Licenses and fees	710	2,854	0	3,564	1,440	3,743	0	5,183
Marketing and public relations	1,764	143	49	1,956	0	0	0	0
Other employee benefits	186,265	28,982	5	215,252	192,158	50,686	1,606	244,450
Outreach/volunteer retention	0	1,474	0	1,474	682	2,727	14	3,423
Payroll processing and bank fees	660	10,600	55	11,315	492	8,832	8	9,332
Payroll taxes	190,653	25,935	46	216,634	191,715	27,621	829	220,165
Postage	64	478	0	542	67	750	0	817
Printing and copying	10,938	1,743	8	12,689	9,424	1,155	46	10,625
Rent and janitorial	15,361	12,393	10	27,764	12,328	3,224	0	15,552
Special program expense	49,592	0	0	49,592	19,216	0	0	19,216
Subcontractors	10,800	0	0	10,800	0	0	0	0
Supplies and food	198,613	7,035	33	205,681	155,708	5,341	11	161,060
Telephone and internet	5,551	3,811	0	9,362	4,467	3,800	0	8,267
Travel/conference expense	45,119	3,330	0	48,449	28,969	2,073	120	31,162
Utilities	43,843	24,199	0	68,042	50,488	24,039	0	74,527
Wages	1,755,480	313,801	344	2,069,625	1,792,381	316,736	8,257	2,117,374
TOTAL EXPENSES	\$ 3,065,319	\$ 534,381	\$ 2,914	\$ 3,602,614	\$ 2,989,778	\$ 568,930	\$ 10,941	\$ 3,569,649

READING AND BEYOND
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 43,932	\$ 106,021
Adjustments to reconcile increase in net assets to net cash provided from operating activities		
Depreciation	53,792	55,502
Realized loss (gain) on investments	(6)	15,508
Unrealized loss (gain) on investments	24,118	(66,394)
Loss on disposal of assets	434	2,514
Bad debt expense	2,152	2,209
Changes in:		
Accounts receivable	7,222	(3,687)
Grants and contracts receivable	(7,933)	127,282
Escrow deposit	(20,000)	0
Prepaid expenses	(34,064)	5,585
Accounts payable	89,277	(3,214)
Accrued liabilities	(6,758)	45,485
Credit card payable	2,422	(1,401)
Grant advances	(25,913)	41,485
Child development reserve	1,197	2,423
	<u>129,872</u>	<u>329,318</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	637,524	1,194,612
Purchase of investments	(914,105)	(682,716)
Reclassification of license rights to expense	10,650	0
Purchase of property and equipment	(8,877)	(8,833)
Increase in construction in progress	0	(517)
	<u>(274,808)</u>	<u>502,546</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		
	(144,936)	831,864
CASH AND CASH EQUIVALENTS, beginning of year	<u>1,200,356</u>	<u>368,492</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,055,420</u>	<u>\$ 1,200,356</u>
NON-CASH INVESTING ACTIVITIES		
Reclassification of license rights to prepaid expenses	<u>\$ 71,000</u>	<u>\$ 0</u>
Transfer of construction in progress to property and equipment	<u>\$ 517</u>	<u>\$ 902</u>

See Accompanying Notes to Financial Statements

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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, 2015 and 2014, 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 of 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, 2015 AND 2014

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. During the year ended June 30, 2015, the value of the licenses was reevaluated by the Organization and the vendor, and the value was reduced to total \$132,000. As a result of the reevaluation, \$10,650 was reclassified to current-year expense and \$71,000 was reclassified to prepaid expense. 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, 2015 and 2014, 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.

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READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. The reclassification had no impact on previously-reported net income or cash flow information.

NOTE 2: CASH AND CASH EQUIVALENTS

At June 30, 2015 and 2014, cash and cash equivalents consist of the following:

		2015	2014
Bank of the Sierra	Business checking	\$ 401,677	\$ 284,363
Bank of the Sierra	Business savings	11,075	17,028
Bank of the Sierra	Money market fund	300,024	0
Citibank	Money market fund	342,469	898,865
Change fund		100	100
Other		75	0
		<u>\$ 1,055,420</u>	<u>\$ 1,200,356</u>

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 2: CASH AND CASH EQUIVALENTS (Continued)

At June 30, 2015 and 2014, cash and cash equivalents included \$1,055,420 and \$1,200,356, 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, 2015 and 2014, the organization had accounts with combined balances of \$561,778 and \$761,281, respectively, which were not FDIC insured.

NOTE 3: SHORT-TERM INVESTMENTS

Investments as of June 30, 2015 and 2014, are summarized as follows:

	2015	2014
Central Valley		
Community Bank	\$ 0	\$ 242,067
Citizens Business Bank	245,185	0
Fresno First Bank	245,284	0
Murphy Bank	248,301	245,945
Premier Valley Bank	0	241,769
Security First Bank	245,155	0
United Security Bank	<u>242,075</u>	<u>241,229</u>
	<u>\$ 1,226,000</u>	<u>\$ 971,010</u>

The certificates bear interest ranging from 0.30% to 1.00% 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, 2015 and 2014, 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, 2015 and 2014:

	2015	2014
Investment income	<u>\$ 6,458</u>	<u>\$ 8,689</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, 2015 AND 2014

NOTE 4: INVESTMENT IN SECURITIES

Investment in securities as of June 30, 2015, is summarized as follows:

	Quoted Market Value	Unrealized Gain
Available-for-sale securities:		
Money market	\$ 9,106	\$ 415
Fixed income	918,385	41,896
Equities	<u>373,338</u>	<u>17,032</u>
	<u>\$ 1,300,829</u>	<u>\$ 59,343</u>

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>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended June 30, 2015 and 2014:

	2015	2014
Investment return:		
Investment income, net of expenses of \$6,496 in 2015 and \$5,934 in 2014	\$ 21,591	\$ 16,930
Realized gain (loss)	6	(15,508)
Unrealized gain (loss)	<u>(24,118)</u>	<u>66,394</u>
	<u>\$ (2,521)</u>	<u>\$ 67,816</u>

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5: GRANTS AND CONTRACTS RECEIVABLE

At June 30, 2015 and 2014, amounts due to the Organization for expenditures that are reimbursable by the granting or contracting agency are as follows:

	2015	2014
AIMS Education Foundation	\$ 0	\$ 13,739
Boys & Girls Club of Fresno County	3,583	6,625
California Department of Education	25,329	8,973
Central Unified School District	1,430	18,240
Clovis Unified School District	0	4,693
First 5 Fresno County	12,248	10,762
Focus Forward	11,598	14,605
Fresno County DBH	12,693	10,388
Fresno County DSS	10,258	7,395
Fresno County Office of Education	146,062	104,014
Fresno Unified School District	0	19,568
Hanford Elementary School District	0	3,996
Madera Unified School District	0	3,630
Other	<u>15,266</u>	<u>3,906</u>
	<u>\$ 238,467</u>	<u>\$ 230,534</u>

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 6: **PROPERTY AND EQUIPMENT**

At June 30, 2015 and 2014, property and equipment consist of the following:

	2015	2014
Equipment	\$ 84,764	\$ 79,679
Vehicles	0	129,336
Leasehold improvements	169,995	167,203
Construction in progress	<u>0</u>	<u>517</u>
	254,759	376,735
 Less: Accumulated depreciation	 <u>(182,323)</u>	 <u>(258,950)</u>
	 <u>\$ 72,436</u>	 <u>\$ 117,785</u>

Depreciation expense was \$53,792 and \$55,502 for the years ended June 30, 2015 and 2014, respectively.

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7: GRANT ADVANCES

At June 30, 2015 and 2014, grant advances consist of the following:

	2015	2014
AT&T	\$ 21,029	\$ 29,692
Bank of America	36,467	47,468
California Endowment	17,114	0
Comcast	0	36,813
Families in Schools	0	2,756
Fresno County DSS	6,500	6,500
Fresno Regional Foundation	134,205	117,238
Golden1 Credit Union	30,000	20,000
Insurance Industry Charitable Foundation	6,500	0
James Irvine Foundation	46,055	51,938
Kaiser Permanente	6,365	5,483
Rotary Club of Fresno Foundation	10,000	0
Sierra Health Foundation	15,391	0
SJV Workforce Funders Collaborative	0	870
United Way Fresno County	0	20,000
Walter Johnson Foundation	11,983	49,953
Wells Fargo Foundation	39,983	22,468
Other	5,500	1,826
	<u>\$ 387,092</u>	<u>\$ 413,005</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, 2015 and 2014 was \$8,601 and \$7,404, respectively, which is recorded as an asset in the cash account.

READING AND BEYOND

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015 AND 2014

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, 2015 and 2014 includes interest of \$12 and \$15, 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, 2015 and 2014.

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, 2015 AND 2014

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, 2015 and 2014:

	2015			
	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
Recurring:				
Available for sale equity securities:				
Money market	\$ 9,106	\$ 9,106	\$ 0	\$ 0
Fixed income	918,385	918,385	0	0
Equities	373,338	373,338	0	0
Total available for sale equity securities	1,300,829	1,300,829	0	0
Nonrecurring:				
Donated goods and services	506,844	0	506,844	0
	\$ 1,807,673	\$ 1,300,829	\$ 506,844	\$ 0
	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

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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, 2015 and 2014, 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. This lease was terminated effective September 30, 2014. For the years ended June 30, 2015 and 2014, in-kind contributions of \$24,075 and \$88,275 have been recorded, respectively. See Note 11.

The Organization conducts certain program activities from four facilities that are leased under operating leases. One lease expires December 15, 2015, and the three remaining leases expire December 31, 2018.

Rent expense for the years ended June 30, 2015 and 2014 was \$11,160 and \$0, respectively.

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See next page for continuation of notes.

READING AND BEYOND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10: **COMMITMENTS AND CONTINGENCIES** (Continued)

Operating Leases (continued)

Future minimum lease payments on these leases are as follows:

YEAR ENDING JUNE 30,	REEDLEY	CENTRAL FRESNO	EL DORADO PARK	CATHOLIC CHARITIES	TOTAL
2016	\$ 7,000	\$ 3,665	\$ 5,280	\$ 6,000	\$ 21,945
2017	12,000	8,796	10,560	0	31,356
2018	12,000	8,796	10,560	0	31,356
2019	<u>6,000</u>	<u>4,398</u>	<u>5,280</u>	<u>0</u>	<u>15,678</u>
	<u>\$ 37,000</u>	<u>\$ 25,655</u>	<u>\$ 31,680</u>	<u>\$ 6,000</u>	<u>\$ 100,335</u>

NOTE 11: **DONATED GOODS AND SERVICES**

Donated goods and services consist of the following:

	2015	2014
Free use of facilities (admin and program sites), services and related utilities	\$ 476,990	\$ 479,683
Activities supplies	<u>29,854</u>	<u>32,141</u>
	<u>\$ 506,844</u>	<u>\$ 511,824</u>

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, 2015 and 2014, the matching amount contributed to the plan was \$31,725 and \$34,333, 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 December 4, 2015 (date financial statements available to be issued) and determined no events have occurred subsequent to June 30, 2015 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, 2015

Agency Name/Pass-Through Agency Program Title	CFDA Number	Grantor's Number	Award Amount			Expenditures	
			Federal	State	Total	Federal	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	\$ 31,301	\$ 0	\$ 31,301	\$ 31,301	\$ 0
Passed through California Department of Social Services							
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	14-3038	39,547	0	39,547	19,201	0
Passed through County of Fresno:							
Supplemental Nutrition Assistance Program	10.551	A-15-023	308,301	0	308,301	185,655	0
Supplemental Nutrition Assistance Program	10.551	A-14-552	102,000	0	102,000	74,571	0
Supplemental Nutrition Assistance Program	10.551	A-12-106	525,000	0	525,000	126,466	0
Supplemental Nutrition Assistance Program Employment & Training Pilot Project	10.596	TBD	11,747,968	0	11,747,968	5,988	0
			<u>12,683,269</u>	<u>0</u>	<u>12,683,269</u>	<u>392,680</u>	<u>0</u>
U.S. Department of Health & Human Services							
Passed through County of Fresno							
Temporary Assistance for Needy Families (TANF)	93.558	10-325	81,516	0	81,516	81,516	0
Temporary Assistance for Needy Families (TANF)	93.558	A-13-544	368,879	0	368,879	366,686	0
			<u>450,395</u>	<u>0</u>	<u>450,395</u>	<u>448,202</u>	<u>0</u>
			<u>13,164,965</u>	<u>0</u>	<u>13,164,965</u>	<u>891,384</u>	<u>0</u>
U.S. Department of Labor							
Passed through Fresno Regional Workforce Investment Board							
Dislocated Worker	17.278	734	20,000	0	20,000	16,320	0
California Department of Education							
California State Preschool Program	93.596/ 93.575	CSPP-4081	77,535	286,614	364,149	77,535	151,489
Prekindergarten and Family Literacy (Support)		CPKS-4013	0	2,500	2,500	0	2,500
Reserve Account		n/a	0	0	0	0	0
			<u>77,535</u>	<u>289,114</u>	<u>366,649</u>	<u>77,535</u>	<u>153,989</u>
First 5 Fresno County							
Promise Neighborhood		2014-0947	0	102,000	102,000	0	51,597
Total Federal and State Awards			\$ 13,262,500	\$ 391,114	\$ 13,653,614	\$ 985,239	\$ 205,586

READING AND BEYOND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2015

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, 2015. 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, 2015, WITH COMPARATIVE TOTALS FOR 2014

	<u>CSPP 4081</u>	<u>CPKS 4013</u>	<u>Total CDE CD Contracts</u>	<u>Non-CDE Programs</u>	<u>TOTAL</u>	
					<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT						
Contributions	\$ 0	\$ 0	\$ 0	\$ 15,646	\$ 15,646	\$ 19,358
Grants and contracts - Foundations and others	9,340	0	9,340	565,778	575,118	447,666
Grants and contracts - Governments	224,117	2,500	226,617	2,093,359	2,319,976	2,296,442
Child care food program, #05232-CACFP-10-NP-IC	31,301	0	31,301	0	31,301	26,081
Family fees - certified	10,705	0	10,705	0	10,705	11,003
Family fees - noncertified	44,036	0	44,036	0	44,036	76,110
Prior year reserve release	0	0	0	0	0	0
Program service fee revenues - tuition	0	0	0	38,077	38,077	62,371
Donated goods and services	0	0	0	506,844	506,844	511,824
Rental income	0	0	0	93,301	93,301	94,305
Fundraising	0	0	0	5,149	5,149	35,072
Investment income	20	0	20	28,029	28,049	25,619
Realized loss on investment	0	0	0	6	6	(15,508)
Unrealized gain (loss) on investments	0	0	0	(24,118)	(24,118)	66,394
Miscellaneous	0	0	0	2,890	2,890	21,447
Loss on disposal of asset	0	0	0	(434)	(434)	(2,514)
TOTAL REVENUE AND SUPPORT	<u>319,519</u>	<u>2,500</u>	<u>322,019</u>	<u>3,324,527</u>	<u>3,646,546</u>	<u>3,675,670</u>
EXPENSES						
Alarm and security	2,096	0	2,096	56	2,152	2,209
Bad debt expense	0	0	0	8,051	8,051	1,955
Board and committee meetings	0	0	0	906	906	298
Consulting expense	0	0	0	15,958	15,958	21,000
Contracted instructors	0	0	0	3,524	3,524	7,201
Depreciation	27,925	0	27,925	25,867	53,792	55,502
Dues and subscriptions	0	0	0	5,788	5,788	5,092
Fingerprinting expense	948	0	948	5,565	6,513	4,813
Indirect costs	19,277	185	19,462	(19,462)	0	0
In-kind expense - goods	0	0	0	35,860	35,860	32,141
In-kind expense - services	0	0	0	476,990	476,990	479,683
Insurance	458	0	458	18,881	19,339	19,052
Legal and accounting	4,000	0	4,000	17,000	21,000	19,550
Licenses and fees	674	0	674	2,890	3,564	5,183
Marketing and public relations	0	0	0	1,956	1,956	0
Other employee benefits	29,542	0	29,542	185,710	215,252	244,450
Outreach/volunteer retention	0	0	0	1,474	1,474	3,423
Payroll processing and bank fees	649	0	649	10,666	11,315	9,332
Payroll taxes	14,241	0	14,241	202,393	216,634	220,165
Postage	42	0	42	500	542	817
Printing and copying	384	0	384	12,305	12,689	10,625
Rent and janitorial	9,051	0	9,051	18,713	27,764	15,552
Special program expense	1,206	2,315	3,521	46,071	49,592	19,216
Subcontractors	0	0	0	10,800	10,800	0
Supplies and food	56,182	0	56,182	149,499	205,681	161,060
Telephone and internet	99	0	99	9,263	9,362	8,267
Travel/conference expense	4,523	0	4,523	43,926	48,449	31,162
Utilities	7,661	0	7,661	60,381	68,042	74,527
Wages	140,561	0	140,561	1,929,064	2,069,625	2,117,374
TOTAL EXPENSES	<u>319,519</u>	<u>2,500</u>	<u>322,019</u>	<u>3,280,595</u>	<u>3,602,614</u>	<u>3,569,649</u>
CHANGE IN NET ASSETS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 43,932</u>	<u>\$ 43,932</u>	<u>\$ 106,021</u>

See Accompanying Notes to Financial Statements

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

COMBINING SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

YEAR ENDED JUNE 30, 2015

	<u>CSPP 4081</u>	<u>CPKS 4013</u>	<u>TOTAL CDE CD CONTRACTS</u>
1000 Certificated salaries	\$ 63,083	\$ 0	\$ 63,083
2000 Classified salaries	77,478	0	77,478
3000 Employee benefits	43,783	0	43,783
4000 Books and supplies	57,388	2,315	59,703
5000 Services and other operating expenses	30,585	0	30,585
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	27,925	0	27,925
Start-up expenses - service level exemption	0	0	0
Budget impasse credit	0	0	0
Indirect costs	<u>19,277</u>	<u>185</u>	<u>19,462</u>
Total Expenses Claimed for Reimbursement	319,519	2,500	322,019
Total Supplemental Expenses	<u>1,356</u>	<u>0</u>	<u>1,356</u>
Total Expenditures	<u><u>\$ 320,875</u></u>	<u><u>\$ 2,500</u></u>	<u><u>\$ 323,375</u></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, 2015

	<u>CSPP 4081</u>	<u>CPKS 4013</u>	<u>TOTAL CDE CD CONTRACTS</u>
Schedule of Expenditures by State Categories (CDE)	\$ 320,875	\$ 2,500	\$ 323,375
Adjustments to Reconcile Differences in Reporting:	<u>0</u>	<u>0</u>	<u>0</u>
Combining Statement of Activities (GAAP)	<u>\$ 320,875</u>	<u>\$ 2,500</u>	<u>\$ 323,375</u>

See Accompanying Notes to Financial Statements

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES

YEAR ENDED JUNE 30, 2015

	CSPP 4081	CPKS 4013	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.

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

SCHEDULE OF REIMBURSABLE EXPENDITURES FOR RENOVATIONS AND REPAIRS

YEAR ENDED JUNE 30, 2015

	CSPP 4081	CPKS 4013	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.

See Accompanying Notes to Financial Statements

**READING AND BEYOND
CHILD DEVELOPMENT PROGRAM**

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS

YEAR ENDED JUNE 30, 2015

	<u>CSPP 4081</u>	<u>CPKS 4013</u>	<u>TOTAL COSTS</u>
Administrative salaries	\$ 11,904	\$ 0	\$ 11,904
Administrative benefits/payroll taxes	4,667	0	4,667
Staff training, workshops & meetings	128	0	128
Legal and accounting	4,000	0	4,000
Indirect costs	<u>18,477</u>	<u>185</u>	<u>18,662</u>
Total Administrative Costs	<u>\$ 39,176</u>	<u>\$ 185</u>	<u>\$ 39,361</u>

See Accompanying Notes to Financial Statements

AUDITED ATTENDANCE AND FISCAL REPORT**for California State Preschool Programs**Agency Name: Reading and Beyond Vendor No. Z642Fiscal Year Ended: June 30, 2015 Contract No. CSPP 4081Independent 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	2,089		2,089	1.0000	2,089.000
Three-quarters-time	11		11	0.7500	8.250
One-half-time	1,212		1,212	0.6172	748.046
<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	3,381		3,381	1.1000	3,719.100
Three-quarters-time	499		499	0.8250	411.675
One-half-time	547		547	0.6172	337.608
<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	7,739	-	7,739		7,313.680
DAYS OF OPERATION	247		247		
DAYS OF ATTENDANCE	7,708		7,708		

 NO NONCERTIFIED CHILDREN - Check box, omit page 2 & 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. Z642

Fiscal Year Ended: June 30, 2015 Contract No. CSPP 4081

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children.	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DAYS OF ENROLLMENT	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	424		424	1.1800	500.320
Full-time	532		532	1.0000	532.000
Three-quarters-time	288		288	0.7500	216.000
One-half-time	18		18	0.6172	11.110
<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	7		7	1.2980	9.086
Full-time	115		115	1.1000	126.500
Three-quarters-time	13		13	0.8250	10.725
One-half-time	118		118	0.6172	72.830
<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	1,515	-	1,515		1,478.570

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

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

Agency Name: Reading and Beyond Vendor No. Z642
 Fiscal Year End: June 30, 2015 Contract No. CSPP 4081

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8801	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$31,301		\$31,301
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$31,301	\$0	\$31,301
Transfer from Reserve			0
Family Fees for Certified Children	10,705		10,705
Interest Earned on Apportionments	20		20
UNRESTRICTED INCOME			
Family Fees for Noncertified Children	44,036		44,036
Head Start Program (EC § 8235(b))			0
Other (Specify): GENERAL FUND	9,340		9,340
Other (Specify):			0
TOTAL REVENUE	\$95,402	\$0	\$95,402

SECTION IV - REIMBURSABLE EXPENSES			
1000 Certificated Salaries	\$73,137	(\$10,054)	\$63,083
2000 Classified Salaries	67,426	10,052	77,478
3000 Employee Benefits	43,784	(1)	43,783
4000 Books and Supplies	58,870	(1,482)	57,388
5000 Services and Other Operating Expenses	29,102	1,483	30,585
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (program-related)			0
6500 Replacement Equipment (program-related)			0
Depreciation or Use Allowance	27,923	2	27,925
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs. Rate: 7.08% (Rate is Self-Calculating)	19,277		19,277
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$319,519	\$0	\$319,519
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$39,176		\$39,176

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:
 Adjustments made to reclassify expenses previously reported.
 Net effect is zero.

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

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

Agency Name: Reading and Beyond Vendor No. Z642

Fiscal Year End: June 30, 2015 Contract No. CSPP 4081

	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
Other (Specify): GENERAL FUND	1,356		1,356
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$1,356	\$0	\$1,356

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries			\$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	1,356		1,356
Other: e.g., Entertainment Expenses			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL EXPENSES	\$1,356	\$0	\$1,356

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

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

Agency Name: Reading and Beyond Vendor No. Z642

Fiscal Year End: June 30, 2015 Contract No. CPKS 4013

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
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
2000 Classified Salaries				0
3000 Employee Benefits				0
4000 Books and Supplies		2,315		2,315
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: 7.99%		185		185
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$0	\$2,500	\$0	\$2,500
TOTAL ADMINISTRATIVE COSTS (included in section II above)		\$185		\$185
FOR CDE-A&I USE ONLY:				

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

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

AUDITED RESERVE ACCOUNT ACTIVITY REPORT			
Agency Name: <u>Reading and Beyond</u>			
Fiscal Year End: <u>June 30, 2015</u>		Vendor No. <u>Z642</u>	
Independent Auditor's Name: <u>Moore Grider & Company</u>			
RESERVE ACCOUNT TYPE (Check One):		COLUMN A	COLUMN B
<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 AGENCY	PER AUDIT
LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)		\$7,404	\$7,404
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CSPP-3080		\$1,185	\$1,185
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account		\$1,185	\$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
4. Ending Balance on Last Year's Post-Audit CDFS 9530		\$8,589	\$0
THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)		\$12	\$12
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
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Contracts from Reserve Account		\$0	\$0
7. Ending Balance on June 30, 2015 (column A must agree with this year's CDFS 9530-A, Section IV)		\$8,601	\$0
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.FE.

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, 2015, 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 December 4, 2015.

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

Fresno, California
December 4, 2015



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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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, 2015. 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, 2015.

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.



Fresno, California
December 4, 2015

READING AND BEYOND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

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

Name of Federal Program or Cluster

10.551

Supplemental Nutrition Assistance Program

10.561

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

- 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, 2015

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