

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

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February 8, 2016

Governing Board
Northern California Child Development, Inc.
Red Bluff, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of **Northern California Child Development, Inc.**, which comprise the statements of financial position as of August 31, 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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.

Governing Board
Northern California Child Development, Inc.
February 8, 2015

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 **Northern California Child Development, Inc.**, as of August 31, 2015, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of Federal and State awards and the combining statement of activities is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

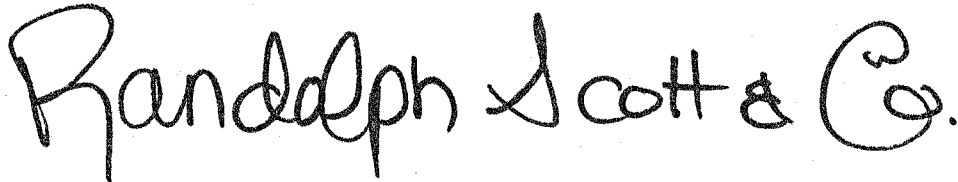
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2015 on our consideration of **Northern California Child Development, Inc.**'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering **Northern California Child Development, Inc.**'s internal control over financial reporting and compliance.

Governing Board
Northern California Child Development, Inc.
February 8, 2016

Report on Summarized Comparative Information

We have previously audited **Northern California Child Development, Inc.**'s August 31, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants, Inc.
Novato, California

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

STATEMENT OF FINANCIAL POSITION

August 31, 2015
(With Comparative Totals for 2014)

<u>ASSETS</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>	
			<u>2015</u>	<u>2014</u>
CURRENT ASSETS				
Cash and Cash Equivalents (Note A)	\$ 149,953	\$ -	\$ 149,953	\$ 175,032
Cash, Restricted (Note D)	9,595	-	9,595	6,958
Accounts Receivable	67,897	-	67,897	239
Grants Receivable (Note E)	15,008	-	15,008	158,072
Prepaid Expenses	34,656	-	34,656	42,291
TOTAL CURRENT ASSETS	277,109	-	277,109	382,592
PROPERTY AND EQUIPMENT (Note F)		473,280	473,280	660,519
DEPOSITS	8,300	-	8,300	8,300
TOTAL ASSETS	\$ 285,409	\$ 473,280	\$ 758,689	\$ 1,051,411
 <u>LIABILITIES & NET ASSETS</u>				
CURRENT LIABILITIES				
Current portion-Capital Lease	\$ -	\$ -	\$ -	\$ 4,821
Accounts Payable and Accrued Expenses	221,941	-	221,941	351,032
Due to Funder	-	-	-	1,496
CDE Reserve (Note G)	11,460	-	11,460	11,448
Deferred Revenue	17,138	-	17,138	6,958
TOTAL CURRENT LIABILITIES	250,539	-	250,539	375,755
CAPITAL LEASE OBLIGATION		-	-	7,414
DEPOSITS	8,300	-	8,300	8,300
TOTAL LIABILITIES	258,839	-	258,839	391,469
COMMITMENTS AND CONTINGENCY (Note I)	-	-	-	-
NET ASSETS				
Unrestricted	26,570	-	26,570	11,657
Temporarily Restricted:				
Property & Equipment (Note B)	-	473,280	473,280	648,285
	26,570	473,280	499,850	659,942
TOTAL LIABILITIES AND NET ASSETS	\$ 285,409	\$ 473,280	\$ 758,689	\$ 1,051,411

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>	
			<u>2015</u>	<u>2014</u>
REVENUES, GAINS, AND OTHER SUPPORT:				
Grant Revenue	\$ 3,910,003	\$ -	\$ 3,910,003	\$ 3,664,049
Contract Revenue	430,735	-	430,735	379,266
Interest Income	93	-	93	2
In-Kind (Note A)	1,414,263	-	1,414,263	1,284,385
Gain from Disposal of Assets	-	-	-	10,050
Contribution Income	-	-	-	122
Other	49,909	-	49,909	56,448
Net Assets Released From Restrictions (Note C):				
Satisfaction of Program Restrictions or Other				
Expiration of Time Restrictions	-	-	-	-
Total Revenues, Gains, and Other Support	<u>5,805,003</u>	<u>-</u>	<u>5,805,003</u>	<u>5,394,322</u>
EXPENSES AND LOSSES:				
Head Start / Early Head Start	5,305,067	-	5,305,067	4,925,991
Child and Adult Care Food Program	155,018	-	155,018	153,732
General Child Care	269,934	-	269,934	228,611
Tehama Co. Office of Education	-	-	-	45,363
Other Programs	59,530	-	59,530	25,592
General Operating	541	-	541	757
Total Expenses and Losses	<u>5,790,090</u>	<u>-</u>	<u>5,790,090</u>	<u>5,380,046</u>
CHANGE IN NET ASSETS	<u>14,913</u>	<u>-</u>	<u>14,913</u>	<u>14,276</u>
CHANGES TO NET ASSETS:				
Transfer	-	-	-	-
Additions/Dispositions of Equipment (Note A)	-	-	-	43,322
Depreciation of Equipment (Note A)	-	(175,005)	(175,005)	(175,649)
	<u>-</u>	<u>(175,005)</u>	<u>(175,005)</u>	<u>(132,327)</u>
NET ASSETS, Beginning of the Year	<u>11,657</u>	<u>648,285</u>	<u>659,942</u>	<u>777,993</u>
NET ASSETS, End of Year	<u>\$ 26,570</u>	<u>\$ 473,280</u>	<u>\$ 499,850</u>	<u>\$ 659,942</u>

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED AUGUST 31, 2015

(With Comparative Totals for 2014)

EXPENSES	Program Services				Unrestricted	Total All Funds	
	Head Start & Early Head Start	CACFP	CDE Child Care	Other Programs	General Operating	2015	2014
	Salaries	\$ 2,328,935	\$ 26,300	\$ 142,339	\$ 28,641	\$ -	\$ 2,526,215
Employee Benefits & Taxes	761,144	19,295	42,701	10,416	-	833,556	680,836
Food	5,703	90,879	-	-	-	96,582	80,061
Travel	27,197	-	754	-	-	27,951	44,144
Rent (Note I)	203,581	-	18,328	36	-	221,945	218,586
Utilities	48,532	-	6,989	12	-	55,533	53,295
Telephone	7,781	-	1,139	5	-	8,925	14,059
Postage & Printing	1,737	-	49	1	-	1,787	2,783
Contracted Services	117,624	8,888	15,177	20,334	-	162,023	247,315
In-Kind (Note A)	1,414,263	-	-	-	-	1,414,263	1,284,385
Training	27,065	-	6,600	-	-	33,665	28,923
Medical & Dental	450	-	-	-	-	450	2,851
Insurance	45,564	-	3,598	-	-	49,162	48,521
Educational Supplies	35,147	-	6,101	-	-	41,248	70,203
Clerical & Other Supplies	58,631	9,656	5,519	75	-	73,881	55,915
Repairs & Maintenance	113,040	-	15,358	10	-	128,408	125,005
Vehicle & Transportation	41,543	-	1,445	-	-	42,988	47,178
Equipment	1,935	-	46	-	-	1,981	27,380
Parent Activity	33,853	-	-	-	-	33,853	30,260
Recruitment	4,529	-	225	-	-	4,754	6,084
Dues & Licenses	15,759	-	2,197	-	537	18,493	26,382
Interest	392	-	121	-	-	513	998
Other	7,674	-	650	-	4	8,328	6,380
Depreciation (Note F)	2,988	-	598	-	-	3,586	4,505
TOTAL EXPENSES	\$ 5,305,067	\$ 155,018	\$ 269,934	\$ 59,530	\$ 541	\$ 5,790,090	\$ 5,380,046

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

COMBINED STATEMENT OF CASH FLOWS

YEAR ENDED AUGUST 31, 2015

(With Comparative Totals for 2014)

	<u>Total All Funds</u>	
	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from:		
Grant and Contract Income	\$ 4,424,840	\$ 4,046,602
Donations and Other revenue	49,909	56,570
Interest income	93	2
Cash paid to employees and suppliers	(4,493,184)	(4,045,515)
Interest expense	(513)	(998)
Net Cash Provided/(Used) by Operating Activities:	<u>(18,855)</u>	<u>56,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Equipment, less amounts charged to Net Assets	-	-
Proceeds from Sale of fixed assets	8,650	10,050
Net Cash Provided/(Used) by Investing Activities	<u>8,650</u>	<u>10,050</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Capital Lease, net of Additions to Net Assets	-	-
Cash paid by capital lease obligation - Less Interest of \$513 and \$998 respectively	(12,237)	(4,505)
Net Cash Provided/(Used) by Financing Activities	<u>(12,237)</u>	<u>(4,505)</u>
NET INCREASE (DECREASE) IN CASH:	(22,442)	62,206
Cash, Beginning of year	181,990	119,784
Cash, End of year	\$ <u>159,548</u>	\$ <u>181,990</u>
RECONCILIATION OF CHANGE IN NET ASSETS		
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Change in net assets	\$ 14,913	\$ 14,276
Adjustments to reconcile net revenue to cash provided by operating activities:		
Depreciation (Note F)	178,591	180,155
Depreciation charged to equip. net assets	(175,005)	(175,649)
(Gain)/Loss from Disposal	-	(10,050)
(Increase) Decrease in Assets:		
Grants and Accounts Receivable	75,406	35,075
Prepaid expenses	7,635	74,015
Deposits	-	150
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	(129,091)	(26,106)
Deposits	-	(3,417)
Due to Funder	(1,496)	1,496
CDE Reserve	12	(1,136)
Deferred Revenue	10,180	(32,148)
Net Cash Provided/(Used) by Operating Activities:	\$ <u>(18,855)</u>	\$ <u>56,661</u>
Supplemental Data:		
In-kind Goods and Services Received in Lieu of Cash	\$ <u>1,414,263</u>	\$ <u>1,284,385</u>
Interest Paid	\$ <u>513</u>	\$ <u>998</u>

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Northern California Child Development, Inc., (the Organization) is a nonprofit corporation organized in 1966 under the laws of the State of California. The primary purpose of the Organization is to develop and maintain a series of child development programs and sponsor various activities designed to encourage parent participation in the functions of the Organization. In order to accomplish this purpose, the Organization operates the following programs under various Federal and State grants; Head Start and Early Head Start Program, Child and Adult Care Food Program and the State Child Care Program.

The property of the Organization is dedicated to charitable purposes and no part of the net earnings or assets of the Organization shall inure to the benefit of any director, officer, or member of the Organization, or benefit of any private individual.

Major Program

Head Start Program - Head Start is a federally funded program from the U.S. Department of Health and Human Services, established under Title V of the Economic Opportunity Act of 1964 to provide comprehensive developmental services for the children of low income families. These services include physical, dental and mental health, nutrition, education, social development, and parent involvement and social services for the parents.

Accrual Basis

The accounting records of the Organization are maintained on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of uninsured cash balances. The Organization places its cash deposits with high-credit quality financial institutions. At times, balances in the Organization's cash accounts may exceed the Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. At August 31, 2015, there was no uninsured balance above the FDIC limit.

Concentration of Revenue Sources

During the year ended August 31, 2015, the Organization had one major revenue funding source, the U.S. Department of Health and Human Services, which accounted for approximately 67% of the total revenue of the Organization.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

(With Comparative Totals for 2014)

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Fair Values of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents: The carrying amount reported in the Statement of Financial Position for cash and cash equivalents approximates its fair value.

Grants receivable and deferred revenue: The carrying amounts of grants receivable and deferred revenue in the Statement of Financial Position approximates fair value.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, net assets, and revenues and expenses for the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. These are generally investments with maturity dates within three months of their acquisition date. Not included as cash equivalents are funds restricted as to their use, regardless of liquidity or the maturity dates of investments.

Property and Equipment

As further discussed in Note F, property and equipment are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the respective assets. Property and equipment purchased in connection with the restricted funds of the U.S. Department of Health and Human Services are expensed during the grant period. Assets purchased with grantor funds, which are expensed in the period acquired are recorded in the accompanying balance sheet as an asset, with a corresponding entry to net assets.

Depreciation is shown as a reduction to the restricted fund balance. Retirements are reflected as decreases to fixed asset accounts, with a corresponding reduction in the fund balance. In accordance with funding terms and condition, title to equipment and furnishings purchased with restricted funds are retained by the grantor.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

(With Comparative Totals for 2014)

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment – (Continued)

Maintenance and repairs are charged to the expense as incurred. Major furniture, equipment and betterments are capitalized and depreciated over their respective useful lives. The Organization capitalizes all asset purchases of \$5,000 or more and with a useful life of greater than one year, except where a grantor may impose a different threshold.

Vacation Benefits

Vacation time off with pay is available to eligible employees. As further described below, the amount of paid vacation time employees receive each year increases with the length of their employment. 90 days after the official hire date (30 days for management); vacation days will accrue each pay period. Total accrued vacation benefits at August 31, 2015 were \$34,907.

Regular full time, full-year employees accrue vacation according to the following schedule:

<u>Years Employed</u>	<u>Full-Time Accrual Rate</u>
1-4 years	3.5 hours per pay period
5-9 years	5.0 hours per pay period
10 + years	6.5 hours per pay period

Part time employees will accrue a percentage of the full time accrual rate, based on the percentage of time they are regularly scheduled to work, rounded up to the nearest ¼ hour.

<u>Years Employed</u>	<u>Part-Time Accrual Rate</u>
1-4 years	1.75 hours per pay period
5-9 years	2.5 hours per pay period
10+ years	3.25 hours per pay period

Sick Leave

Sick leave accumulates for employees are a rate that varies based upon years of service. Sick leave benefits are not accrued or vested and will not be paid out to employees upon termination of employment.

Revenue Recognition

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions and gifts are shown as restricted support and revenues if they are subject to time or donor restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions when a stipulated time restriction ends, a purpose restriction is accomplished, or both.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015

(With Comparative Totals for 2014)

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -
Continued

Revenue Recognition – (Continued)

However, temporarily restricted contributions and grants are reported as unrestricted support and revenues if the restriction is met in the same year that the gift is received.

Conditional contributions are not recorded as support and revenues until the conditions are met. Payments classified as exchange transactions (reciprocal transfers between two entities in which goods and services of equal value is exchanged) are not recorded as other support and revenue until allowable expenditures are incurred.

Allocation of Expenses

The Organization follows the simplified allocation method for shared (indirect cost) as described in OMB Circular A-122, Cost Principles for Non-Profit Organizations. The cost allocation plan is reviewed annually and approved by the Board of Directors as part of the Organization's Fiscal Policies and Procedures. The cost allocation plan is reviewed by the Organization's auditors for compliance with applicable laws and regulations. The written cost allocation plan is on file in the Organization's main accounting office.

The Organization costs are classified as either Direct or Indirect. Direct costs are those that can be identified with a particular final cost objective, i.e. an award, project, service or other direct program activity of the Organization.

The organization applies following methods for allocating costs:

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

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

- Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.
- Occupancy costs are allocated using the square footage of building space occupied by each program.
- Supply costs are allocated per full-time equivalent employees.

Indirect Costs. Costs that either benefit more than one award or that are necessary for the overall operation of the organization. Indirect costs are allocated based on direct salaries charged to each function.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
Continued

Donated Goods and Services

Donated materials and services (In-Kind) are reflected as contributions in the accompanying statements at their fair market value. Such services would have been purchased if not provided by donation or required specialized skills and are provided by individuals possessing such specialized skills. The types of in-kind donated to the Organization include volunteer services, mileage, and supplies. The total in-kind contributions for the year ended August 31, 2015 were \$1,414,263.

Income Taxes

The Organization is exempt from Federal and State income tax under Section 501 (c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code.

Generally accepted accounting principles provide accounting and disclose guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Agency in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Agency's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Summarized Financial Information For 2014

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended August 31, 2014, from which the summarized information was derived.

NOTE B - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are part of the net assets of the Organization resulting from contributions and other inflows of assets whose use by the Organization is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

At August 31, 2015, temporarily restricted net assets consisted of the following:

Restricted Property and Equipment	\$ <u>473,280</u>
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NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

NOTE C - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. For the year ended August 31, 2015, there were no net assets released from donor restrictions.

NOTE D - RESTRICTED CASH

At August 31, 2015, the balance of \$9,595 in cash was restricted for use by the Organization's fiscal sponsor for "Give Kids a Smile" day. These are not funds of the Organization and as such, a corresponding liability has been recorded in the statement of financial position.

NOTE E - GRANTS RECEIVABLE

At August 31, 2015, Grants Receivable consisted of the following:

Head Start	\$	2,623
CA Dept of Education - Child and Adult Care Food Program		5,234
CA Dept of Education - CSPP-4603		7,151
<i>Total Grants Receivable</i>	\$	<u>15,008</u>

NOTE F - PROPERTY AND EQUIPMENT

At August 31, 2015 property and equipment consisted of the following:

	<u>Cost</u>	<u>Accum. Depreciation</u>	<u>Net Book Value</u>
Vehicles	\$ 749,098	\$ 694,420	\$ 54,678
Leasehold Improvements	911,155	595,992	315,163
Building and Improvements	281,421	215,604	65,817
Furniture and Equipment	353,090	315,468	37,622
	<u>\$ 2,294,764</u>	<u>\$ 1,821,484</u>	<u>\$ 473,280</u>

Total depreciation expense for the year ended August 31, 2015 was \$178,591 of which \$175,005 decreased the equipment net assets and \$3,586 was charged to expense.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

NOTE G – CDE RESERVE

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.

The Organization maintains one reserve accounts for Center Based, and funds are deposited into an interest bearing account. At June 30, 2015 the reserve account balance was \$ 11,460.

NOTE H – EMPLOYEE BENEFIT PLANS

Retirement Plan

The Organization maintains a defined contributory retirement plan available for its employees which allows participants to make tax deferred investment contributions. The plan qualifies under the provisions of Section 401 (a) and 403 (a) of the Internal Revenue Code of 1954, as amended. The Organization will contribute a percentage of an employee's gross salary to a specified and approved 401K plan. Total employer's cash contributions made by the Organization to the Plan for the year ended August 31, 2015 were \$77,280.

Cafeteria Plan

The Organization maintains a non-discriminatory Internal Revenue Code Section 125 Cafeteria Plan for all employees. Under the plan, an employee may pay for either childcare assistance or un-reimbursed medical expenses. These supplemental payments are pre-tax dollars and not subject to employment or income taxes.

NOTE I - COMMITMENTS AND CONTINGENCYS

Commitments

The Organization conducts administrative and program operations at various leased facilities. Future minimum payments under non-cancelable operating leases are as follows:

<u>Year Ending August 31,</u>		<u>Buildings</u>
2016	\$	167,907
2017		167,396
	Subtotal	335,303

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2015
(With Comparative Totals for 2014)

NOTE I - COMMITMENTS AND CONTINGENCIES – (Continued)

Commitments – (Continued)

<u>Year Ending August 31,</u>	<u>Buildings</u>
Subtotal from previous page;	335,303
2018	87,840
2019	90,000
2020	92,160
Thereafter	126,000
	<u>\$ 731,303</u>

Total rent expense for the year ended August 31, 2015 was \$221,945.

Contingency

Grant awards require the fulfillment of certain conditions as set forth in the instruments of the grant. Failure to fulfill the conditions could result in the return of the funds to the grantors. The Organization deems this contingency remote since by accepting the grants and their terms it has accommodated the objectives of the organization to the provisions of the grants. The Organization's management is of the opinion that the organization has complied with the terms of all grants.

NOTE J – SUBSEQUENT EVENTS:

The Organization has evaluated their financial position and activities from the August 31, 2015 year end through this report dated February 8, 2016 which is also the date that the financial statements were available to be issued. No material subsequent event items that required recognition or disclosure were identified.

ADDITIONAL INFORMATION

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED AUGUST 31, 2015

Grantor / Pass-Through Grantor / or Program Title	Federal CFDA Number	Entity Identifying Number	Grant Award Amount			Expenditures/Earnings		
			Federal	State	Total	Federal	State	Total
U.S. Department of Health & Human Services:								
Head Start	93.600	09CH9128/02	\$ 3,890,104	\$ -	\$ 3,890,104	\$ 3,890,104	\$ -	\$ 3,890,104
<i>Pass-Through Program From:</i>								
<i>California Department of Education-</i>								
State Preschool	93.575/93.596	CSPP-5592	41,056	390,130	431,186	5,510	52,362	57,872
State Preschool	93.575/93.596	CSPP-4603	41,056	206,868	247,924	35,868	181,976	217,844
<i>Total U. S. Department of Health & Human Services</i>			<u>\$ 3,972,216</u>	<u>\$ 596,998</u>	<u>\$ 4,569,214</u>	<u>\$ 3,931,482</u>	<u>\$ 234,338</u>	<u>\$ 4,165,820</u>
 U.S. Department of Agriculture:								
<i>Pass-Through Program From:</i>								
<i>California Department of Education-</i>								
Child Care Food Program - Center Based	10.558	01-2286-2A	\$ 155,019	\$ -	\$ 155,019	\$ 155,019	\$ -	\$ 155,019
<i>Total U. S. Department of Agriculture</i>			<u>\$ 155,019</u>	<u>\$ -</u>	<u>\$ 155,019</u>	<u>\$ 155,019</u>	<u>\$ -</u>	<u>\$ 155,019</u>
 Total Federal and State Awards			<u>\$ 4,127,235</u>	<u>\$ 596,998</u>	<u>\$ 4,724,233</u>	<u>\$ 4,086,501</u>	<u>\$ 234,338</u>	<u>\$ 4,320,839</u>

Note 1. Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of **Northern California Child Development, Inc.**, and is presented on the accrual basis of accounting. The Federal information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
HEAD START GRANT AWARD NO. 09CH9128/02
SCHEDULE OF HEAD START REVENUE AND EXPENDITURES
BUDGET AND ACTUAL - GRANT BASIS
YEAR ENDED AUGUST 31, 2015

	<u>Approved Budget</u>	<u>Actual</u>	<u>Variance</u>
<u>REVENUES</u>			
Head Start Grant Revenue	\$ 3,890,104	\$ 3,890,104	\$ -
Other	-	700	700
In-Kind	583,037	1,414,263	831,226
TOTAL REVENUES	<u>4,473,141</u>	<u>5,305,067</u>	<u>831,926</u>
<u>EXPENSES</u>			
Basic			
Salaries	2,254,294	2,328,936	(74,642)
Fringe Benefits	747,285	761,144	(13,859)
Travel	-	-	-
Equipment	-	-	-
Supplies	100,693	95,711	4,982
Contractual	145,696	96,528	49,168
Facilities / Construction	585,396	551,745	33,651
Other	-	-	-
	<u>3,833,364</u>	<u>3,834,064</u>	<u>(700)</u>
Training & Technical Assistance			
Personnel	-	-	-
Fringe Benefits	-	-	-
Travel	27,197	27,197	-
Equipment	-	-	-
Supplies	-	-	-
Contractual	-	-	-
Facilities / Construction	-	-	-
Other	29,543	29,543	-
	<u>56,740</u>	<u>56,740</u>	<u>-</u>
TOTAL EXPENSES	3,890,104	3,890,804	(700)
In-Kind Expense	<u>583,037</u>	<u>1,414,263</u>	<u>(831,226)</u>
TOTAL FEDERAL EXPENSES	<u>4,473,141</u>	<u>5,305,067</u>	<u>(831,926)</u>
Excess revenue over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>



**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**

Independent Auditor's Report

February 8, 2016

Board of Directors
Northern California Child Development, Inc.
Red Bluff, California

We have audited, 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, the financial statements of **Northern California Child Development, Inc.**, which comprise the statement of financial position as of August 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Northern California Child Development, Inc.**'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 **Northern California Child Development, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Northern California Child Development, Inc.**'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 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.

**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***

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 **Northern California Child Development, Inc.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants, Inc.
Novato, California



RANDOLPH SCOTT & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS, INC.

Report on Compliance for Each Major Federal Program; and Report on Internal Control Over Compliance Required by OMB Circular A-133

Independent Auditor's Report

February 8, 2016

Board of Directors
Northern California Child Development, Inc.
Red Bluff, California

Report on Compliance for Each Major Federal Program

We have audited **Northern California Child Development, Inc.**'s compliance with the types of compliance requirements described in the Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **Northern California Child Development, Inc.**'s major federal programs for the year ended August 31, 2015. **Northern California Child Development, Inc.**'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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of **Northern California Child Development, Inc.**'s major federal programs based on our audit of the type 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 **Northern California Child Development, Inc.**'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 **Northern California Child Development, Inc.**'s compliance.

**Report on Compliance for Each Major Federal Program; and
Report on Internal Control Over Compliance
Required by OMB Circular A-133**

Opinion on Each Major Federal Program

In our opinion, **Northern California Child Development, Inc.** 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 August 31, 2015.

Report on Internal Control Over Compliance

The management of **Northern California Child Development, Inc.** 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, we considered **Northern California Child Development, Inc.**'s internal control over compliance with the types of requirements that could have a direct and material effect on a 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 **Northern California Child Development, Inc.**'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 non compliance 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 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 the 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.

**Report on Compliance for Each Major Federal Program; and
Report on Internal Control Over Compliance
Required by OMB Circular A-133**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Randolph Scott & Co.

Certified Public Accountants, Inc.
Novato, California

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED AUGUST 31, 2015

COMPONENT I: SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:		Unmodified
Internal control over financial reporting:		
* Material weakness(es) identified?	_____ yes	___X___ no
* Significant deficiency(s) identified? reported	_____ yes	___X___ none
* Noncompliance material to financial statements noted?	_____ yes	___X___ no

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	_____ yes	___X___ no
* Significant deficiency(s) identified?	_____ yes	___X___ none reported

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	_____ yes	___X___ no
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Identification of major programs:

Department of Health and Human Services
Head Start / Early Head Start

CFDA Number: 93.600

Dollar threshold used to distinguish Type A programs from Type B programs was \$300,000

Northern California Child Development, Inc. qualified as a low-risk auditee in accordance with OMB Circular A-133.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (Continued)
YEAR ENDED AUGUST 31, 2015

SECTION II: FINANCIAL STATEMENTS FINDINGS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

SIGNIFICANT DEFICIENCY(IES)

None.

SIGNIFICANT DEFICIENCY(IES) – NON-MATERIAL WEAKNESSES

None.

SECTION III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

SIGNIFICANT DEFICIENCY(IES)

None.

SIGNIFICANT DEFICIENCY(IES) – NON-MATERIAL WEAKNESSES

None.

QUESTIONED COSTS

None.