

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**REPORT ON EXAMINATION  
OF FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

**YEAR ENDED AUGUST 31, 2014  
(With Comparative Totals for 2013)**

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January 28, 2015

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, 2014, 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.**  
January 28, 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, 2014, 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 January 28, 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.**  
January 28, 2015

***Report on Summarized Comparative Information***

We have previously audited **Northern California Child Development, Inc.**'s August 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Randolph Scott & Co." in a cursive, flowing script.

**Certified Public Accountants, Inc.**  
Novato, California

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**STATEMENT OF FINANCIAL POSITION**

August 31, 2014  
(With Comparative Totals for 2013)

<b><u>ASSETS</u></b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>	
			<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents (Note A)	\$ 175,032	\$ -	\$ 175,032	\$ 116,367
Cash, Restricted (Note D)	6,958	-	6,958	3,417
Accounts Receivable	239	-	239	667
Grants Receivable (Note E)	158,072	-	158,072	192,719
Prepaid Expenses	42,291	-	42,291	116,306
<b>TOTAL CURRENT ASSETS</b>	<u>382,592</u>	<u>-</u>	<u>382,592</u>	<u>429,476</u>
PROPERTY AND EQUIPMENT (Note F)	12,234	648,285	660,519	797,352
DEPOSITS	8,300	-	8,300	8,450
<b>TOTAL ASSETS</b>	<u>\$ 403,126</u>	<u>\$ 648,285</u>	<u>\$ 1,051,411</u>	<u>\$ 1,235,278</u>
<b><u>LIABILITIES &amp; NET ASSETS</u></b>				
<b>CURRENT LIABILITIES</b>				
Current portion-Capital Lease (Note G)	\$ 4,821	\$ -	\$ 4,821	\$ 4,505
Accounts Payable and Accrued Expenses	351,032	-	351,032	377,138
Deposits	-	-	-	3,417
Due to Funder	1,496	-	1,496	-
CDE Reserve (Note H)	11,448	-	11,448	12,584
Deferred Revenue	6,958	-	6,958	39,106
<b>TOTAL CURRENT LIABILITIES</b>	<u>375,755</u>	<u>-</u>	<u>375,755</u>	<u>436,750</u>
CAPITAL LEASE OBLIGATION (Note G)	7,414	-	7,414	12,235
DEPOSITS	8,300	-	8,300	8,300
<b>TOTAL LIABILITIES</b>	<u>391,469</u>	<u>-</u>	<u>391,469</u>	<u>457,285</u>
COMMITMENTS AND CONTINGENCY (Note J)	-	-	-	-
<b>NET ASSETS</b>				
Unrestricted	11,657	-	11,657	(2,619)
Temporarily Restricted:				
Grant Fund	-	-	-	-
Property & Equipment (Note B)	-	648,285	648,285	780,612
	<u>11,657</u>	<u>648,285</u>	<u>659,942</u>	<u>777,993</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 403,126</u>	<u>\$ 648,285</u>	<u>\$ 1,051,411</u>	<u>\$ 1,235,278</u>

See Notes To Financial Statements.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED AUGUST 31, 2014**

**(With Comparative Totals for 2013)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total All Funds</u>	
			<u>2014</u>	<u>2013</u>
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>				
Grant Revenue	\$ 3,664,049	\$ -	\$ 3,664,049	\$ 3,894,194
Contract Revenue	379,266	-	379,266	387,941
Interest Income	2	-	2	5
In-Kind (Note A)	1,284,385	-	1,284,385	851,340
Gain from Disposal of Assets	10,050	-	10,050	-
Contribution Income	122	-	122	700
Other	56,448	-	56,448	16,272
Net Assets Released From Restrictions (Note C):				
Satisfaction of Program Restrictions or Other				
Expiration of Time Restrictions	-	-	-	(897)
<b>Total Revenues, Gains, and Other Support</b>	<b>5,394,322</b>	<b>-</b>	<b>5,394,322</b>	<b>5,149,555</b>
 <b>EXPENSES AND LOSSES:</b>				
Head Start / Early Head Start	4,925,991	-	4,925,991	4,692,956
Child and Adult Care Food Program	153,732	-	153,732	155,423
General Child Care	228,611	-	228,611	279,395
Tehama Co. Office of Education	45,363	-	45,363	53,285
Other Programs	25,592	-	25,592	-
General Operating	757	-	757	2,869
<b>Total Expenses and Losses</b>	<b>5,380,046</b>	<b>-</b>	<b>5,380,046</b>	<b>5,183,928</b>
 <b>CHANGE IN NET ASSETS</b>	 <b>14,276</b>	 <b>-</b>	 <b>14,276</b>	 <b>(34,373)</b>
 <b>CHANGES TO NET ASSETS:</b>				
Transfer	-	-	-	-
Additions/Dispositions of Equipment (Note A)	-	43,322	43,322	32,109
Depreciation of Equipment (Note A)	-	(175,649)	(175,649)	(169,295)
	-	(132,327)	(132,327)	(137,186)
 <b>NET ASSETS, Beginning of the Year</b>	 <b>(2,619)</b>	 <b>780,612</b>	 <b>777,993</b>	 <b>949,552</b>
 <b>NET ASSETS, End of Year</b>	 <b>\$ 11,657</b>	 <b>\$ 648,285</b>	 <b>\$ 659,942</b>	 <b>\$ 777,993</b>

See Notes To Financial Statements.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED AUGUST 31, 2014**

**(With Comparative Totals for 2013)**

EXPENSES	Program Services					Unrestricted	Total All Funds	
	Head Start & Early Head Start	CACFP	CDE Child Care	Tehema Co. Office of Education	Other Programs	General Operating	2014	2013
Salaries	\$ 2,082,077	\$ 37,263	\$ 122,829	\$ 31,828	\$ -	\$ -	\$ 2,273,997	\$ 2,362,394
Employee Benefits & Taxes	603,367	17,213	46,721	13,535	-	-	680,836	783,613
Food	5,316	74,745	-	-	-	-	80,061	81,696
Travel	44,144	-	-	-	-	-	44,144	23,688
Rent (Note J)	203,345	-	15,241	-	-	-	218,586	216,318
Utilities	47,343	-	5,952	-	-	-	53,295	51,911
Telephone	13,418	-	641	-	-	-	14,059	31,331
Postage & Printing	2,655	-	128	-	-	-	2,783	2,344
Contracted Services	197,018	18,215	8,653	-	23,429	-	247,315	154,446
In-Kind (Note A)	1,284,385	-	-	-	-	-	1,284,385	851,340
Training	28,923	-	-	-	-	-	28,923	31,429
Medical & Dental	688	-	-	-	2,163	-	2,851	375
Insurance	46,052	-	2,469	-	-	-	48,521	51,258
Educational Supplies	65,024	-	5,179	-	-	-	70,203	90,736
Clerical & Other Supplies	46,819	6,296	2,800	-	-	-	55,915	87,567
Repairs & Maintenance	111,766	-	13,239	-	-	-	125,005	128,581
Vehicle & Transportation	47,178	-	-	-	-	-	47,178	70,160
Equipment	25,669	-	1,711	-	-	-	27,380	69,653
Parent Activity	29,684	-	576	-	-	-	30,260	32,748
Recruitment	6,012	-	72	-	-	-	6,084	5,379
Dues & Licenses	24,319	-	1,306	-	-	757	26,382	42,191
Interest	776	-	222	-	-	-	998	1,196
Other	6,259	-	121	-	-	-	6,380	8,185
Depreciation (Note F)	3,754	-	751	-	-	-	4,505	5,389
<b>TOTAL EXPENSES</b>	<b>\$ 4,925,991</b>	<b>\$ 153,732</b>	<b>\$ 228,611</b>	<b>\$ 45,363</b>	<b>\$ 25,592</b>	<b>\$ 757</b>	<b>\$ 5,380,046</b>	<b>\$ 5,183,928</b>

See Notes To Financial Statements.



**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**COMBINED STATEMENT OF CASH FLOWS**

**YEAR ENDED AUGUST 31, 2014**

**(With Comparative Totals for 2013)**

	<u>Total All Funds</u>	
	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash received from:		
Grant and Contract Income	\$ 4,046,602	\$ 4,357,936
Donations and Other revenue	56,570	16,075
Interest income	2	5
Cash paid to employees and suppliers	(4,045,515)	(4,374,321)
Interest expense	(998)	(1,196)
Net Cash Provided/(Used) by Operating Activities:	<u>56,661</u>	<u>(1,501)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of Equipment, less amounts charged to Net Assets	-	-
Proceeds from Sale of fixed assets	10,050	-
Net Cash Provided/(Used) by Investing Activities	<u>10,050</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from Capital Lease, net of Additions to Net Assets	-	-
Cash paid by capital lease obligation - Less Interest of \$998 and \$1,196 respectively	(4,505)	(5,049)
Net Cash Provided/(Used) by Financing Activities	<u>(4,505)</u>	<u>(5,049)</u>
<b>NET INCREASE (DECREASE) IN CASH:</b>	62,206	(6,550)
Cash, Beginning of year	<u>119,784</u>	<u>126,334</u>
Cash, End of year	<u>\$ 181,990</u>	<u>\$ 119,784</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS</b>		
<b>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 14,276	\$ (34,373)
Adjustments to reconcile net revenue to cash provided by operating activities:		
Depreciation (Note F)	180,155	174,684
Depreciation charged to equip. net assets	(175,649)	(169,295)
(Gain)/Loss from Disposal	(10,050)	-
(Increase) Decrease in Assets:		
Grants and Accounts Receivable	35,075	105,992
Prepaid expenses	74,015	(82,165)
Deposits	150	5,758
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	(26,106)	30,580
Deposits	(3,417)	(2,491)
Due to Funder	1,496	(10,602)
CDE Reserve	(1,136)	(2,048)
Deferred Revenue	(32,148)	(17,541)
Net Cash Provided/(Used) by Operating Activities:	<u>\$ 56,661</u>	<u>\$ (1,501)</u>
<b>Supplemental Data:</b>		
In-kind Goods and Services Received in Lieu of Cash	<u>\$ 1,284,385</u>	<u>\$ 851,340</u>
Interest Paid	<u>\$ 998</u>	<u>\$ 1,196</u>

See Notes To Financial Statements.

## NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

(With Comparative Totals for 2013)

#### 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.

##### Accounting and Reporting in Accordance with FASB ASC 958-605 and 958-205

The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the asset contributed. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. In accordance with FASB ASC 958-205 the Organization reports information regarding its financial position and activities according to three classes of net assets: Unrestricted, Temporarily Restricted and Permanently Restricted.

##### 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

## NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

### NOTES TO FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2014

(With Comparative Totals for 2013)

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

Continued

##### Cash and Cash Equivalents – (Continued)

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.

##### 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, 2014, there was no uninsured balance above the FDIC limit.

##### Concentration of Revenue Sources

During the year ended August 31, 2014, the Organization had one major revenue funding source, the U.S. Department of Health and Human, which accounted for approximately 68% of the total revenue of the Organization.

##### 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.

*Capital lease payable:* The carrying value of the Organization's debt approximates fair value because of the variable nature of market interest rates.

##### 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

## NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

### NOTES TO FINANCIAL STATEMENTS YEAR ENDED AUGUST 31, 2014 (With Comparative Totals for 2013)

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

##### Property and Equipment – (Continued)

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.

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.

##### Estimates

The preparation of financial statements in conformity with accounting principal 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.

##### 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*. Cost Allocation Plan is reviewed annually reviewed 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.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**  
**(With Comparative Totals for 2013)**

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

**Allocation of Expenses – (Continued)**

- 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.

**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, 2014 were \$1,284,385.

**Vacation and Personal Time Off Policy**

Employees in the full-year employment classification are eligible to earn and use vacation time as follows. Vacation benefits are accrued on a monthly basis after 90 days (30 days for management) of official hire date and will continue to accrue up to the maximum of 160 hours.

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.

Part-year employees will receive 32 hours of Personal Time Off (PTO) 90 days after their official hire date. Upon entering an eligible employment classification and every August 1st thereafter, eligible part-year employees will earn an additional 32 hours of PTO up to a maximum of 48 hours.

Upon termination of employment employees will be paid for unused vacation benefits or PTO time that has been accrued through the last day of work. Total accrued vacation and PTO at August 31, 2014 was \$45,810.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**  
**(With Comparative Totals for 2013)**

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

**Sick Leave**

Sick leave accumulates at the rate of one day per calendar month worked. The maximum sick leave hours an employee may accumulate is two hundred and forty hours or 30 days. Sick leave benefits are not recognized as liabilities because the payment of such benefits is not probable or estimable.

**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 2013**

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, 2013, 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, 2014, temporarily restricted net assets consisted of the following:

Property and Equipment	\$ <u>648,285</u>
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**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2014**

**(With Comparative Totals for 2013)**

**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, 2014, there were no net assets released from donor restrictions.

**NOTE D – RESTRICTED CASH**

At August 31, 2014, the balance of \$6,958 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, 2014, Grants Receivable consisted of the following:

Head Start	\$ 124,069
CA Dept of Education - Child and Adult Care Food Program	2,886
CA Dept of Education - CSPP-4603	23,379
Others	7,738
<i>Total Grants Receivable</i>	<u><u>\$ 158,072</u></u>

**NOTE F - PROPERTY AND EQUIPMENT**

At August 31, 2014 property and equipment consisted of the following:

	<u>Cost</u>	<u>Accum. Depreciation</u>	<u>Net Book Value</u>
Vehicles	\$ 749,098	\$ 609,662	\$ 139,436
Leasehold Improvements	911,155	538,107	373,048
Building and Improvements	281,421	209,260	72,161
Capital Lease Equipment	38,527	26,292	12,235
Furniture and Equipment	377,828	314,189	63,639
	<u><u>\$ 2,358,029</u></u>	<u><u>\$ 1,697,510</u></u>	<u><u>\$ 660,519</u></u>

Total depreciation expense for the year ended August 31, 2014 was \$180,154 of which \$175,649 decreased the equipment net assets and \$4,505 was charged to expense.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2014**

**(With Comparative Totals for 2013)**

**NOTE G – CAPITAL LEASE OBLIGATION**

At August 31, 2014, obligations under capital lease consisted of the following:

Three photo copiers with monthly payment of principal and interest of approximately \$459 through January 2017. The interest rate is 6.79%.	\$	12,235
Less: Current Portion		<u>(4,821)</u>
Long-Term Portion, Capital Lease Obligation	\$	<u><u>7,414</u></u>

Future minimum payments under capital lease are as follows:

Year Ending: August 31, 2015	\$	5,504
August 31, 2016		5,504
August 31, 2017		<u>2,293</u>
		<u>13,301</u>
Less amount representing interest		<u>(1,066)</u>
Ending future principal payments	\$	<u><u>12,235</u></u>

**NOTE H – 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, 2014 the reserve account balance was \$ 11,448.

**NOTE I – 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, 2014 were \$70,456.



**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**YEAR ENDED AUGUST 31, 2014**

**(With Comparative Totals for 2013)**

**NOTE I – EMPLOYEE BENEFIT PLANS – (Continued)**

**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 J - COMMITMENTS AND CONTINGENCYS**

**Commitments**

The Organization conducts administrative and program operations at various leased facilities. In addition, the Organization rents certain office equipment for use it its operations. Future minimum payments under non-cancelable operating leases are as follows:

<u>Year Ending August 31,</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
2015	\$ 132,913	\$ 19,141	\$ 152,054
2016	129,240	19,141	148,381
2017	119,400	8,271	127,671
2018	121,560	1,378	122,938
2019	123,720	-	123,720
Thereafter	319,320	-	319,320
	<u>\$ 946,153</u>	<u>\$ 47,931</u>	<u>\$ 994,084</u>

Total rent expense for the year ended August 31, 2014 was \$218,586.

**Contingency**

Grant awards require the fulfillment of certain conditions as set forth in the instruments of 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.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2014**  
**(With Comparative Totals for 2013)**

**NOTE K – SUBSEQUENT EVENTS:**

The Organization has evaluated their financial position and activities from the August 31, 2014 year end through this report dated January 28, 2015 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, 2014**

Grantor / Pass-Through Grantor / or Program Title	Federal CFDA Number	Entity Identifying Number	Grant Award Amount			Expenditures/Earnings		
			Federal	State	Total	Federal	State	Total
<b><u>U.S. Department of Health &amp; Human Services:</u></b>								
Head Start	93.600	09CH9128/01	\$ 3,641,484	\$ -	\$ 3,641,484	\$ 3,641,484	\$ -	\$ 3,641,484
<b><u>Pass-Through Program From:</u></b>								
<b><u>California Department of Education-</u></b>								
State Preschool	93.575/93.596	CSPP-4603	40,526	191,804	232,330	4,078	19,301	23,379
State Preschool	93.575/93.596	CSPP-3614	40,280	192,050	232,330	40,280	161,876	202,156
<i>Total U. S. Department of Health &amp; Human Services</i>			<u>\$ 3,722,290</u>	<u>\$ 383,854</u>	<u>\$ 4,106,144</u>	<u>\$ 3,685,842</u>	<u>\$ 181,177</u>	<u>\$ 3,867,019</u>
<b><u>U.S. Department of Agriculture:</u></b>								
<b><u>Pass-Through Program From:</u></b>								
<b><u>California Department of Education-</u></b>								
Child Care Food Program - Center Based	10.558	01-2286-2A	\$ 153,732	\$ -	\$ 153,732	\$ 153,732	\$ -	\$ 153,732
<i>Total U. S. Department of Agriculture</i>			<u>\$ 153,732</u>	<u>\$ -</u>	<u>\$ 153,732</u>	<u>\$ 153,732</u>	<u>\$ -</u>	<u>\$ 153,732</u>
<b>Total Federal and State Awards</b>			<u>\$ 3,876,022</u>	<u>\$ 383,854</u>	<u>\$ 4,259,876</u>	<u>\$ 3,839,574</u>	<u>\$ 181,177</u>	<u>\$ 4,020,751</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. 09CH9128/01**  
**SCHEDULE OF HEAD START REVENUE AND EXPENDITURES**  
**BUDGET AND ACTUAL - GRANT BASIS**  
**YEAR ENDED AUGUST 31, 2014**

	<b><u>Approved Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
<b><u>REVENUES</u></b>			
Head Start Grant Revenue	\$ 3,641,484	\$ 3,641,484	\$ -
Other	-	122	122
In-Kind	910,371	1,284,385	374,014
<b>TOTAL REVENUES</b>	<b><u>4,551,855</u></b>	<b><u>4,925,991</u></b>	<b><u>374,136</u></b>
<b><u>EXPENSES</u></b>			
<b>Basic</b>			
Salaries	2,115,120	2,082,077	33,043
Fringe Benefits	689,607	603,367	86,240
Travel	-	5,452	(5,452)
Equipment	-	-	-
Supplies	84,591	137,512	(52,921)
Contractual	103,695	190,008	(86,313)
Facilities / Construction	-	-	-
Other	591,731	566,450	25,281
	<u>3,584,744</u>	<u>3,584,866</u>	<u>(122)</u>
<b>Training &amp; Technical Assistance</b>			
Personnel	-	-	-
Fringe Benefits	-	-	-
Travel	25,544	38,692	(13,148)
Equipment	-	-	-
Supplies	-	-	-
Contractual	-	-	-
Facilities / Construction	-	-	-
Other	31,196	18,048	13,148
	<u>56,740</u>	<u>56,740</u>	<u>-</u>
<b>TOTAL EXPENSES</b>	<b><u>3,641,484</u></b>	<b><u>3,641,606</u></b>	<b><u>(122)</u></b>
In-Kind Expense	<u>910,371</u>	<u>1,284,385</u>	<u>(374,014)</u>
<b>TOTAL FEDERAL EXPENSES</b>	<b><u>4,551,855</u></b>	<b><u>4,925,991</u></b>	<b><u>(374,136)</u></b>
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

January 28, 2015

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, 2014, 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 January 28, 2015.

**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***

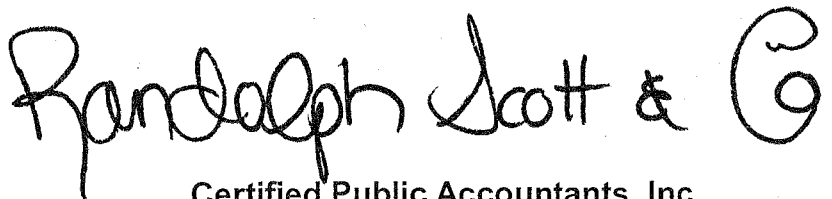
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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



**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

January 28, 2015

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, 2014. **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, 2014.

**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, 2014**

**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	_____ <u>X</u> no
* Significant deficiency(s) identified? reported	_____ yes	_____ <u>X</u> none
* Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

*Federal Awards*

Internal control over major programs:		
* Material weakness(es) identified?	_____ yes	_____ <u>X</u> no
* Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> 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	_____ <u>X</u> 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, 2014**

**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.