

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS

REPORT ON EXAMINATION
OF FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2015

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NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
GENERAL INFORMATION
YEAR ENDED JUNE 30, 2015

| | |
|---|---|
| Agency Name: | Northern California Child Development, Inc. |
| Address of Agency: | 220 Sycamore Street Red Bluff, CA 96080 |
| Type of Agency: | California Nonprofit Public Benefit Corporation |
| California Department of Education Contract Numbers: | CSPP-4603 State Preschool 52-1819-OJ Child Care Food Program |
| Executive Director: | Brian Heese |
| Report Period: | Fiscal Year Ended June 30, 2015 |
| Number of Days of Operation | 246 |



December 9, 2015

Governing Board
**Northern California Child Development, Inc.'s
Child Care Programs**
Red Bluff, California

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of **Northern California Child Development, Inc.'s Child Care Programs**, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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 audit. 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 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.'s
Child Care Programs**
December 9, 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.'s Child Care Programs**, as of June 30, 2015, and the changes in its financial position and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As discussed in Note A, the financial statements of the California Department of Education's Child Care Programs, are intended to present the financial position, and the changes in net assets and cash flows, where applicable, of only that portion of the Agency's activities that is attributable to the transactions of the Child Care Programs. They do not purport to, and do not, present fairly the financial position of **Northern California Child Development, Inc.** as of June 30, 2015, and the changes in its financial position and its cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, the combining statement of activities, and the supplemental reporting requirements of the California Department of Education found on pages 20-27 of this report, 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 December 9, 2015 on our consideration of **Northern California Child Development, Inc.'s Child Care Programs'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters.

Governing Board
**Northern California Child Development, Inc.'s
Child Care Programs**
December 9, 2015

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 Child Care Programs'** internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Randolph Scott & Co." with a stylized flourish at the end.

Certified Public Accountants, Inc.
Novato, California

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
STATEMENT OF FINANCIAL POSITION
June 30, 2015

| <u>ASSETS</u> | Total Unrestricted |
|--|-------------------------------|
| CURRENT ASSETS | |
| Cash and Cash Equivalents (Note A) | \$ - |
| Grants Receivable (Note D) | 26,490 |
| TOTAL CURRENT ASSETS | 26,490 |
| TOTAL ASSETS | \$ 26,490 |
| <u>LIABILITIES & NET ASSETS</u> | |
| CURRENT LIABILITIES | |
| CDE Reserve (Note F) | \$ 11,460 |
| Due to Organization's General Fund | 15,030 |
| TOTAL CURRENT LIABILITIES | 26,490 |
| CONTINGENCIES (Note H) | - |
| NET ASSETS (Note B) | - |
| TOTAL LIABILITIES AND NET ASSETS | \$ 26,490 |

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

| | | <u>Total Unrestricted</u> |
|---|----|-------------------------------|
| REVENUES, GAINS, AND OTHER SUPPORT: | | |
| Grant Revenue | \$ | 998,002 |
| Parent Fees | | 6,700 |
| Other Income | | - |
| Net Assets Released From Restrictions (Note C): | | |
| Satisfaction of Program Restrictions | | - |
| Expiration of Time Restrictions | | - |
| | | <hr/> |
| Total Revenues, Gains, and Other Support | | <u>1,004,702</u> |
| EXPENSES AND LOSSES: | | |
| State Preschool | | 294,190 |
| Enhancement Funding-Head Start | | 604,108 |
| Child and Adult Care Food Program - Head Start | | 105,312 |
| | | <hr/> |
| Total Expenses and Losses | | <u>1,003,610</u> |
| CHANGE IN NET ASSETS | | <u>1,092</u> |
| CHANGES TO NET ASSETS: | | |
| Operating Transfers (Note E) | | (1,092) |
| | | <hr/> |
| | | <u>(1,092)</u> |
| NET ASSETS, Beginning of the Year | | <hr/> <u>-</u> |
| NET ASSETS, End of Year (Note B) | \$ | <hr/> <u><u>-</u></u> |

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

| | Total CDE Child Care Programs | | | | | Head Start Enhancement Funds | Head Start & Early HS CCFP | Total |
|-------------------------------|--------------------------------------|------------------------------|---------------------|--------------------------|-------------------|------------------------------------|----------------------------------|-------|
| | Child Care 7/1/14-8/31/14 | Child Care 9/1/14-6/30/15 | CDE Portion CCFP | Subtotal CDE Programs | | | | |
| Expenses: | | | | | | | | |
| Salaries and Wages | \$ 16,369 | \$ 109,541 | \$ 9,203 | \$ 135,113 | \$ 399,240 | \$ 12,599 | \$ 546,952 | |
| Payroll Tax and Benefits | 3,862 | 36,031 | 2,755 | 42,648 | 113,755 | 14,081 | 170,484 | |
| Supplies | 2,359 | 10,413 | 2,595 | 15,367 | 14,366 | 7,275 | 37,008 | |
| Food | | | 27,348 | 27,348 | 7,525 | 60,941 | 95,814 | |
| Other Operating Expenses: | | | | | | | | |
| Contract Services | 3,567 | 12,091 | 5,458 | 21,116 | 10,693 | 10,416 | 42,225 | |
| Rent | 2,559 | 14,407 | | 16,966 | 16,727 | | 33,693 | |
| Occupancy (including repairs) | 4,456 | 13,667 | | 18,123 | 20,561 | | 38,684 | |
| Insurance | | 3,598 | | 3,598 | 2,414 | | 6,012 | |
| Telephone | 91 | 3,239 | | 3,330 | 3,649 | | 6,979 | |
| Travel and Training | | | | - | (16) | | (16) | |
| Repairs & Maintenance-Equip. | 598 | 4,922 | | 5,520 | 4,985 | | 10,505 | |
| Capital Expenditures | | | | - | 190 | | 190 | |
| Other Operating Expenses | 780 | 3,555 | | 4,335 | 8,567 | | 12,902 | |
| Depreciation | 129 | 597 | | 726 | 1,452 | | 2,178 | |
| Total Expenses | \$ 34,770 | \$ 212,061 | \$ 47,359 | \$ 294,190 | \$ 604,108 | \$ 105,312 | \$ 1,003,610 | |

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015

| CASH FLOWS FROM OPERATING ACTIVITIES: | <u>Total All Funds</u> |
|--|------------------------|
| Cash received from: | |
| Grant and Contract Income | \$ 997,992 |
| Parent Fees | 6,700 |
| Cash Paid to Suppliers and Employees | (1,003,600) |
| Cash provided from operating transfers (Note E) | (1,092) |
| Net Cash Provided/(Used) by Operating Activities: | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH: | - |
| Cash, Beginning of year | <u>-</u> |
| Cash, End of year | <u><u>\$ -</u></u> |
| | |
| RECONCILIATION OF CHANGE IN NET ASSETS | |
| TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Change in net assets | \$ 1,092 |
| Adjustments to reconcile net revenue | |
| to cash provided by operating activities: | |
| Operating Transfer In | (1,092) |
| (Increase)/Decrease in Assets | |
| Grants Receivable | (22) |
| Due from Organization's General Fund | |
| Increase/(Decrease) in Liabilities | |
| Due to Organization's General Fund | 10 |
| CDE Reserve | 12 |
| Net Cash Provided/(Used) by Operating Activities: | <u><u>\$ -</u></u> |

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

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. The Organization's child care programs are funded through the California Department of Education (CDE). Whereas the Organization's fiscal year end is August 31, the CDE child care programs presented in this report have a fiscal year-end of June 30, 2015.

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.

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 grants payable: The carrying amounts of accounts receivable and accounts payable in the statement of financial position approximates fair value.

Estimates

The preparation of financial statements in conformity with accounting principals 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.

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. There were no uninsured balances as of June 30, 2015 associated with the CDE programs.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(CONTINUED)

Concentration of Revenue Sources

During the year ended June 30, 2015, the Organization had two major revenue funding source for the child care program-specific report, the California Department of Education and Head Start, which accounted for approximately 99% of the total revenue of the CDE programs.

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.

Vacation Policy

Vacation benefits are accrued on a monthly basis after 90 days of an employees' official hire date. Regular full-year employees are eligible for vacation accrual. The amount of paid vacation time employees receive each year increases with the length of their employment. 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.

Full-year employees accrue vacation according to the following schedule:

| Years Employed | Full-Time Accrual Rate |
|-----------------------|-------------------------------|
| 1-4 | 3.5 hours per pay period |
| 5-9 | 5.0 hours per pay period |
| 10 + | 6.5 hours per pay period |

The maximum amount of vacation time that an employee can accrue is 160 hours.

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 240 hours or 30 days. Sick leave benefits are not recognized as liabilities of the Organization because the payment of such benefits is not probable or estimable.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(CONTINUED)

Revenue Recognition

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions 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, purpose restriction is accomplished, or both. 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*. 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 benefited.

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

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

**NOTE A - GENERAL AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES –
(CONTINUED)**

Allocation of Expenses– (Continued)

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.

Income Tax

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 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 Organization in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

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. There were no temporarily restricted net assets at June 30, 2015.

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. At June 30, 2015, there were no net assets released from donor restrictions.

NOTE D – GRANTS RECEIVABLE

At June 30, 2015, Grants Receivable consisted of the following:

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE D – GRANTS RECEIVABLE-(Continued)

| | |
|------------------------------------|------------------|
| California Department of Education | \$ 19,339 |
| Child and Adult Care Food Program | 7,151 |
| CSPP-4603 State Preschool | <u>26,490</u> |
| | <u>\$ 26,490</u> |

NOTE E – OPERATING TRANSFERS

Operating transfers represent the utilization of unrestricted funds or the Head Start awards to cover program operating deficits and other transfers or restrictions deemed necessary by the Board of Directors.

NOTE F – STATE CHILD DEVELOPMENT RESERVES

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 G – NUTRITION PROGRAMS

The Organization had one nutrition agreement with CDE for Child and Adult Care Food Programs, as reported in the *Schedule of Expenditures of Federal and State Awards*. However, no nutrition audit report schedules are included in the audit because (1) the audit disclosed no nutrition overpayments, underpayments, or program findings; (2) the Agency did not request reimbursement of audit costs; and (3) the audit is not a program-specific nutrition audit.

NOTE H – CONTINGENCIES

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.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE H – CONTINGENCIES-(Continued)

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 I – SUBSEQUENT EVENTS

The Organization has evaluated their financial position and activities from the June 30, 2015 year end of this report through December 9, 2015 which is 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.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
SCHEDULE OF FEDERAL AND STATE AWARDS
YEAR ENDED JUNE 30, 2015

| Grantor / Pass-Through Grantor / or Program Title | Federal CFDA Number | Entity Identifying Number | Grant Award Amount | | Revenue Earned / Expenditures | |
|--|---------------------------|---------------------------------|--------------------|-------------------|-------------------------------|-------------------|
| | | | Federal | State | Federal | State |
| <u>U.S. Department of Health & Human Services:</u> | | | | | | |
| <u>Pass-Through Program From:</u> | | | | | | |
| California Department of Education- State Preschool | 93.575/93.596 | CSPP-4603 | 41,056 | 206,868 | 39,946 | 201,277 |
| | | | <u>41,056</u> | <u>206,868</u> | <u>39,946</u> | <u>201,277</u> |
| Subtotal US Dept. of Health & Human Services: | | | | 247,924 | | 241,223 |
| | | | | <u>247,924</u> | | <u>241,223</u> |
| <u>U.S. Department of Agriculture:</u> | | | | | | |
| <u>Pass-Through Program From:</u> | | | | | | |
| California Department of Education- Child and Adult Care Food Program | 10.558 | 52-1819-OJ | 152,671 | | 152,671 | 152,671 |
| | | | <u>152,671</u> | | <u>152,671</u> | <u>152,671</u> |
| Subtotal US Dept. of Agriculture: | | | | | | |
| | | | | 400,595 | 201,277 | 393,894 |
| Total Federal and State Awards | | | <u>\$ 193,727</u> | <u>\$ 206,868</u> | <u>\$ 192,617</u> | <u>\$ 201,277</u> |

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards including the federal and state grant activity of Northern California Child Development, Inc's Child Care Programs and is presented on the accrual basis of Accounting.

Note 2. Head Start Commingled Funds

As reported in the Calif. Dept of Education Supplemental schedules, the Organization's child care programs can be commingled at the same center as some of the Organization's Head Start families. Only the CDE programs are reported on this schedule. The Head Start funds can be found on the Organization-wide audit for the year ended August 31, 2015.



RANDOLPH SCOTT & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS, INC.

**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 AUDITORS' REPORT

December 9, 2015

Governing Board
**Northern California Child Development, Inc.'s
Child Care Programs**
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.'s Child Care Programs**, which comprise the statement of financial position as of June 30, 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 December 9, 2015.

Internal Control Over Financial Reporting

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

SUPPLEMENTAL REPORTING REQUIREMENTS
OF THE
CALIFORNIA DEPARTMENT OF EDUCATION

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

| | Total CDE Child Care Programs | | | | Head Start Enhancement Funds | Head Start & Early HS CCFP | Total |
|-----------------------------------|-------------------------------|------------------------------|---------------------|--------------------------|------------------------------------|----------------------------------|------------------|
| | Child Care 7/1/14-8/31/14 | Child Care 9/1/14-6/30/15 | CDE Portion CCFP | Subtotal CDE Programs | | | |
| Revenue and Other Support: | | | | | | | |
| Grant Revenue | \$ 23,379 | \$ 217,844 | \$ 46,267 | \$ 287,490 | \$ 604,108 | \$ 106,404 | \$ 998,002 |
| Parent Fees | 125 | 6,575 | | 6,700 | | | 6,700 |
| Total Revenue and Other Support | <u>23,504</u> | <u>224,419</u> | <u>46,267</u> | <u>294,190</u> | <u>604,108</u> | <u>106,404</u> | <u>1,004,702</u> |
| Expenses: | | | | | | | |
| Salaries and Wages | 16,369 | 109,541 | 9,203 | 135,113 | 399,240 | 12,599 | 546,952 |
| Payroll Tax and Benefits | 3,862 | 36,031 | 2,755 | 42,648 | 113,755 | 14,081 | 170,484 |
| Supplies | 2,359 | 10,413 | 2,595 | 15,367 | 14,366 | 7,275 | 37,008 |
| Food | | | 27,348 | 27,348 | 7,525 | 60,941 | 95,814 |
| Other Operating Expenses; | | | | | | | |
| Contract Services | 3,567 | 12,091 | 5,458 | 21,116 | 10,693 | 10,416 | 42,225 |
| Rent | 2,559 | 14,407 | | 16,966 | 16,727 | | 33,693 |
| Occupancy (including repairs) | 4,456 | 13,667 | | 18,123 | 20,561 | | 38,684 |
| Insurance | | 3,598 | | 3,598 | 2,414 | | 6,012 |
| Telephone | 91 | 3,239 | | 3,330 | 3,649 | | 6,979 |
| Travel and Training | | | | - | (16) | | (16) |
| Repairs & Maintenance-Equip. | 598 | 4,922 | | 5,520 | 4,985 | | 10,505 |
| Capital Expenditures | 780 | 3,555 | | - | 190 | | 190 |
| Other Operating Expenses | 129 | 597 | | 4,335 | 8,567 | | 12,902 |
| Depreciation | | | | 726 | 1,452 | | 2,178 |
| Total Expenses | <u>34,770</u> | <u>212,061</u> | <u>47,359</u> | <u>294,190</u> | <u>604,108</u> | <u>105,312</u> | <u>1,003,610</u> |
| Change in Net Assets | <u>\$ (11,266)</u> | <u>\$ 12,358</u> | <u>\$ (1,092)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,092</u> | <u>\$ 1,092</u> |

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

CALIFORNIA DEPARTMENT OF EDUCATION

CHILD CARE PROGRAMS

SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

YEAR ENDED JUNE 30, 2015

| | State Preschool CSPP-4603 | Head State Enhancement Funding | CACFP (a) | Total All Funds |
|--|---------------------------------|--------------------------------------|-------------------|---------------------|
| Direct payments to providers | \$ - | \$ - | \$ - | \$ - |
| 1000 Certificated Salaries | 72,424 | 186,906 | - | 259,330 |
| 2000 Classified Salaries | 62,689 | 212,334 | 12,599 | 287,622 |
| 3000 Employee Benefits | 42,648 | 113,755 | 14,081 | 170,484 |
| 4000 Books and Supplies | 42,715 | 21,891 | 68,216 | 132,822 |
| 5000 Services and Other Operating Expenses | 73,714 | 69,222 | 10,416 | 153,352 |
| 6100/6200 Other approved capital outlay | - | - | - | - |
| 6400 New equipment | - | - | - | - |
| 6500 Replacement equipment | - | - | - | - |
| Depreciation on assets not purchased with public funds | - | - | - | - |
| Start-up expenses-service level exemption | - | - | - | - |
| Indirect costs | - | - | - | - |
| Total expenses claimed for reimbursement | \$ 294,190 | \$ 604,108 | \$ 105,312 | \$ 1,003,610 |

Note:

(a) Total expenditures for the year ended June 30, 2015 for Head Start and Early HS CCFP totals \$105,312.

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
SCHEDULE OF EQUIPMENT EXPENDITURES AND
SCHEDULE OF EXPENDITURES FOR BUILDINGS AND IMPROVEMENTS
YEAR ENDED JUNE 30, 2015

EQUIPMENT EXPENDITURES

UNIT COST UNDER \$7,500 PER ITEM -

None.

UNIT COST OVER \$7,500 PER ITEM
WITH PRIOR WRITTEN APPROVAL -

None.

UNIT COST OVER \$7,500 PER ITEM
WITHOUT PRIOR WRITTEN APPROVAL -

None.

TOTAL EQUIPMENT EXPENDITURES

\$ -

BUILDING ACQUISITION OR CONSTRUCTION
(Excluding CCFRF)

None

RENOVATION AND REPAIRS

UNIT COST UNDER \$10,000 PER ITEM -

None

UNIT COST \$10,000 OR MORE PER ITEM
WITH PRIOR WRITTEN APPROVAL -

None

UNIT COST \$10,000 OR MORE PER ITEM
WITHOUT PRIOR WRITTEN APPROVAL -

None

TOTAL BUILDING & IMPROVEMENT EXPENSES

\$ -

NOTE: The Organization's Capitalization Threshold is \$5,000.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
SCHEDULE OF ADMINISTRATIVE COSTS
FOR THE YEAR ENDED JUNE 30, 2015

| | State Preschool CSP-4603 |
|---------------------------------------|--------------------------------|
| Salaries | \$ 11,475 |
| Employee Benefits & Payroll Taxes | 3,238 |
| Educational Supplies | 84 |
| Services and Other Operating Expenses | 8,495 |
| | <u>\$ 23,292</u> |

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

Agency Name: NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC. Vendor No. 52-B704

Fiscal Year Ended: June 30, 2015 Contract No. CSPP-4603

Independent Auditor's Name: Randolph Scott & Company, CPA's, Inc.

| SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT | COLUMN A | COLUMN B | COLUMN C | COLUMN D | COLUMN E |
|--|---|----------------------|--|----------------------|---|
| | CUMULATIVE FISCAL YEAR PER FORM CDFS 8501 | AUDIT ADJUSTMENTS | CUMULATIVE FISCAL YEAR PER AUDIT | ADJUSTMENT FACTOR | ADJUSTED DAYS OF ENROLLMENT PER AUDIT |
| <i>Three and Four Year Olds</i> | | | | | |
| Full-time-plus | 417 | | 417 | 1.1800 | 492.060 |
| Full-time | 2,025 | | 2,025 | 1.0000 | 2,025.000 |
| Three-quarters-time | 414 | | 414 | 0.7500 | 310.500 |
| One-half-time | 2,263 | | 2,263 | 0.6172 | 1,396.724 |
| <i>Exceptional Needs</i> | | | | | |
| Full-time-plus | 44 | | 44 | 1.4160 | 62.304 |
| Full-time | 314 | | 314 | 1.2000 | 376.800 |
| Three-quarters-time | 64 | | 64 | 0.9000 | 57.600 |
| One-half-time | 171 | | 171 | 0.6172 | 105.541 |
| <i>Limited and Non-English Proficient</i> | | | | | |
| Full-time-plus | 1 | | 1 | 1.2980 | 1.298 |
| Full-time | 595 | | 595 | 1.1000 | 654.500 |
| Three-quarters-time | - | | - | 0.8250 | - |
| One-half-time | 1,569 | | 1,569 | 0.6172 | 968.387 |
| <i>At Risk of Abuse or Neglect</i> | | | | | |
| Full-time-plus | 67 | | 67 | 1.2980 | 86.966 |
| Full-time | 130 | | 130 | 1.1000 | 143.000 |
| Three-quarters-time | 197 | | 197 | 0.8250 | 162.525 |
| One-half-time | 586 | | 586 | 0.6172 | 361.679 |
| <i>Severely Disabled</i> | | | | | |
| Full-time-plus | - | | - | 1.7700 | - |
| Full-time | - | | - | 1.5000 | - |
| Three-quarters-time | - | | - | 1.1250 | - |
| One-half-time | - | | - | 0.6172 | - |
| TOTAL DAYS OF ENROLLMENT | 8,857 | - | 8,857 | | 7,204.884 |
| DAYS OF OPERATION | 246 | - | 246 | | |
| DAYS OF ATTENDANCE | 7,576 | 1,064 | 8,640 | | |

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

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

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

Agency Name: NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC. Vendor No. 52-B704

Fiscal Year End: June 30, 2015 Contract No. CSPP-4603

| | COLUMN A | COLUMN B | COLUMN C |
|--|---|---|----------------------------------|
| | CUMULATIVE FISCAL YEAR PER FORM CDFS 8501 | AUDIT ADJUSTMENT INCREASE OR (DECREASE) | CUMULATIVE FISCAL YEAR PER AUDIT |
| SECTION III - REVENUE | | | |
| RESTRICTED INCOME | | | |
| Child Nutrition Programs | \$46,267 | \$0 | \$46,267 |
| County Maintenance of Effort (EC § 8279) | | | 0 |
| Other (Specify): | | | 0 |
| Other (Specify): | | | 0 |
| Subtotal | \$46,267 | \$0 | \$46,267 |
| Transfer from Reserve | | | 0 |
| Family Fees for Certified Children | 6,795 | (95) | 6,700 |
| Interest Earned on Apportionments | | | 0 |
| UNRESTRICTED INCOME | | | |
| Family Fees for Noncertified Children | | | 0 |
| Head Start Program (EC § 8235(b)) | | | 0 |
| Other (Specify): | | | 0 |
| Other (Specify): | | | 0 |
| TOTAL REVENUE | \$53,062 | (\$95) | \$52,967 |
| SECTION IV - REIMBURSABLE EXPENSES | | | |
| 1000 Certificated Salaries | \$68,112 | \$4,312 | \$72,424 |
| 2000 Classified Salaries | 62,055 | 634 | 62,689 |
| 3000 Employee Benefits | 44,052 | (1,404) | 42,648 |
| 4000 Books and Supplies | 42,079 | 636 | 42,715 |
| 5000 Services and Other Operating Expenses | 54,406 | 19,308 | 73,714 |
| 6100/6200 Other Approved Capital Outlay | | | 0 |
| 6400 New Equipment (program-related) | | | 0 |
| 6500 Replacement Equipment (program-related) | | | 0 |
| Depreciation or Use Allowance | | | 0 |
| Start-Up Expenses (service level exemption) | | | 0 |
| Budget Impasse Credit | | | 0 |
| Indirect Costs. Rate: 0.00% (Rate is Self-Calculating) | | | 0 |
| TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT | \$270,704 | \$23,486 | \$294,190 |
| TOTAL ADMINISTRATIVE COSTS (included in section IV above) | \$17,285 | \$6,007 | \$23,292 |
| FOR CDE-A&I USE ONLY: | | | |

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

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

YES

NO - Explain any discrepancies.

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

YES

NO - Explain any discrepancies.

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

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

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

Agency Name: NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC. Vendor No. 52-B704

Fiscal Year End: June 30, 2015 Contract No. CSPP-4603

| | COLUMN A | COLUMN B | COLUMN C |
|---|---|---|----------------------------------|
| | CUMULATIVE FISCAL YEAR PER FORM CDFS 8501 | AUDIT ADJUSTMENT INCREASE OR (DECREASE) | CUMULATIVE FISCAL YEAR PER AUDIT |
| SECTION V - SUPPLEMENTAL REVENUE | | | |
| Enhancement Funding | \$609,798 | (\$5,690) | \$604,108 |
| Other (Specify): | | | 0 |
| Other (Specify): | | | 0 |
| Other (Specify): | | | 0 |
| TOTAL SUPPLEMENTAL REVENUE | \$609,798 | (\$5,690) | \$604,108 |

SECTION VI - SUPPLEMENTAL EXPENSES

| | | | |
|---|-----------|-----------|-----------|
| EXPENSES RELATED TO SUPPLEMENTAL REVENUE | | | |
| 1000 Certificated Salaries | \$186,371 | \$535 | \$186,906 |
| 2000 Classified Salaries | 211,919 | 415 | 212,334 |
| 3000 Employee Benefits | 113,648 | 107 | 113,755 |
| 4000 Books and Supplies | 23,989 | (2,098) | 21,891 |
| 5000 Services and Other Operating Expenses | 73,871 | (4,649) | 69,222 |
| 6000 Equipment/Other Capital Outlay | | | 0 |
| Depreciation or Use Allowance | | | 0 |
| Indirect Costs | | | 0 |
| NONREIMBURSABLE EXPENSES | | | |
| 6100-6500 Nonreimbursable Capital Outlay | | | 0 |
| Other: e.g., Entertainment Expenses | | | 0 |
| Other (Specify): | | | 0 |
| Other (Specify): | | | 0 |
| TOTAL SUPPLEMENTAL EXPENSES | \$609,798 | (\$5,690) | \$604,108 |

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

AUDITED RESERVE ACCOUNT ACTIVITY REPORT

Agency Name: NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.

Fiscal Year End: June 30, 2015

Vendor No. 52-B704

Independent Auditor's Name: Randolph Scott & Company, CPA's, Inc.

RESERVE ACCOUNT TYPE (Check One):

- Center Based
 Resource and Referral
 Alternative Payment

| COLUMN A | COLUMN B | COLUMN C |
|------------|--|-----------|
| PER AGENCY | AUDIT ADJUSTMENT INCREASE OR (DECREASE) | PER AUDIT |

LAST YEAR:

| | COLUMN A | COLUMN B | COLUMN C |
|---|----------|----------|----------|
| 1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A) | \$11,448 | \$0 | \$11,448 |
| 2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV): | | | |
| Contract No. | \$0 | \$0 | \$0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Total Transferred from Contracts to Reserve Account | 0 | 0 | 0 |
| 3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530) | \$0 | | \$0 |
| 4. Ending Balance on Last Year's Post-Audit CDFS 9530 | \$11,448 | \$0 | \$11,448 |

THIS YEAR:

| | COLUMN A | COLUMN B | COLUMN C |
|---|----------|----------|----------|
| 5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II) | \$12 | \$0 | \$12 |
| 6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts): | | | |
| Contract No. | \$0 | \$0 | \$0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Contract No. | | | 0 |
| Total Transferred to Contracts from Reserve Account | 0 | 0 | 0 |
| 7. Ending Balance on June 30, 2015 (column A must agree with this year's CDFS 9530-A, Section IV) | \$11,460 | \$0 | \$11,460 |

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

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2015

SECTION 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(ies) identified? | _____ | yes | <u> X </u> | none reported |
| * Noncompliance material to financial statements noted? | _____ | yes | <u> X </u> | no |

COMPONENT II: FINANCIAL STATEMENTS FINDINGS

PRIOR YEAR AUDIT FINDINGS AND RECOMMENDATIONS

None.

SIGNIFICANT DEFICIENCY(IES)

None.

SIGNIFICANT DEFICIENCY(IES) – MATERIAL WEAKNESSES

None.