

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, 2016

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NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
GENERAL INFORMATION
YEAR ENDED JUNE 30, 2016

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-5592 State Preschool 52-1819-OJ Child Care Food Program
Executive Director:	Brian Heese
Report Period:	Fiscal Year Ended June 30, 2016
Number of Days of Operation	248

November 14, 2016

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, 2016, 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**
November 14, 2016

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, 2016, 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

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, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the combining statements of financial position and revenue, expenses and changes in net assets, and the supplemental reporting requirements of the California Department of Education found on pages 20-29 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 November 14, 2016 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**
November 14, 2016

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 "C" and "o" 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, 2016

<u>ASSETS</u>	Total Unrestricted
CURRENT ASSETS	
Cash and Cash Equivalents (Note A)	\$ -
Grants Receivable (Note D)	100,044
TOTAL CURRENT ASSETS	100,044
TOTAL ASSETS	\$ 100,044
 <u>LIABILITIES & NET ASSETS</u>	
CURRENT LIABILITIES	
CDE Reserve (Note F)	\$ 6,344
Due to Organization's General Fund	93,700
TOTAL CURRENT LIABILITIES	100,044
CONTINGENCIES (Note H)	-
NET ASSETS (Note B)	-
TOTAL LIABILITIES AND NET ASSETS	\$ 100,044

See Notes To Financial Statements.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

		<u>Total Unrestricted</u>
REVENUES, GAINS, AND OTHER SUPPORT:		
Grant Revenue	\$	1,126,046
Parent Fees		4,504
Other Income		175,504
Net Assets Released From Restrictions (Note C):		
Satisfaction of Program Restrictions		-
Expiration of Time Restrictions		-
		<hr/>
Total Revenues, Gains, and Other Support		<u>1,306,054</u>
EXPENSES AND LOSSES:		
State Preschool		615,429
Enhancement Funding-Head Start		591,889
Child and Adult Care Food Program - Head Start		98,736
		<hr/>
Total Expenses and Losses		<u>1,306,054</u>
CHANGE IN NET ASSETS		<hr/> <u>-</u>
CHANGES TO NET ASSETS:		
Operating Transfers (Note E)		-
		<hr/> <u>-</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, 2016

	Total CDE Child Care Programs				Head Start Enhancement Funds	Head Start & Early HS CCFP	Total
	Child Care 7/1/15-8/31/15	Child Care 9/1/15-6/30/16	CDE Portion CCFP	Subtotal CDE Programs			
Expenses:							
Salaries and Wages	\$ 36,138	\$ 294,539	\$ 9,651	\$ 340,328	\$ 367,371	\$ 10,054	\$ 717,753
Payroll Tax and Benefits	7,594	106,359	3,901	117,854	123,606	3,399	244,859
Supplies	1,460	12,994	3,850	18,304	10,208	19,249	47,761
Food	-	-	36,736	36,736	7,038	58,517	102,291
Other Operating Expenses:							
Contract Services	3,879	20,670	4,880	29,429	17,297	7,517	54,243
Rent	3,921	16,141	-	20,062	27,423	-	47,485
Occupancy (including repairs)	3,210	14,693	-	17,903	18,761	-	36,664
Insurance	-	8,791	-	8,791	7,132	-	15,923
Telephone	358	1,790	-	2,148	3,299	-	5,447
Travel and Training	7,354	4,463	-	11,817	50	-	11,867
Repairs & Maintenance-Equip.	553	5,427	-	5,980	4,935	-	10,915
Other Operating Expenses	1,525	4,552	-	6,077	4,769	-	10,846
Total Expenses	\$ 65,992	\$ 490,419	\$ 59,018	\$ 615,429	\$ 591,889	\$ 98,736	\$ 1,306,054

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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>Total All Funds</u>
Cash received from:	
Grant and Contract Income	\$ 1,047,376
Parent Fees	4,504
Cash Paid to Suppliers and Employees	(1,051,880)
Cash provided from operating transfers (Note E)	<u>-</u>
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:	<u>-</u>
Cash, Beginning of year	<u>-</u>
Cash, End of year	<u>\$ -</u>
RECONCILIATION OF CHANGE IN NET ASSETS	
TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Change in net assets	\$ -
Adjustments to reconcile net revenue	
to cash provided by operating activities:	
Operating Transfer In	-
(Increase)/Decrease in Assets	
Grants Receivable	(73,554)
Due from Organization's General Fund	
Increase/(Decrease) in Liabilities	
Due to Organization's General Fund	78,670
CDE Reserve	(5,116)
Net Cash Provided/(Used) by Operating Activities:	<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, 2016

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, 2016.

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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, 2016 associated with the CDE programs.

Concentration of Revenue Sources

During the year ended June 30, 2016, 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 time off with pay is available to eligible employees. As further described below, the amount of paid vacation time employees receive each year increases with the length of their employment. 90 days after the official hire date (30 days for management); vacation days will accrue each pay period.

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

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

Vacation Policy-(Continued)

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

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

Sick Leave

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

Revenue Recognition

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

Allocation of Expenses – (Continued)

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.

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.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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

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, 2016.

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, 2016, there were no net assets released from donor restrictions.

NOTE D – GRANTS RECEIVABLE

At June 30, 2016, Grants Receivable consisted of the following:

California Department of Education	\$ 23,121
Child and Adult Care Food Program	13,852
CSPP-4603 State Preschool	63,071
CSPP-5592 State Preschool	<u>\$ 100,044</u>

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

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, 2016 the reserve account balance was \$ 6,344.

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 Organization 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.

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

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2016

NOTE H – CONTINGENCIES-(Continued)

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, 2016 year end of this report through November 14, 2016 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, 2016

Grantor / Pass-Through Grantor / or Program Title	Federal CFDA Number	Entity Identifying Number	Grant Award Amount		Revenue Earned / Expenditures	
			Federal	State	Federal	State
			Total	Total	Total	Total
<u>U.S. Department of Health & Human Services:</u>						
<u>Pass-Through Program From:</u>						
<u>California Department of Education-</u> State Preschool	93.575/93.596	CSPP-5592	\$ 48,831	\$ 413,859	\$ 39,726	\$ 336,677
Subtotal US Dept. of Health & Human Services:			<u>48,831</u>	<u>413,859</u>	<u>39,726</u>	<u>336,677</u>
<u>U.S. Department of Agriculture:</u>						
<u>Pass-Through Program From:</u>						
<u>California Department of Education-</u> Child and Adult Care Food Program	10.558	52-1819-OJ	157,754	-	157,754	-
Subtotal US Dept. of Agriculture:			<u>157,754</u>	<u>-</u>	<u>157,754</u>	<u>-</u>
Total Federal and State Awards			<u>\$ 206,585</u>	<u>\$ 413,859</u>	<u>\$ 197,480</u>	<u>\$ 336,677</u>
				<u>\$ 620,444</u>	<u>\$ 197,480</u>	<u>\$ 534,157</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, 2016.

Note 3. De Minimis Cost Rate:

The Organization did not use the 10% de minimis cost rate within their financial statements.



RANDOLPH SCOTT & COMPANY

C E R T I F I E D P U B L I C A C C O U N T A N T S , I N C .

**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

November 14, 2016

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, 2016, 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 November 14, 2016.

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, 2016

	Total CDE Child Care Programs				Head Start Enhancement Funds	Head Start & Early HS CCFP	Total
	Child Care 7/1/15-8/31/15	Child Care 9/1/15-6/30/16	CDE Portion CCFP	Subtotal CDE Programs			
Revenue and Other Support:							
Grant Revenue	\$ 57,872	\$ 318,531	\$ 59,018	\$ 435,421	\$ 591,889	\$ 98,736	\$ 1,126,046
Parent Fees	829	3,675	-	4,504	-	-	4,504
Other Income	7,291	168,213	-	175,504	-	-	175,504
Total Revenue and Other Support	65,992	490,419	59,018	615,429	591,889	98,736	1,306,054
Expenses:							
Salaries and Wages	36,138	294,539	9,651	340,328	367,371	10,054	717,753
Payroll Tax and Benefits	7,594	106,359	3,901	117,854	123,606	3,399	244,859
Supplies	1,460	12,994	3,850	18,304	10,208	19,249	47,761
Food	-	-	36,736	36,736	7,038	58,517	102,291
Other Operating Expenses:							
Contract Services	3,879	20,670	4,880	29,429	17,297	7,517	54,243
Rent	3,921	16,141	-	20,062	27,423	-	47,485
Occupancy (including repairs)	3,210	14,693	-	17,903	18,761	-	36,664
Insurance	-	8,791	-	8,791	7,132	-	15,923
Telephone	358	1,790	-	2,148	3,299	-	5,447
Travel and Training	7,354	4,463	-	11,817	50	-	11,867
Repairs & Maintenance-Equip.	553	5,427	-	5,980	4,935	-	10,915
Other Operating Expenses	1,525	4,552	-	6,077	4,769	-	10,846
Total Expenses	65,992	490,419	59,018	615,429	591,889	98,736	1,306,054
Change in Net Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
CALIFORNIA DEPARTMENT OF EDUCATION
CHILD CARE PROGRAMS
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
YEAR ENDED JUNE 30, 2016

	State Preschool CSPP-5592	Head Start Enhancement Funding	CACFP (a)	Total All Funds
Direct payments to providers	\$ -	\$ -	\$ -	\$ -
1000 Certificated Salaries	137,795	212,756	-	350,551
2000 Classified Salaries	202,533	154,615	10,054	367,202
3000 Employee Benefits	117,854	123,606	3,399	244,859
4000 Books and Supplies	55,040	17,246	77,766	150,052
5000 Services and Other Operating Expenses	102,207	83,666	7,517	193,390
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	<u>\$ 615,429</u>	<u>\$ 591,889</u>	<u>\$ 98,736</u>	<u>\$ 1,306,054</u>

Note:

(a) CCFP Program expenditures for the year ended June 30, 2016 totals \$157,754.

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, 2016

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, 2016

	<u>State Preschool CSPP-5592</u>
Salaries	\$ 27,195
Employee Benefits & Payroll Taxes	9,670
Educational Supplies	144
Services and Other Operating Expenses	7,857
	<u>\$ 44,866</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, 2016 Contract No. CSPP-5592
 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	-		-	1.1800	-
Full-time	2,004		2,004	1.0000	2,004.000
Three-quarters-time	849		849	0.7500	636.750
One-half-time	5,929		5,929	0.6195	3,673.016
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	38		38	0.9000	34.200
One-half-time	1,335		1,335	0.6195	827.033
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	309		309	1.1000	339.900
Three-quarters-time	-		-	0.8250	-
One-half-time	3,123		3,123	0.6195	1,934.699
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	206		206	1.1000	226.600
Three-quarters-time	17		17	0.8250	14.025
One-half-time	316		316	0.6195	195.762
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6195	-
TOTAL DAYS OF ENROLLMENT	14,126	-	14,126		9,885.984
DAYS OF OPERATION	248	-	248		
DAYS OF ATTENDANCE	13,938	-	13,938		

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 Ended: June 30, 2016 Contract No. CSPP-5592

SECTION II - NONCERTIFIED CHILDREN Report all children who were not certified, but who were served at the same sites as certified children.	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
DAYS OF ENROLLMENT	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	-		-	1.6520	-
Full-time	-		-	1.4000	-
Three-quarters-time	-		-	1.0500	-
One-half-time	-		-	0.7700	-
<i>Three and Four Year Olds</i>					
Full-time-plus	-		-	1.1800	-
Full-time	-		-	1.0000	-
Three-quarters-time	-		-	0.7500	-
One-half-time	430		430	0.6195	266.385
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	1,956		1,956	0.6195	1,211.742
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	282		282	0.6195	174.699
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	76		76	0.6195	47.082
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6195	-
TOTAL DAYS OF ENROLLMENT	2,744	-	2,744		1,699.908

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, 2016 Contract No. CSPP-5592

	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	\$59,018	\$0	\$59,018
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify):			0
Other (Specify):			0
Subtotal	\$59,018	\$0	\$59,018
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development	11,817		11,817
Subtotal	\$11,817	\$0	\$11,817
Family Fees for Certified Children	4,504		4,504
Interest Earned on Apportionments			0
UNRESTRICTED INCOME			0
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))	147,719	15,968	163,687
Other (Specify):			0
Other (Specify):			0
TOTAL REVENUE	\$223,058	\$15,968	\$239,026

SECTION IV - REIMBURSABLE EXPENSES			
<i>Direct Payments to Providers (FCCH Only)</i>	\$0	\$0	\$0
1000 Certificated Salaries	137,795		137,795
2000 Classified Salaries	203,612	(1,079)	202,533
3000 Employee Benefits	118,307	(453)	117,854
4000 Books and Supplies	53,038	2,002	55,040
5000 Services and Other Operating Expenses	102,021	186	102,207
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	\$614,773	\$656	\$615,429
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$42,708	\$2,158	\$44,866
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, 2016 Contract No. CSPP-5592

	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	\$590,189	\$1,700	\$591,889
Other (Specify):			0
Other (Specify):			0
Other (Specify):			0
TOTAL SUPPLEMENTAL REVENUE	\$590,189	\$1,700	\$591,889

SECTION VI - SUPPLEMENTAL EXPENSES

EXPENSES RELATED TO SUPPLEMENTAL REVENUE			
1000 Certificated Salaries	\$212,756	\$0	\$212,756
2000 Classified Salaries	153,537	1,078	154,615
3000 Employee Benefits	123,153	453	123,606
4000 Books and Supplies	17,089	157	17,246
5000 Services and Other Operating Expenses	83,654	12	83,666
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	\$590,189	\$1,700	\$591,889

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, 2016

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)	\$11,460	\$0	\$11,460
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CSPP-4603	\$6,701	\$0	\$6,701
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	6,701	0	6,701
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	\$18,161	\$0	\$18,161

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)	\$0	\$0	\$0
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):			
CSPP - General			
Contract No.			\$0
Contract No.			0
CSPP - Professional Development			
Contract No. CSPP-5592	\$11,817		\$11,817
Contract No.			0
Subtotal	\$11,817	\$0	\$11,817
Other Contracts			
Contract No.			\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Subtotal	\$0	\$0	\$0
Total Transferred to Contracts from Reserve Account	11,817	0	11,817
7. Ending Balance on June 30, 2016 (column A must agree with this year's CDFS 9530-A, Section IV)	\$6,344	\$0	\$6,344

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, 2016

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.