

**NORTHERN CALIFORNIA
CHILD DEVELOPMENT, INC.**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
SINGLE AUDIT
FOR THE YEAR ENDED AUGUST 31, 2020**

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS



Northern California Child Development, Inc.

**NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
TABLE OF CONTENTS**

	Page
FINANCIAL SECTION	
Independent Auditors' Report	1-1
Financial Statements:	
Statement of Financial Position	1-4
Statement of Activities	1-5
Statement of Functional Expenses	1-6
Statement of Cash Flows	1-7
Notes to Financial Statements	1-8
GOVERNMENT AUDIT INFORMATION SECTION	
Independent Auditors' Report on Internal Control Over Financial Reporting on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	2-3
Schedule of Expenditures of Federal and State Awards	2-5
Notes to Schedule of Expenditures of Federal and State Awards	2-6
Schedule of Findings and Questioned Costs	2-7
Schedule of Current and Prior Years Findings and Questioned Costs	2-8



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE



AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Northern California Child Development, Inc.
(A California Non-Profit Corporation)
Red Bluff, California

Report on the Financial Statements

We have audited the accompanying financial statements of Northern California Child Development, Inc. (A California Non-Profit Corporation) which comprise the statement of financial position as of August 31, 2020, 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.

Auditors' 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 from material misstatement.

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

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, 2020, 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.

Emphasis of Matter

As described in Note 8 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Change in Accounting Principles

As described in Note 2 to the financial statements, Northern California Child Development, Inc. has adopted ASU 2014-09 *Revenue from Contracts with Customers*, ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, and ASU 2018-18, *Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*. Our opinion is not modified with respect to those matters.

Report on Summarized Comparative Information

We previously audited Northern California Child Development, Inc.'s 2019 financial statements, and expressed an unmodified audit opinion on those audited financial statements in our report dated February 18, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

The summary financial statements do not contain all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Northern California Child Development, Inc.

Other Information

Our audit was conducted for the purpose of forming an opinion on the 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*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT (Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2021, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northern California Child Development, Inc.'s internal control over financial reporting and compliance.

Vorwin, Hayn + Co.

Calabasas, California
March 12, 2021

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 350,740	\$ 414,770
Restricted cash	26,827	6,018
Contracts receivable	234,675	143,396
Accounts receivable	84,433	68,781
Deposits and prepaid expenses	70,372	114,891
Property and equipment, net	<u>188,613</u>	<u>212,542</u>
Total assets	<u>\$ 955,660</u>	<u>\$ 960,398</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 241,802	\$ 271,315
Accrued payroll and related liabilities	138,901	127,763
CDE Reserve	655	655
Contract advance	-	121,258
Deferred revenue	135,129	33,990
Government funded assets	<u>177,908</u>	<u>212,542</u>
Total liabilities	694,395	767,523
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Without donor restrictions	<u>261,265</u>	<u>192,875</u>
Total net assets	<u>261,265</u>	<u>192,875</u>
Total liabilities and net assets	<u>\$ 955,660</u>	<u>\$ 960,398</u>

See accompanying auditors' report and notes to financial statements

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
REVENUE AND SUPPORT		
Governmental service contracts	\$ 4,414,571	\$ 4,169,230
Contract revenue	1,185,591	1,194,168
Contributions and grants	9,259	5,524
Interest and dividend income	148	194
In-kind revenue	1,796,887	1,662,236
Other income	<u>148,278</u>	<u>206,772</u>
 Total revenue and support	 7,554,734	 7,238,124
EXPENSES		
Head Start/Early Head Start	6,211,458	5,831,466
Child and Adult Care Food Program	131,727	172,385
California State Preschool	516,407	436,774
Other programs	511,324	496,117
General operating	25,682	-
Depreciation	<u>89,746</u>	<u>85,140</u>
 Total expenses	 <u>7,486,344</u>	 <u>7,021,882</u>
 CHANGE IN NET ASSETS	 68,390	 216,242
 NET ASSETS - beginning of year	 <u>192,875</u>	 <u>(23,367)</u>
 NET ASSETS - end of year	 <u>\$ 261,265</u>	 <u>\$ 192,875</u>

See accompanying auditors' report and notes to financial statements

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	Program Services				General Operating	2020 Total Expenses	2019 Total Expenses
	Head Start / Early Head Start	Child and Adult Care Food Program	California State Preschool	Other Programs			
Salaries and related expenses							
Salaries	\$ 2,576,562	\$ 38,735	\$ 303,141	\$ 267,919	\$ 18,436	\$ 3,204,793	\$ 2,957,095
Employee benefits and taxes	<u>759,836</u>	<u>9,226</u>	<u>93,225</u>	<u>76,831</u>	<u>3,372</u>	<u>942,490</u>	<u>926,460</u>
	3,336,398	47,961	396,366	344,750	21,808	4,147,283	3,883,555
Other expenses							
Child service consultants	44,319	15,015	-	18,357	-	77,691	80,715
Contracted services	142,035	-	17,926	8,576	-	168,537	168,021
In-kind	1,796,887	-	-	-	-	1,796,887	1,662,236
Insurance	39,875	-	5,682	3,342	2,648	51,547	52,757
Local travel	32,004	-	7	5,963	-	37,974	41,845
Other	34,197	-	4,046	3,235	-	41,478	42,864
Parent services	15,999	-	288	14,181	921	31,389	36,564
Rent	215,861	-	29,798	49,166	-	294,825	281,207
Repairs and maintenance	180,436	-	15,950	7,009	-	203,395	169,427
Supplies	216,789	68,751	19,980	25,861	305	331,686	335,740
Training and staff development	3,544	-	199	16,067	-	19,810	39,630
Travel	16,178	-	-	-	-	16,178	29,057
Utilities	<u>136,936</u>	<u>-</u>	<u>26,165</u>	<u>14,817</u>	<u>-</u>	<u>177,918</u>	<u>113,124</u>
	6,211,458	131,727	516,407	511,324	25,682	7,396,598	6,936,742
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,141</u>	<u>87,605</u>	<u>89,746</u>	<u>85,140</u>
Total expenses	<u>\$ 6,211,458</u>	<u>\$ 131,727</u>	<u>\$ 516,407</u>	<u>\$ 513,465</u>	<u>\$ 113,287</u>	<u>\$ 7,486,344</u>	<u>\$ 7,021,882</u>

See accompanying auditors' report and notes to financial statements

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED AUGUST 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 68,390	\$ 216,242
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	89,746	85,140
(Increase) decrease in:		
Contracts receivable	(91,279)	(21,381)
Accounts receivable	(15,652)	(21,903)
Deposits and prepaid expenses	44,519	(60,373)
Increase (decrease) in:		
Accounts payable and accrued expenses	(29,513)	(44,095)
Accrued payroll and related liabilities	11,138	(7,873)
CDE reserve	-	1
Contract advance	(121,258)	9,016
Deferred revenue	101,139	7,424
Government funded assets	<u>(34,634)</u>	<u>(58,167)</u>
Total adjustments	<u>(45,794)</u>	<u>(112,211)</u>
Net Cash Provided (Used) by Operating Activities	<u>22,596</u>	<u>104,031</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments related to the acquisition of fixed assets	<u>(65,817)</u>	<u>(26,973)</u>
Net Cash Provided (Used) by Investing Activities	<u>(65,817)</u>	<u>(26,973)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	(43,221)	77,058
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>420,788</u>	<u>343,730</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	<u>\$ 377,567</u>	<u>\$ 420,788</u>
Supplemental disclosure for non-cash activities:		
In-kind contributions	<u>\$ 1,796,887</u>	<u>\$ 1,662,236</u>

See accompanying auditors' report and notes to financial statements

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

1. ORGANIZATION

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.

Northern California Child Development, Inc. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described below to enhance the usefulness and understandability of the financial statements.

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.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of net assets without donor restrictions are the broad limits resulting for the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.
- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period or are limited by donor-imposed restrictions that neither expire by being used in accordance with a donor's restriction nor by the passage of time. The Organization's unspent contributions are classified in this class if the donor limited their use, as are the unspent appreciation of its donor-restricted endowment funds. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as donor restricted until the specified asset is placed in service by the Organization, unless the donor provides more specific directions about the period of its use.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

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.

Restricted Cash

Restricted cash represents cash that is under legal restrictions or is otherwise unavailable for general use by the Organization.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contracts and Accounts Receivables

Receivables consist of contracts and other receivables and are primarily unsecured amounts due from grantors on cost reimbursement or performance grants. Any amount that is denied for reimbursement is written off when the Organization receives notification from the grantor agency. The Organization uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management’s opinion, all grants and accounts receivables were collectible at year-end. No allowance for doubtful accounts for grants and accounts receivables was considered necessary at August 31, 2020.

Deposits and Prepaid Expenses

Prepaid insurance, deposits, and other costs are expensed ratably over their respective terms of agreement.

Property and Equipment, Net

Furniture and fixtures, vehicles, buildings, improvements, property, and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. 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. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Buildings	20 years
Furniture and fixtures	Up to 10 years
Leasehold improvements	Remaining lease term
Machinery and equipment	2-3 years
Vehicles	5 years

Property and equipment purchased in connection with the restricted funds of the U.S. Department of Health and Human Services are expensed during the grant period. Assets purchased with grantor funds, which are expensed in the period acquired are recorded in the accompanying balance sheet as an asset, with a corresponding entry to liabilities. In accordance with funding terms and conditions, title to equipment and furnishings purchased with restricted funds are retained by the grantor.

Property and equipment are reviewed for impairment when a significant change in the asset’s use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Vacation Benefits

Vacation time off with pay is available to eligible employees. As further described below, the amount of paid vacation time employees receive each year increases with the length of their employment. 90 days after the official hire date (30 days for management); vacation days will accrue each pay period. Total accrued vacation benefits at August 31, 2020 were \$26,841. 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	3.50 hours per pay period
5-9 years	5.00 hours per pay period
10+ years	6.50 hours per pay period

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

<u>Years Employed</u>	<u>Full-Time Accrual Rate</u>
1-4 years	1.75 hours per pay period
5-9 years	2.50 hours per pay period
10+ years	3.25 hours per pay period

Sick Leave

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

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of August 31, 2020. This is primarily composed of revenue for program funds accrued in advance. If a program is conducted over a fiscal year end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. 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, 2020 were \$1,796,887.

Government Revenue

Government revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Government revenue from federal agencies is subject to independent audit required by the Uniform Guidance and review by grantor agencies. The review could result in the disallowance of expenditures under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Revenue Recognition

Contributions and unconditional grants are recognized as support and revenues when they are received or unconditionally pledged. These contributions and gifts are shown as restricted support and revenues if they are subject to time or donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions when a stipulated time restriction ends, a purpose restriction is accomplished, or both.

However, contributions and grants with donor restrictions are reported as support and revenues without donor restrictions 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.

Concentration of Revenue Sources

During the year ended August 31, 2020, the Organization had two major revenue funding sources that accounted for approximately 98% of the total revenue. The U.S. Department of Health and Human Services accounted for approximately 82%, while the California Department of Education accounted for approximately 16%.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the 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 Uniform Guidance: *Cost Principles, Audit, and Administrative Requirements for Federal Awards*. The Cost Allocation plan is reviewed annually and approved by the Board of Directors as part of the Organization's Fiscal Policies and Procedures. The Cost Allocation plan is reviewed by the Organization's auditors for compliance with applicable laws and regulations. The written cost allocation plan is on file in the Organization's main accounting office.

The Organization's 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:

- | | |
|----------------------------|---|
| <i>Direct Costs:</i> | Costs identified 100 percent to a specific program are charged directly to that program. |
| <i>Shared Direct Cost:</i> | Costs identified to specific multiple programs or activities are shared between the programs benefitting. <ul style="list-style-type: none">• Payroll costs are allocated using individual time sheets that report the actual time spent by employees in each program each day.• Occupancy costs are allocated using the square footage of building space occupied by each program.• Supply costs are allocated per full-time equivalent employees. |
| <i>Indirect Costs:</i> | Costs that either benefit more than one award or that are necessary for the overall operation of the organization. Indirect costs are allocated based on direct salaries charged to each function. |

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

The Organization has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended August 31, 2020, the Organization had no material unrecognized tax benefits, tax penalties or interest.

The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended August 31; 2019, 2018, 2017, are subject to examination by the IRS, generally for 3 years after they were filed.

Reclassifications

Certain amounts in the 2019 comparative totals have been reclassified to conform with the 2020 reporting format.

Comparative Totals

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended August 31, 2019, from which the summarized information was derived.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Accounting Pronouncements Adopted

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of July 1, 2019. There was no financial effect of adopting the new accounting principles on contributions for the year ended June 30, 2020.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and, also had no effect on the revenue recognized for the year ended June 30, 2020.

In November 2016, FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash* which clarifies that the statement of cash flow is required to explain the change of total cash, including restricted cash. This ASU provides additional guidance related to transfers between cash and restricted cash and how entities present, in their statements of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. As a result, restricted cash is included with cash and cash equivalent activities in the statement of cash flows. The Organization adopted ASU 2016-18 with a date of the initial application of July 1, 2019 using the full retrospective method. The adoption of ASU 2016-18 did not have a significant impact on the Organization's financial position and result of operations. Changes resulting from this ASU are reflected for all periods presented.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which the Organization has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020
(CONTINUED)

3. RESTRICTED CASH

At August 31, 2020, the balance of \$26,827 in cash was restricted by a donor for use for a particular purpose.

4. PROPERTY AND EQUIPMENT, NET

At August 31, 2020 property and equipment consisted of the following:

	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 278,833	\$ (244,735)	\$ 34,098
Furniture and fixtures	169,019	(147,348)	21,671
Leasehold improvements	1,047,857	(915,013)	132,844
Vehicles	<u>650,949</u>	<u>(650,949)</u>	<u>-</u>
Total property and equipment, net	<u>\$ 2,146,658</u>	<u>\$ (1,958,045)</u>	<u>\$ 188,613</u>

Total depreciation expense for the year ended August 31, 2020 was \$89,746.

Certain equipment has been purchased with federal, state and other granting agencies' funds. These agencies retain a reversionary interest in such property. Property acquired with these funds is considered to be owned by the Organization while used in the program(s) for which it was purchased or in other future authorized programs. Its disposition as well as the ownership of any proceeds there from is subject to federal, state, or local regulations.

5. 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 August 31, 2020 the reserve account balance was \$655.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020
(CONTINUED)

6. 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, 2020 were \$16,094.

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.

7. LEASE COMMITMENTS

The Organization conducts administrative and program operations at various leased facilities.

Future minimum payments under non-cancelable operating leases are as follows:

<u>Year Ending August 31,</u>	<u>Amount</u>
2021	\$ 221,782
2022	159,711
2023	120,752
2024	74,376
2025	29,034
Thereafter	<u>20,400</u>
	<u>\$ 626,055</u>

Total rent expense for the year ended August 31, 2020 was \$294,825.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020
(CONTINUED)

8. CONTINGENCIES

Governmental Funding

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

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

9. IN-KIND CONTRIBUTIONS

Natural classifications of in-kind expenses at August 31, 2020 are as follows:

	<u>Amount</u>
Community donations	\$ 187
Consultants/interns	10,204
Head start classroom volunteers	1,271,940
Parent involvement activities	2,657
Policy council/governing board	3,211
Rent	39,875
State contract	<u>468,813</u>
Total in-kind expenses	<u>\$ 1,796,887</u>

10. 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. Uninsured balances at August 31, 2020 were approximately \$162,392.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020
(CONTINUED)

11. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by the Organization at August 31, 2020 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>August 31, 2020</u>
Financial assets:	
Cash and cash equivalents	\$ 350,740
Restricted cash	26,827
Contracts receivable	234,675
Accounts receivable	84,433
Total financial assets	696,675
Less restrictions:	
Restricted cash	(26,827)
Net financial assets after donor-imposed restrictions	669,848
Financial assets available to meet cash needs for general expenditures within one year	\$ 669,848

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses (approximately \$1,750,000). As part of its liquidity plan, the Organization bills government-funded contracts in accordance with funding terms and conditions or receives periodic advances from funders, generally monthly. Amounts available for expenditure over the period of the next twelve are dependent on governmental funder's payment cycles which vary from 0 to 30 days.

12. SUBSEQUENT EVENTS

The Organization has evaluated events subsequent to August 31, 2020, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through March 12, 2021, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

GOVERNMENT AUDIT INFORMATION SECTION



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Northern California Child Development, Inc.
(A California Non-Profit Corporation)
Red Bluff, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern California Child Development, Inc. (A California Non-Profit Corporation), which comprise the statement of financial position as of August 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 12, 2021.

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) as a basis for designing 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 the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern California Child Development, Inc. financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Vorlein, Hays + Co.

Calabasas, California
March 12, 2021



VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of
Northern California Child Development, Inc.
(A California Non-Profit Corporation)
Red Bluff, California

Report on Compliance for Each Major Federal Program

We have audited Northern California Child Development, Inc. (A California Non-Profit Corporation) compliance with the types of compliance requirements described in the *OMB 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, 2020. Northern California Child Development, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

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, 2020.

Report on Internal Control Over Compliance

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 of compliance, 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 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 the Uniform Guidance, 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 noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Vodan, Hahn + Co.

Calabasas, California
March 12, 2021

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020
(FEIN: 94-1642028)

U.S. Department of Health and Human Services

Head Start and Early Head Start

Head Start	93.600	09CH010652-02-02	<u>\$ 5,045,545</u>	<u>\$ 4,414,571</u>	<u>\$ 4,414,571</u>	<u>\$ -</u>
-------------------	---------------	------------------	---------------------	---------------------	---------------------	-------------

Total U.S. Department of Health and Human Services			<u>\$ 5,045,545</u>	<u>\$ 4,414,571</u>	<u>\$ 4,414,571</u>	<u>\$ -</u>
---	--	--	---------------------	---------------------	---------------------	-------------

U.S Department of Agriculture

Passed Through the California State Department of Education:

Child and Adult Care Food Program	10.558	52-1819-0-J	<u>\$ 131,727</u>	<u>\$ 131,727</u>	<u>\$ 131,727</u>	<u>\$ -</u>
--	---------------	-------------	-------------------	-------------------	-------------------	-------------

Total U.S. Department of Agriculture			<u>\$ 131,727</u>	<u>\$ 131,727</u>	<u>\$ 131,727</u>	<u>\$ -</u>
---	--	--	-------------------	-------------------	-------------------	-------------

TOTAL FEDERAL AWARDS			<u>\$ 5,177,272</u>	<u>\$ 4,546,298</u>	<u>\$ 4,546,298</u>	<u>\$ -</u>
-----------------------------	--	--	---------------------	---------------------	---------------------	-------------

STATE FUNDING

California Department of Education

Child Development Services:

California State Preschool		CSPP-9641	<u>\$ 583,323</u>	<u>\$ 540,484</u>	<u>\$ 516,407</u>	<u>\$ -</u>
----------------------------	--	-----------	-------------------	-------------------	-------------------	-------------

TOTAL STATE AWARDS			<u>\$ 583,323</u>	<u>\$ 540,484</u>	<u>\$ 516,407</u>	<u>\$ -</u>
---------------------------	--	--	-------------------	-------------------	-------------------	-------------

TOTAL FEDERAL AND STATE AWARDS			<u>\$ 5,760,595</u>	<u>\$ 5,086,782</u>	<u>\$ 5,062,705</u>	<u>\$ -</u>
---------------------------------------	--	--	---------------------	---------------------	---------------------	-------------

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal grant activity of Northern California Child Development, Inc. under programs of the federal government for the year ended August 31, 2020. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of Northern California Child Development, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Northern California Child Development, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. DE MINIMIS INDIRECT COST RATE

Northern California Child Development, Inc. did not elect to use the 10% de minimis indirect cost rate for the year ended August 31, 2020.

4. LOAN AND LOAN GUARANTEE

Northern California Child Development, Inc. did not have any balances of loan and loan guarantee programs outstanding at August 31, 2020 for loans described in 2 CFR section 200.50(b).

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified.

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None Reported

Type of auditors' report issued on compliance for major programs Unmodified.

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

NORTHERN CALIFORNIA CHILD DEVELOPMENT, INC.
(A California Non-Profit Corporation)
SCHEDULE OF CURRENT AND PRIOR YEARS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

CURRENT YEAR FINDINGS:

2020 Findings:

There were no 2020 findings noted.

2020 Questioned Costs:

There were no 2020 questioned costs noted.

PRIOR YEARS FINDINGS:

2019 Findings:

There were no 2019 findings noted.

2019 Questioned Costs:

There were no 2019 questioned costs noted.

2018 Findings:

There were no 2018 findings noted.

2018 Questioned Costs:

There were no 2018 questioned costs noted.