

**Neighborhood House Association**

**Financial Statements and  
Schedules of Expenditures of Federal and State  
Awards and Internal Controls over Compliance  
and Independent Auditor's Reports  
(With Supplementary Information)**

**June 30, 2016 and 2015**

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# Neighborhood House Association

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## Independent Auditor's Report

To the Audit Committee  
Neighborhood House Association

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Neighborhood House Association ("NHA"), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related statement of functional expenses for the year ended June 30, 2016 (with summarized financial information for 2015), and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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.

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 NHA as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

### *Other Matters*

Our audits were conducted for the purpose of forming an opinion on the financial statements of NHA as a whole. The accompanying schedules 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*, and the *CDE Audit Guide* issued by the California Department of Education, and the supplementary information included in pages 28-38 are presented for purposes of additional analysis and are 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 2016 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2016 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statements or to the 2016 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 2016 financial statements as a whole.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2016 on our consideration of NHA'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 NHA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

San Diego, California  
November 9, 2016

# Neighborhood House Association

## Statements of Financial Position June 30, 2016 and 2015

### Assets

	<u>2016</u>	<u>2015</u>
Current assets		
Cash and cash equivalents (Note 13)	\$ 3,685,090	\$ 4,089,173
Investments (Notes 2 and 15)	284,532	224,326
Grants and contracts receivable (Note 3)	2,005,924	3,099,323
Other accounts receivable	658,433	410,560
Prepaid expenses	326,224	98,268
	<u>6,960,203</u>	<u>7,921,650</u>
Property and equipment (Note 4)		
Property and equipment	21,349,410	20,548,987
Less accumulated depreciation and amortization	<u>(16,627,565)</u>	<u>(16,184,010)</u>
	4,721,845	4,364,977
Deposits	<u>82,203</u>	<u>86,961</u>
Total assets	<u><u>\$ 11,764,251</u></u>	<u><u>\$ 12,373,588</u></u>

### Liabilities and Net Assets

Current liabilities		
Accrued payroll and related liabilities	\$ 597,300	\$ 664,136
Accounts payable and accrued expenses	2,147,465	3,198,314
Accrued annual leave (Note 5)	2,449,727	2,536,763
Current portion of long-term debt (Note 7)	<u>70,783</u>	<u>70,757</u>
	5,265,275	6,469,970
Deferred rent	184,457	158,807
Long-term debt, net of current portion (Note 7)	<u>2,037,260</u>	<u>2,104,199</u>
	<u>7,486,992</u>	<u>8,732,976</u>
Commitments and contingencies (Notes 8 and 9)	-	-
Net assets		
Unrestricted	<u>4,277,259</u>	<u>3,640,612</u>
	<u>4,277,259</u>	<u>3,640,612</u>
Total liabilities and net assets	<u><u>\$ 11,764,251</u></u>	<u><u>\$ 12,373,588</u></u>

See Notes to Financial Statements.

# Neighborhood House Association

## Statements of Activities Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Changes in unrestricted net assets		
Revenues and support		
Grants and contracts (Note 10)	\$ 82,309,805	\$ 79,322,094
Food reimbursements	1,356,396	1,376,517
Reimbursements from partners	277,891	407,453
Contributions and donations	1,150,303	901,381
Service fees	883,652	880,047
Investment return and interest income	19,138	2,438
Other revenues	<u>1,333,667</u>	<u>1,060,092</u>
Total unrestricted revenues and support	<u>87,330,852</u>	<u>83,950,022</u>
Expenses		
Program services	81,409,922	78,483,525
Supporting services		
Fundraising	47,558	140,469
Management and general	<u>5,236,725</u>	<u>6,614,609</u>
Total expenses	<u>86,694,205</u>	<u>85,238,603</u>
Change in unrestricted net assets	636,647	(1,288,581)
Unrestricted net assets		
Beginning	<u>3,640,612</u>	<u>4,929,193</u>
End	<u><u>\$ 4,277,259</u></u>	<u><u>\$ 3,640,612</u></u>

See Notes to Financial Statements.

# Neighborhood House Association

## Statements of Cash Flows Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 636,647	\$ (1,288,581)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	570,809	803,869
Bad debt expense	-	1,993
Deferred rent	25,650	37,372
Nonoperating grant and contract revenue	-	791
Loss on disposal of equipment	-	(38,811)
Unrealized gain on investments	(60,206)	(91,444)
Changes in operating assets and liabilities		
Grants and contracts receivable	1,093,399	(1,480,760)
Other accounts receivable	(247,873)	(59,754)
Prepaid expenses and deposits	(223,198)	13,451
Operating advances	-	4,894
Accounts payable and accrued expenses	(1,050,849)	1,151,399
Accrued payroll and related liabilities	(66,836)	(513,724)
Accrued annual leave	(87,036)	17,460
Net cash provided by (used in) operating activities	<u>590,507</u>	<u>(1,441,845)</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment	-	9,009
Purchases of property and equipment	<u>(927,677)</u>	<u>(44,223)</u>
Net cash used in investing activities	<u>(927,677)</u>	<u>(35,214)</u>
Cash flows from financing activities		
Repayments on debt	(66,913)	(79,469)
Receipt of grant and contract revenue for capital projects	<u>-</u>	<u>38,811</u>
Net cash used in financing activities	<u>(66,913)</u>	<u>(40,658)</u>
Net decrease in cash and cash equivalents	(404,083)	(1,517,717)
Cash and cash equivalents, beginning	<u>4,089,173</u>	<u>5,606,890</u>
Cash and cash equivalents, end	<u>\$ 3,685,090</u>	<u>\$ 4,089,173</u>
Supplemental disclosures of cash flow data		
Cash paid for interest	<u>\$ 110,012</u>	<u>\$ 120,122</u>

See Notes to Financial Statements.

# Neighborhood House Association

## Statement of Functional Expenses

Year ended June 30, 2016  
(With summarized financial information for 2015)

	Program services				Supporting services		Total expenses	
	Childcare programs	Health and nutrition programs	Youth and other services	Total	Fundraising	Management and general	2016	2015
Salaries	\$ 22,400,263	\$ 1,971,885	\$ 567,759	\$ 24,939,907	\$ -	\$ 3,281,371	\$ 28,221,278	\$ 27,322,921
Fringe benefits	7,959,328	595,621	94,613	8,649,562	-	763,631	9,413,193	8,693,315
Contracted services	1,918,053	325,334	246,762	2,490,149	6,931	1,207,209	3,704,289	2,651,159
Supplies	1,128,664	89,902	1,921	1,220,487	33,489	52,040	1,306,016	1,488,450
Telephone and pagers	280,130	54,413	3,974	338,517	-	67,407	405,924	414,796
Postage	10,079	2,610	173	12,862	333	4,540	17,735	28,444
Occupancy and storage	2,369,112	324,781	52,886	2,746,779	-	59,536	2,806,315	2,931,931
Utilities	432,233	34,303	-	466,536	-	55,685	522,221	554,122
Printing, publications and advertising	88,840	1,487	5,903	96,230	3,826	17,039	117,095	136,754
Travel and meetings	638,133	35,847	19,698	693,678	-	133,238	826,916	888,250
Subcontracts (Note 16)	35,095,579	-	-	35,095,579	-	-	35,095,579	35,087,959
Food expense	1,188,746	96,508	5,400	1,290,654	716	12,471	1,303,841	1,421,949
Client assistance	91,097	120,401	21,486	232,984	-	1,000	233,984	224,500
Equipment expense	1,705,094	174,151	126,183	2,005,428	598	(851,374)	1,154,652	1,306,616
Depreciation and amortization	357,215	-	-	357,215	-	213,594	570,809	803,899
Insurance	391,917	32,840	2,501	427,258	-	113,056	540,314	514,028
Interest and fees	103,089	5,212	3,131	111,432	1,665	48,956	162,053	191,638
Other expenses	218,435	8,939	7,291	234,665	-	57,326	291,991	577,872
Indirect cost	5,317,804	399,232	19,441	5,736,477	-	(5,736,477)	-	-
Subtotal	81,693,811	4,273,466	1,179,122	87,146,399	47,558	(499,752)	86,694,205	85,238,603
Less: indirect allocation	(5,317,804)	(399,232)	(19,441)	(5,736,477)	-	5,736,477	-	-
Total expenses by function	<u>\$ 76,376,007</u>	<u>\$ 3,874,234</u>	<u>\$ 1,159,681</u>	<u>\$ 81,409,922</u>	<u>\$ 47,558</u>	<u>\$ 5,236,725</u>	<u>\$ 86,694,205</u>	<u>\$ 85,238,603</u>

See Notes to Financial Statements.



## **Neighborhood House Association**

### **Notes to Financial Statements June 30, 2016 and 2015**

#### **Note 1 - Organization and significant accounting policies**

##### **General**

Neighborhood House Association ("NHA") is a California nonprofit corporation organized to provide an extensive network of services to residents of San Diego County.

NHA provides comprehensive health and human services through programs that include child development, family day care, senior nutrition, adult day health care, mental health services, housing and rental assistance and other related services that assist low-income and less fortunate families.

##### **Basis of accounting**

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with guidance for financial statements of not-for-profit organizations. Under this guidance, NHA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. NHA does not have any temporarily or permanently restricted assets.

NHA classifies its net assets and revenues, gains and other support based on the existence or absence of donor-imposed restrictions. Permanently restricted net assets result from contributions whose use is limited by donor stipulations that do not expire. Temporarily restricted net assets result from contributions whose use is limited by donor stipulations that either expire with the passage of time or can be fulfilled and removed by actions of NHA pursuant to those stipulations. Unrestricted net assets represent resources over which the board of directors has discretionary control.

##### **Revenue and support**

Revenue from government grants and contracts designated for use in specific activities is recognized in the period when expenditures have been incurred in compliance with the grantor's restrictions. Grants and contracts awarded for the acquisition of long-lived assets are reported as unrestricted operating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as refundable advances.

Contributions and support are recognized in the period in which NHA receives a promise to give that is, in substance, unconditional. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily restricted or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

##### **Other accounts receivable**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. NHA provides for losses on accounts receivable by calculating an allowance for uncollectible receivables. The allowance is based on experience, third-party contracts and other circumstances. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is NHA's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. There were no allowances for doubtful accounts recorded as of June 30, 2016 and 2015.

## Neighborhood House Association

### Notes to Financial Statements June 30, 2016 and 2015

#### Donated goods and services

Contributions of services are recognized when they are received if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not donated. During 2016 and 2015, the value of contributed services recognized as revenues and expenses in the accompanying financial statements was approximately \$571,000 and \$561,000, respectively, which included ophthalmology services and related use of supplies and equipment.

In addition, a substantial number of volunteers donated their time to NHA's program services during each year; however, the value of these donated services is not reflected in the financial statements, as the requirements for recognition have not been met.

#### Cash and cash equivalents

NHA considers all highly-liquid investments with an original maturity of three months or less when acquired to be cash equivalents.

#### Investments

NHA invests in marketable securities which are carried at fair value, with realized and unrealized gains and losses included in the statements of activities.

#### Operating advances

Operating advances represent advances to delegate agencies that relate to the next program year. Advances are made to ensure that operations continue over the summer. They are repaid through a reduction of funding at the end of the contract.

#### Property and equipment

Property and equipment with an acquisition cost of \$5,000 or greater is capitalized at cost and depreciated using the straight-line method over its estimated useful life. Leasehold improvements are amortized over the shorter of the useful life or the lease term. Useful lives are as follows:

<u>Description</u>	<u>Useful life</u>
Buildings	15-30 years
Building improvements	3-10 years
Leasehold improvements	3-15 years
Vehicles	5 years
Furniture and equipment	3-5 years
Computer equipment	3-5 years

#### Impairment of long-lived assets

NHA reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing a review for impairment, NHA compares the carrying value of the assets with their estimated future undiscounted cash flows. If it is determined that impairment has occurred, the loss would be recognized during that period. The impairment loss is calculated as the difference between the asset carrying values and the present value of estimated net cash flows or comparable market values, giving consideration to recent operating performance and pricing trends. NHA does not believe that any material impairment currently exists related to its long-lived assets.

## **Neighborhood House Association**

### **Notes to Financial Statements June 30, 2016 and 2015**

#### **Deferred rent**

Rent expense on operating leases with scheduled or minimum rent increases is expensed on the straight-line basis over the lease terms. Deferred rent represents the excess of rent charged to expense over rent payable under the lease agreements. Deferred rent was approximately \$184,000 and \$159,000 as of June 30, 2016 and 2015, respectively.

#### **Income taxes**

NHA is a private, nonprofit agency organized under the laws of the State of California and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

For the years ended June 30, 2016 and 2015, management of NHA believes it has adequate support for all material tax positions and that it is more likely than not, based on the technical merits, that the positions will be sustained upon examination. NHA recognizes interest and penalties, if any, related to tax in interest expense. NHA has analyzed the tax positions taken in its filings with the Internal Revenue Service and the California Franchise Tax Board. Accordingly, NHA has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2016 and 2015.

NHA's federal and state income tax returns prior to fiscal years 2013 and 2012, respectively, are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax laws and new authoritative rulings. Management is not aware of any pending reviews or examinations.

#### **Advertising**

NHA expenses advertising costs as incurred. Advertising costs for the years ended June 30, 2016 and 2015 were approximately \$44,000 and \$61,000, respectively.

#### **Functional expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### **Use of 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 and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be significant.

#### **Subsequent events**

Subsequent events have been evaluated through November 9, 2016, which is the date the financial statements were available to be issued.

### **Note 2 - Investments**

Investments consist of equity and other securities with an approximate fair value of \$285,000 and \$224,000 at June 30, 2016 and 2015, respectively. Fair values have been determined by reference to the most recent market quotations for the respective investments.

# Neighborhood House Association

## Notes to Financial Statements June 30, 2016 and 2015

### Note 3 - Grants and contracts receivable

At June 30, 2016 and 2015, grants and contracts receivable consist of the following:

	2016	2015
Head Start	\$ 328,367	\$ 2,032,953
State programs	316,544	14,633
County programs	961,389	651,264
Food reimbursements	392,898	384,313
Other programs	6,726	16,160
Total	<u>\$ 2,005,924</u>	<u>\$ 3,099,323</u>

### Note 4 - Property and equipment

Property and equipment as of June 30, 2016 consists of the following:

	Cost	Accumulated depreciation and amortization	Net book value
Land	\$ 1,191,750	\$ -	\$ 1,191,750
Building	4,768,000	2,647,021	2,120,979
Building improvements	634,885	620,556	14,329
Leasehold improvements	8,963,371	7,700,893	1,262,478
Vehicles	1,878,122	1,859,909	18,213
Furniture and equipment	3,614,050	3,506,458	107,592
Computer equipment	299,232	292,728	6,504
	<u>\$ 21,349,410</u>	<u>\$ 16,627,565</u>	<u>\$ 4,721,845</u>

Property and equipment as of June 30, 2015 consists of the following:

	Cost	Accumulated depreciation and amortization	Net book value
Land	\$ 1,191,750	\$ -	\$ 1,191,750
Building	4,768,000	2,488,754	2,279,246
Building improvements	634,885	616,974	17,911
Leasehold improvements	8,066,687	7,448,234	618,453
Vehicles	2,005,376	1,949,523	55,853
Furniture and equipment	3,583,057	3,389,914	193,143
Computer equipment	299,232	290,611	8,621
	<u>\$ 20,548,987</u>	<u>\$ 16,184,010</u>	<u>\$ 4,364,977</u>

## Neighborhood House Association

### Notes to Financial Statements June 30, 2016 and 2015

A significant portion of NHA's property and equipment is identified as collateral for certain long-term debt as described in Note 7. There were disposals with a net carrying value of \$0 and \$9,800 during the fiscal years ended June 30, 2016 and 2015, respectively.

Property and equipment acquired by NHA with funds from award programs is considered to be owned by NHA while used in the program for which it was purchased and in other authorized programs. However, funding sources have reversionary interest in the property and in its disposition (i.e., the asset is returned to the federal government upon disposal or if no longer in-use), as well as the ownership of any proceeds which are subject to pertinent regulations. The net book value of reversionary assets as of June 30, 2016 and 2015 is approximately \$4,722,000 and \$4,365,000, respectively, and is included in property and equipment.

#### Note 5 - Accrued annual leave

Accrued annual leave is presented as a liability in the statements of financial position. NHA records the accrued leave as it is earned by the employees. Accrued annual leave for the years ended June 30, 2016 and 2015 was approximately \$2,450,000 and \$2,537,000, respectively. These amounts have been funded with deposits with Torrey Pines Bank.

#### Note 6 - Line of credit

NHA had a \$500,000 secured line of credit with Torrey Pines Bank, which matured on January 25, 2016. There was no outstanding balance for the year ended June 30, 2015. Borrowings on the line of credit bore interest at a variable rate not to exceed 5.25% (5.0% as of June 30, 2015). The line of credit required NHA to maintain certain non-financial covenants.

#### Note 7 - Long-term debt

Long-term debt consists of the following:

	<u>2016</u>	<u>2015</u>
Note payable to Torrey Pines Bank in monthly installments of principal and interest, with a fixed interest rate of 5.25%. The loan commenced on July 25, 2013 and matures on July 28, 2023. The note is secured by a Deed of Trust covering real property located at 5660 Copley Drive, San Diego, California.	\$ 2,108,043	\$ 2,174,956
	2,108,043	2,174,956
Less current portion	<u>(70,783)</u>	<u>(70,757)</u>
Long-term portion	<u><u>\$ 2,037,260</u></u>	<u><u>\$ 2,104,199</u></u>

On July 16, 2013, NHA refinanced debt with Torrey Pines Bank for \$2,550,000. The new loan commenced on July 25, 2013 and matures on July 28, 2023. The loan is payable in equal monthly installments of principal and interest in the amount of \$15,402. The interest rate is fixed at 5.25%. The note is secured by real property located at 5660 Copley Drive, San Diego, California. The loan requires NHA to maintain certain financial and non-financial covenants.

## Neighborhood House Association

### Notes to Financial Statements June 30, 2016 and 2015

Maturities of long-term debt in each of the five years subsequent to June 30, 2016 and thereafter are calculated as follows:

2017	\$ 70,783
2018	80,585
2019	84,920
2020	89,487
2021	94,299
Thereafter	<u>1,687,969</u>
Total	<u>\$ 2,108,043</u>

Interest expense for the years ended June 30, 2016 and 2015 was approximately \$110,000 and \$120,000, respectively.

#### Note 8 - Operating lease commitments

NHA occupies numerous facilities under operating lease agreements that expire at various dates through June 2029. The future minimum payments under these operating leases for each of the five years subsequent to June 30, 2016 and thereafter are as follows:

2017	\$ 1,580,617
2018	1,338,807
2019	857,348
2020	507,720
2021	285,242
Thereafter	<u>1,369,708</u>
Total	<u>\$ 5,939,442</u>

Total operating lease expense for the years ended June 30, 2016 and 2015 was approximately \$1,808,000 and \$1,787,000, respectively.

#### Note 9 - Contingencies

NHA is involved in various claims arising from the normal course of operating its programs and activities, none of which in the opinion of management or NHA's legal counsel will have a material adverse effect on the financial position or results of operations of NHA.

## Neighborhood House Association

### Notes to Financial Statements June 30, 2016 and 2015

#### Note 10 - Grants and contracts revenues

In the fiscal years ended June 30, 2016 and 2015, NHA recognized grants and contracts revenues from the following sources:

	2016	2015
Head Start program	\$ 72,818,967	\$ 71,683,461
State programs	4,234,507	4,056,968
County programs	5,159,623	3,510,075
Other programs	96,708	71,590
	<u>82,309,805</u>	<u>79,322,094</u>
Total grants and contracts	<u>\$ 82,309,805</u>	<u>\$ 79,322,094</u>

#### Note 11 - 401(k) plan

NHA maintains a defined contribution 401(k) plan covering regular full-time employees. NHA's contribution to the 401(k) plan is based upon a maximum of 6% of the salaries of those employees participating in the plan. Employees covered by the plan have a mandatory contribution of 3% of their respective gross salaries, and can make additional voluntary contributions not to exceed \$18,000 for the tax year ending December 31, 2016. Also, employees age 50 or over by the end of the plan year are allowed to make up to \$6,000 of additional contributions to the 401(k) plan, in excess of the standard limits. The 401(k) plan is administered by a private pension company. Employer contributions charged to operations for the years ended June 30, 2016 and 2015 were approximately \$1,322,000 and \$1,288,000, respectively.

#### Note 12 - Indirect costs

NHA has negotiated and obtained the following indirect cost rates from the U.S. Department of Health and Human Services, the federal cognizant agency:

	Provisional 2016	Provisional 2015
All programs	10.4%	10.4%
Subawards/Delegate agencies	2.0%	2.0%

Indirect costs are charged to the programs in accordance with negotiated rates or specific budgetary limits. The amounts charged for the years ended June 30, 2016 and 2015 were approximately \$5,736,000 and \$5,587,000, respectively.

#### Note 13 - Concentrations of credit risk

Financial instruments, which potentially subject NHA to concentrations of credit risk, consist primarily of cash and cash equivalents and accounts receivable. NHA maintains its cash and cash equivalents with high-credit quality institutions. At times, such amounts may exceed federally insured limits. However, to minimize risk, the funds are diversified among various financial institutions.

At June 30, 2016, NHA had cash and cash equivalents in excess of FDIC insured limits at certain financial institutions totaling approximately \$1,277,000.

## Neighborhood House Association

### Notes to Financial Statements June 30, 2016 and 2015

NHA has 11 government contracts in fiscal year 2016 from federal, state and local sources. The largest contract was for the federal Head Start program totaling \$72,207,837. Included in grants and contracts receivable at June 30, 2016 is \$328,367 related to this contract.

#### Note 14 - Union contract

Most non-management personnel (representing 54% of total employees) of NHA are members of the Service Employees International Union, Local #2028. NHA's contract with the union is in effect through June 30, 2017, and continues to be in effect from year to year thereafter, unless either party terminates the contract. NHA's other employees are not represented by a union.

#### Note 15 - Fair value measurements

NHA values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

In determining fair value, NHA utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

Financial assets and liabilities carried at fair value at June 30, 2016 are classified in the table below in one of the three categories described above:

	Level 1	Level 2	Level 3	Total
Equity securities	\$ 274,532	\$ -	\$ -	\$ 274,532
Investment stock of a local bank	-	-	10,000	10,000
Total assets at fair value	<u>\$ 274,532</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 284,532</u>



## Neighborhood House Association

### Notes to Financial Statements June 30, 2016 and 2015

Financial assets and liabilities carried at fair value at June 30, 2015 are classified in the table below in one of the three categories described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	\$ 214,326	\$ -	\$ -	\$ 214,326
Investment stock of a local bank	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>
Total assets at fair value	<u>\$ 214,326</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ 224,326</u>

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015.

Investments in equity securities are valued using market prices on active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

The investment in common stock of a local bank is designated as a Level 3 instrument due to inherent limitations on the availability of market data. Management believes that the investment's cost fairly approximates its fair value as of June 30, 2016 and 2015.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

#### **Note 16 - Subcontracts expense**

Subcontracts expense for the fiscal years ended June 30, 2016 and 2015 included the following:

	<u>2016</u>	<u>2015</u>
Subawards/Delegate agencies	\$ 28,742,067	\$ 28,534,024
Contracted child care	<u>6,353,512</u>	<u>6,553,935</u>
Total	<u>\$ 35,095,579</u>	<u>\$ 35,087,959</u>

## **Supplementary Information**

# Neighborhood House Association

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal grantor / pass-through grantor / program title	Federal CFDA number	Award number	Passed through to subrecipients	Net federal program expenditures
<u>U.S. Department of Health and Human Services</u>				
Head Start Program	93.600	09CH9118/03	\$ 28,742,067	\$ 72,207,837
Passed through from the County of San Diego:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	547780	-	20,485
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	547780	-	63,560
Nutrition Services Incentive Program	93.053	547780	-	10,460
Total Aging Cluster			-	94,505
Passed through from the County of San Diego:				
HIV Emergency Relief Project Grants (Case Management)	93.914	537490	-	241,087 <sup>(1)</sup>
HIV Emergency Relief Project Grants (Case Management)	93.914	537490	-	115,890 <sup>(2)</sup>
Total for HIV Emergency Relief Project Grants			-	356,977
Passed through California State Department of Education:				
Child Care and Development Fund (CCDF) Cluster:				
Child Care Mandatory and Matching Funds of the CCDF	93.596	CCTR-5217	-	138,327
Child Care Mandatory and Matching Funds of the CCDF	93.596	CSPP-5435	-	147,823
Total for Child Care Mandatory and Matching Funds of the CCDF			-	286,150
Child Care and Development Block Grant	93.575	CCTR-5217	-	76,104
Child Care and Development Block Grant	93.575	CSPP-5435	-	50,704
Total for Child Care and Development Block Grant			-	126,808
Total CCDF Cluster			-	412,958
Medical Assistance Program (Medicaid - Title XIX)	93.778	551031	-	128,432
Maternal and Child Health Services Block Grant to the States	93.994	551031	-	176,747
Total U.S. Department of Health and Human Services			28,742,067	73,377,456
<u>U.S. Department of Agriculture</u>				
Passed through from the State Department of Education:				
Child and Adult Care Food Program:				
Child Care Centers	10.558	04500-CACFP-37-NP-CS	-	1,303,850
Adult Day Care Centers	10.558	04500-CACFP-37-NP-CS	-	52,546
Total U.S. Department of Agriculture			-	1,356,396
<u>U.S. Department of Housing and Urban Development</u>				
Passed through from the Rural Community Assistance Corporation:				
Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets	14.000		-	96,707
Total Department of Housing and Urban Development			-	96,707
Total Expenditures of Federal Awards			\$ 28,742,067	\$ 74,830,559

Notes:

<sup>(1)</sup> Program year - July 2015 - February 2016

<sup>(2)</sup> Program year - March 2016 - June 2016

See Notes to Schedules of Expenditures of Federal and State Awards.

# Neighborhood House Association

## Schedule of Expenditures of State Awards Year Ended June 30, 2016

State department / program title	CFDA number	Award number	Award amount	Passed through to subrecipients	Net program expenditures
<u>California State Department of Education</u>					
Child Care and Development Fund (CCDF) Cluster:					
Child Development Program	93.596/93.575	CCTR-5217	\$ 604,250	\$ -	\$ 355,155
Child Development Program	93.596/93.575	CSPP-5435	3,943,624	-	3,466,395
Total for Child Care and Development Fund Cluster			4,547,874	-	3,821,550
Total Expenditures of State Awards			\$ 4,547,874	\$ -	\$ 3,821,550

See Notes to Schedules of Expenditures of Federal and State Awards.

## Neighborhood House Association

### Notes to Schedules of Expenditures of Federal and State Awards Year Ended June 30, 2016

#### Note 1 - Basis of presentation

The accompanying schedules of expenditures of federal and state awards (the "Schedules") include the federal and state grant activity of NHA under programs of the federal and state governments for the year ended June 30, 2016. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), and with the requirements of the *CDE Audit Guide* issued by the California Department of Education. Because the schedule presents only a selected portion of the operations of NHA, it is not intended to, and does not present, the financial position, changes in net assets or cash flows of NHA. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

#### Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

##### Program revenues

Revenues from award programs are recognized in the period in which terms of the grant or contractual agreements have been met and the revenue earned, and are included in NHA's financial statements as "Grants and contracts."

##### Net program expenditures

It is the policy of NHA to record expenditures in the period incurred in accordance with the accrual basis of accounting. Where applicable, federal and state expenditures are reflected net of other income sources. The amount of insurance expense during fiscal year ended June 30, 2016 was \$314,737.

##### Subrecipients

During the year ended June 30, 2016, NHA provided \$28,742,067 to subrecipients under its fund for improvement of Head Start Program (CFDA # 93.600).

#### Note 3 - Federal contracts

##### Reconciliation of reported and audited expenses

Program	Program expenses
Amount shown on the schedule of expenditures of federal awards	\$ 72,207,837
Add: obligations liquidated after June 30, 2016	-
Total Head Start expenses reported on the SF-425	<u>\$ 72,207,837</u>

## **Neighborhood House Association**

### **Notes to Schedules of Expenditures of Federal and State Awards Year Ended June 30, 2016**

#### **Note 4 - Disclosure of audit fees**

In accordance with the audit disclosure requirements of the State of California, Department of Education, the audit contract for NHA for the fiscal year ended June 30, 2016 included an audit fee of approximately \$122,000.

#### **Note 5 - Indirect cost rate**

NHA has been assigned an indirect cost rate of 10.4% by its cognizant agency. Accordingly, the de minimis indirect cost rate of 10% as allowed under the Uniform Guidance, was not elected.

#### **Note 6 - Non-cash assistance**

In accordance with matching requirements for the Head Start program, the value of non-cash assistance (in-kind donations) was \$20,762,467 for fiscal year ended June 30, 2016.

Independent Auditor's 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 Audit Committee  
Neighborhood House Association

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 Neighborhood House Association ("NHA"), 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, and have issued our report thereon dated November 9, 2016.

*Internal Control over Financial Reporting*

In planning and performing our audit of the financial statements, we considered NHA's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NHA's internal control. Accordingly, we do not express an opinion on the effectiveness of NHA'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 NHA's 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 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.

*CohnReznick LLP*

San Diego, California  
November 9, 2016



Independent Auditor's Report on Compliance for Each Major  
Federal and State Program and Report on Internal Control  
over Compliance Required by the Uniform Guidance

To the Audit Committee  
Neighborhood House Association

*Report on Compliance for Each Major Federal and State Program*

We have audited Neighborhood House Association's ("NHA") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NHA's major federal and state programs for the year ended June 30, 2016. NHA's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of NHA's major federal and state 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); and with the requirements of the *CDE Audit Guide* issued by the California Department of Education. Those standards, the Uniform Guidance and the CDE Audit Guide 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 or state program occurred. An audit includes examining, on a test basis, evidence about NHA'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 and state program. However, our audit does not provide a legal determination of NHA's compliance.

*Opinion on Each Major Federal and State Program*

In our opinion, NHA 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 and state programs for the year ended June 30, 2016.

*Report on Internal Control over Compliance*

Management of NHA 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 NHA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state 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 and state 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 NHA'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 or state 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 or state 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 or state 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.

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

San Diego, California  
November 9, 2016

**Neighborhood House Association**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

**Part I - Summary of Auditor's Results**

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with GAAP:

unmodified

Internal control over financial reporting:

Material weaknesses identified?

\_\_\_\_\_yes      X  no

Significant deficiencies identified?

\_\_\_\_\_yes      X  none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_yes      X  no

Federal Awards

Internal control over major programs:

Material weaknesses identified?

\_\_\_\_\_yes      X  no

Significant deficiencies identified?

\_\_\_\_\_yes      X  none reported

Type of auditor's report issued on compliance for major programs:

unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)

\_\_\_\_\_yes      X  no

Identification of the major programs tested:

<u>CFDA/Award Number</u>	<u>Name of Federal/State Program</u>
--------------------------	--------------------------------------

93.600	Head Start Program
--------	--------------------

CCTR-5217, CSPP-5435	Child Development Program
----------------------	---------------------------

Dollar threshold used to distinguish between type A and type B programs:

\$2,244,917

Auditee qualified as low-risk auditee?

  X  yes    \_\_\_\_\_no

**Neighborhood House Association**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

**Part II - Financial Statement Findings Section**

None noted.

**Part III - Federal Award Findings and Questioned Costs Section**

None noted.

## **Supplementary Information**

Combined general  
child care program  
CCTR 5217 and state  
preschool CSPP 5435

Cash and cash equivalents	\$	97,004
Grants and contracts receivable		303,303
		<hr/>
Total assets	\$	400,307
		<hr/> <hr/>
Bank overdrafts	\$	-
Accounts payable		5,030
Accrued payroll and benefits		2,783
Accrued annual leave		308,141
CDE Reserve Funds		84,353
		<hr/>
Total liabilities		400,307
		<hr/>
Net assets from operations		-
Equity in property and equipment		-
Transfers to distribution fund		-
		<hr/>
Total net assets		-
		<hr/>
Total liabilities and net assets	\$	400,307

# Neighborhood House Association

## Combining Statement of Activities Year Ended June 30, 2016

	General child care program CCTR 5217	State preschool program CSPP 5435	Total CDE contracts	Other non-CDE programs	Total
Grants and contracts	\$ 569,586	\$ 3,664,922	\$ 4,234,508	\$ 81,700,957	\$ 85,935,465
Service fees	13,945	-	13,945	869,707	883,652
Restricted income	41,899	469,836	511,735	-	511,735
Total revenues	625,430	4,134,758	4,760,188	82,570,664	87,330,852
Salaries	365,974	2,369,433	2,735,407	25,485,871	28,221,278
Fringe benefits	129,089	835,779	964,868	8,448,325	9,413,193
Contracted services	-	-	-	3,704,289	3,704,289
Supplies	23,810	60,489	84,299	1,221,717	1,306,016
Telephone and pagers	-	-	-	405,924	405,924
Postage	-	-	-	17,735	17,735
Occupancy and storage	-	-	-	2,806,315	2,806,315
Utilities	-	-	-	522,221	522,221
Printing, publications and advertising	-	-	-	117,095	117,095
Travel and meetings	-	-	-	826,916	826,916
Food expense	-	-	-	1,303,841	1,303,841
Equipment purchases and repairs	-	-	-	1,154,652	1,154,652
Insurance	-	-	-	540,314	540,314
Other expenses	53,508	535,882	589,390	35,765,026	36,354,416
Indirect costs	53,048	333,175	386,223	(386,223)	-
Total expenses	625,429	4,134,758	4,760,187	81,934,018	86,694,205
Increase in unrestricted net assets	1	-	1	636,646	636,647
Net assets at beginning of year	-	-	-	-	-
Net assets at end of year	\$ 1	\$ -	\$ 1	\$ 636,646	\$ 636,647

\*\*Net assets are not required to be used for State child care programs and as such are not carried forward to future years.

# Neighborhood House Association

## Combining Schedule of Administrative Expenses Year Ended June 30, 2016

	General child care program CCTR 5217	State preschool program CSPP 5435	Combining total
Expenses	\$ 1,922	\$ 12,071	\$ 13,993
Indirect cost rate 10%	53,048	333,175	386,223
Total administrative expenses	<u>\$ 54,970</u>	<u>\$ 345,246</u>	<u>\$ 400,216</u>



**Neighborhood House Association**

**Combining Schedule of Equipment Expenditures  
Utilizing Contract Funds  
Year Ended June 30, 2016**

	General child care program CCTR 5217	State preschool program CSPP 5435	Combining total
Unit costs under \$5,000 items	\$ -	\$ -	\$ -
Unit costs over \$5,000 with CDD approval	-	-	-
Unit costs over \$5,000 without CDD approval	-	-	-
Total equipment expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Neighborhood House Association**

**Combining Schedule of Renovation and Repair Expenditures  
Utilizing Contract Funds  
Year Ended June 30, 2016**

	General child care program CCTR 5217	State preschool program CSPP 5435	Combining total
Unit costs under \$10,000 items	\$ -	\$ -	\$ -
Unit costs over \$10,000 with CDD approval	-	-	-
Unit costs over \$10,000 without CDD approval	-	-	-
Total renovation and repair expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Neighborhood House Association

## Combining Schedule of Expenses by State Categories Year Ended June 30, 2016

Expenses	General child care program CCTR 5217	State preschool program CSPP 5435	Combining total
1000 Certified Salaries	\$ 250,635	\$ 1,453,436	\$ 1,704,071
2000 Classified Salaries	115,339	915,997	1,031,336
3000 Employee Benefits	129,089	835,779	964,868
4000 Books and Supplies	23,810	60,489	84,299
5000 Contract Services and Other Operating Expenses	53,508	535,882	589,390
6000 Sites, Buildings, Books and Media & New Equipment	-	-	-
Expenses not otherwise classified			
Start-up Expenses	-	-	-
Capital Outlay Revolving Fund	-	-	-
Repayment	-	-	-
Indirect Cost Rate 10%	53,048	333,175	386,223
Total Reimbursable Expenses	625,429	4,134,758	4,760,187
Non-Reimbursable Expenses	-	-	-
Total Reimbursable and Non-Reimbursable Expenses	\$ 625,429	\$ 4,134,758	\$ 4,760,187

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.

## Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT					
for Child Development Programs					
Agency Name:	Neighborhood House Association			Vendor No.	37-B801
Fiscal Year Ended:	June 30, 2016		Contract No.	CCTR# 5217	
Independent Auditor's Name: <u>CohnReznick LLP</u>					
SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Infants (up to 18 months)</i>					
Full-time-plus	-	-	-	2.006	-
Full-time	-	-	-	1.700	-
Three-quarters-time	-	-	-	1.275	-
One-half-time	-	-	-	0.935	-
<i>FCCH Infants (up to 18 months)</i>					
Full-time plus	-	-	-	1.652	-
Full-time	-	-	-	1.400	-
Three-quarters-time	-	-	-	1.050	-
One-half-time	-	-	-	0.770	-
<i>Toddlers (18 up to 36 months)</i>					
Full-time-plus	-	-	-	1.652	-
Full-time	9,153	-	9,153	1.400	12,814
Three-quarters-time	2,137	-	2,137	1.050	2,244
One-half-time	236	-	236	0.770	182
<i>Three Years and Older</i>					
Full-time-plus	-	-	-	1.180	-
Full-time	-	-	-	1.000	-
Three-quarters-time	-	-	-	0.750	-
One-half-time	-	-	-	0.550	-
<i>Exceptional Needs</i>					
Full-time-plus	-	-	-	1.416	-
Full-time	-	-	-	1.200	-
Three-quarters-time	-	-	-	0.900	-
One-half-time	-	-	-	0.660	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus	-	-	-	1.298	-
Full-time	-	-	-	1.100	-
Three-quarters-time	-	-	-	0.825	-
One-half-time	-	-	-	0.605	-
<i>Severely Disabled</i>					
Full-time-plus	-	-	-	1.770	-
Full-time	-	-	-	1.500	-
Three-quarters-time	-	-	-	1.125	-
One-half-time	-	-	-	0.825	-
<b>TOTAL DAYS OF ENROLLMENT</b>	11,526	-	11,526		15,240
<b>DAYS OF OPERATION</b>	240	-	240		
<b>DAYS OF ATTENDANCE</b>	11,504	-	11,504		
<input checked="" type="checkbox"/> 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:					

# Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT for Child Development Programs				
Agency Name: <u>Neighborhood House Association</u>		Vendor No. <u>37-B801</u>		
Fiscal Year End: <u>June 30, 2016</u>		Contract No. <u>CCTR# 5217</u>		
Insert Any Commingled Contract No. _____				
	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 9500		COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>				
RESTRICTED INCOME				
Child Nutrition Programs	\$41,899		\$0	\$41,899
County Maintenance of Effort (EC § 8279)				0
Uncashed Checks to Providers				0
Other (Specify):				0
<b>Subtotal</b>	\$41,899		\$0	\$41,899
Transfer from Reserve Contract #				0
Contract #				0
Family Fees for Certified Children Contract # 4220	13,945		0	13,945
Contract #				0
Interest Earned on Apportionments Contract #				0
Contract #				0
UNRESTRICTED INCOME				
Family Fees for Noncertified Children				0
Head Start				0
Other (Specify):				0
<b>TOTAL REVENUE</b>	\$55,844		\$0	\$55,844
<b>SECTION IV - REIMBURSABLE EXPENSES</b>				
Direct Payments to Providers (FCCH Only)				0
1000 Certificated Salaries	250,635		0	250,635
2000 Classified Salaries	115,339		0	115,339
3000 Employee Benefits	129,089		0	129,089
4000 Books and Supplies	23,810		0	23,810
5000 Services and Other Operating Expenses	53,508		0	53,508
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 Contract #				0
Contract #				0
Indirect Costs. Rate: 9.27% (Rate is Self-Calculating)	53,048		0	53,048
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$625,429		\$0	625,429
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$54,970		\$0	\$54,970
FOR CDE-A&I USE ONLY:				
<b>Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:</b> Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO): <span style="float: right;">COMMENTS - If necessary, attach additional sheets to explain adjustments:</span>				
<div style="display: flex;"> <div style="flex: 1;"> <input checked="" type="checkbox"/> YES   <input type="checkbox"/> NO - Explain any discrepancies.   Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):  <input checked="" type="checkbox"/> YES  <input type="checkbox"/> NO - Explain any discrepancies. </div> <div style="flex: 2; border: 1px solid black; min-height: 100px;"></div> </div>				
<input checked="" type="checkbox"/> NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.				

## Neighborhood House Association

### AUDITED ATTENDANCE AND FISCAL REPORT

#### for California State Preschool Programs

Agency Name: Neighborhood House Association Vendor No. 37-B801

Fiscal Year Ended: June 30, 2016 Contract No. CSPP# 5435

Independent Auditor's Name: CohnReznick LLP

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	-		-	1.0000	-
Three-quarters-time	-		-	0.7500	-
One-half-time	153,541	-	153,541	0.6195	95,119
<i>Exceptional Needs</i>					
Full-time-plus	-		-	1.4160	-
Full-time	-		-	1.2000	-
Three-quarters-time	-		-	0.9000	-
One-half-time	-		-	0.6195	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus	-		-	1.2980	-
Full-time	-		-	1.1000	-
Three-quarters-time	-		-	0.8250	-
One-half-time	-		-	0.6195	-
<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	-		-	0.6195	-
<i>Severely Disabled</i>					
Full-time-plus	-		-	1.7700	-
Full-time	-		-	1.5000	-
Three-quarters-time	-		-	1.1250	-
One-half-time	-		-	0.6195	-
<b>TOTAL DAYS OF ENROLLMENT</b>	153,541	-	153,541		95,119
<b>DAYS OF OPERATION</b>	182	-	182		
<b>DAYS OF ATTENDANCE</b>	153,041	-	153,041		

☒ 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:

# Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs			
Agency Name: <u>Neighborhood House Association</u>		Vendor No. <u>37-B801</u>	
Fiscal Year End: <u>June 30, 2016</u>		Contract No. <u>CSPP# 5435</u>	
	COLUMN A CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT
<b>SECTION III - REVENUE</b>			
RESTRICTED INCOME			
Child Nutrition Programs	\$469,836	\$0	\$469,836
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
<b>Subtotal</b>	\$469,836	\$0	\$469,836
Transfer from Reserve Contract #	0		0
Contract #			0
Family Fees for Certified Children Contract #	0		0
Contract #			0
Interest Earned on Apportionments Contract #			0
Contract #			0
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start	0	0	0
Other (Specify):			0
<b>TOTAL REVENUE</b>	\$469,836	\$0	\$469,836
<b>SECTION IV - REIMBURSABLE EXPENSES</b>			
1000 Certificated Salaries	\$1,453,436	\$0	\$1,453,436
2000 Classified Salaries	915,997	\$0	\$915,997
3000 Employee Benefits	835,779	\$0	\$835,779
4000 Books and Supplies	60,489	\$0	\$60,489
5000 Services and Other Operating Expenses	535,882	\$0	\$535,882
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: 8.76% (Rate is Self-Calculating)	333,175	0	\$333,175
<b>TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT</b>	\$4,134,758	\$0	\$4,134,758
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$345,246	\$0	\$345,246
FOR CDE-A&I USE ONLY:			
<p><b>Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:</b></p> <p>Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):</p> <div style="display: flex;"> <div style="flex: 1;"> <p><input checked="" type="checkbox"/> YES</p> <p><input type="checkbox"/> NO - Explain any discrepancies.</p> <p>Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):</p> <p><input checked="" type="checkbox"/> YES</p> <p><input type="checkbox"/> NO - Explain any discrepancies.</p> </div> <div style="flex: 2; border: 1px solid black; min-height: 100px;"></div> </div> <p>COMMENTS - If necessary, attach additional sheets to explain adjustments:</p>			

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

# Neighborhood House Association

AUDITED RESERVE ACCOUNT ACTIVITY REPORT			
Agency Name: <u>Neighborhood House Association</u>			
Fiscal Year End: <u>June 30, 2016</u>		Vendor No. <u>37-801</u>	
Independent Auditor's Name: <u>CohnReznick LLP</u>			
RESERVE ACCOUNT TYPE (Check One):	COLUMN A	COLUMN B	COLUMN C
<input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
<b>LAST YEAR:</b>			
<b>1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)</b>	\$84,030	\$0	\$84,030
<b>2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):</b>			
Contract No. CSPP 5435	\$0	\$0	0
Contract No. CCTR 5217	1		1
Contract No. `			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Contracts to Reserve Account	1	0	1
<b>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)</b>	\$0		\$0
<b>4. Ending Balance on Last Year's Post-Audit CDFS 9530</b>	\$84,031	\$0	\$84,031
<b>THIS YEAR:</b>			
<b>5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)</b>	\$322	\$0	\$322
<b>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):</b>			
Contract No.	\$0	\$0	\$0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Contracts from Reserve Account	0	0	0
<b>7. Ending Balance on June 30, 2016 (column A must agree with this year's CDFS 9530-A, Section IV)</b>	\$84,353	\$0	\$84,353
<b>COMMENTS - If necessary, attach additional sheets to explain adjustments:</b>			





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