

Neighborhood House Association

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

June 30, 2017 and 2016

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, 2017 and 2016, 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, 2017 (with summarized financial information for 2016), 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, 2017 and 2016, 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 audit was conducted for the purpose of forming an opinion on the financial statements 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*, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information on childcare programs on pages 27 through 41 is presented for purposes of additional analysis as required by the California Department of Education 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 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2017 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 2017 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 14, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NHA's 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 cursive script that reads "Cohn Reznick LLP".

San Diego, California
November 14, 2017

Neighborhood House Association

**Statements of Financial Position
June 30, 2017 and 2016**

Assets

	2017	2016
Current assets		
Cash and cash equivalents (Note 14)	\$ 5,327,525	\$ 3,685,090
Restricted cash	88,476	-
Investments (Notes 2 and 16)	103,090	284,532
Grants and contracts receivable (Note 3)	2,115,167	2,005,924
Operating advances	23,283	-
Other accounts receivable	761,366	658,433
Prepaid expenses	138,968	326,224
Total current assets	8,557,875	6,960,203
Property and equipment (Note 4)		
Property and equipment	20,336,823	21,349,410
Less accumulated depreciation and amortization	(15,952,316)	(16,627,565)
Total property and equipment, net	4,384,507	4,721,845
Deposits	89,731	82,203
Total assets	\$ 13,032,113	\$ 11,764,251

Liabilities and Net Assets

Current liabilities		
Accrued payroll and related liabilities	\$ 892,493	\$ 597,300
Accounts payable and accrued expenses	3,213,750	2,147,465
Accrued annual leave (Note 5)	2,475,732	2,449,727
Current portion of long-term debt (Note 7)	61,846	70,783
Total current liabilities	6,643,821	5,265,275
Deferred rent	187,815	184,457
Long-term debt, net (Note 7)	2,411,459	2,037,260
Total liabilities	9,243,095	7,486,992
Commitments and contingencies (Notes 9 and 10)		
Net assets		
Unrestricted	3,700,542	4,277,259
Temporarily restricted (Note 8)	88,476	-
Total net assets	3,789,018	4,277,259
Total liabilities and net assets	\$ 13,032,113	\$ 11,764,251

See Notes to Financial Statements.

Neighborhood House Association
Statements of Activities
Years Ended June 30, 2017 and 2016

	2017	2016
Changes in unrestricted net assets		
Revenues and support		
Grants and contracts (Note 11)	\$ 83,892,502	\$ 82,309,805
Food reimbursements	1,312,845	1,356,396
Reimbursements from partners	276,678	277,891
Contributions and donations	982,273	1,150,303
Service fees	874,952	883,652
Investment return and interest income	11,313	19,138
Other revenues	1,334,547	1,333,667
Total unrestricted revenues and support	88,685,110	87,330,852
Expenses		
Program services	82,667,621	81,409,922
Supporting services		
Fundraising	32,514	47,558
Management and general	6,561,692	5,236,725
Total expenses	89,261,827	86,694,205
Change in unrestricted net assets	(576,717)	636,647
Change in temporarily restricted net assets		
Contributions	88,476	-
Change in temporarily restricted net assets	88,476	-
Change in net assets	(488,241)	636,647
Beginning	4,277,259	3,640,612
End	\$ 3,789,018	\$ 4,277,259

See Notes to Financial Statements.

Neighborhood House Association
Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Change in net assets	\$ (488,241)	\$ 636,647
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	541,313	570,809
Restricted contributions	(88,476)	-
Deferred rent	3,358	25,650
Unrealized loss (gain) on investments	-	(60,206)
Changes in operating assets and liabilities		
Grants and contracts receivable	(109,243)	1,093,399
Other accounts receivable	(102,933)	(247,873)
Prepaid expenses and deposits	179,728	(223,198)
Operating advances	(23,283)	-
Accounts payable and accrued expenses	1,247,727	(1,050,849)
Accrued payroll and related liabilities	295,193	(66,836)
Accrued annual leave	26,005	(87,036)
	1,481,148	590,507
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(203,975)	(927,677)
	(203,975)	(927,677)
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from debt	440,000	-
Repayments on debt	(74,738)	(66,913)
	365,262	(66,913)
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash and cash equivalents	1,642,435	(404,083)
Cash and cash equivalents, beginning	3,685,090	4,089,173
Cash and cash equivalents, end	\$ 5,327,525	\$ 3,685,090
Supplemental disclosures of cash flow data		
Cash paid for interest	\$ 110,085	\$ 120,122

See Notes to Financial Statements.

Neighborhood House Association
Statement of Functional Expenses
Year Ended June 30, 2017
(With summarized financial information for 2016)

	Program services				Supporting services		Total expenses	
	Childcare programs	Health and nutrition programs	Youth and other services	Total	Fundraising	Management and general	2017	2016
Salaries	\$ 23,087,909	\$ 2,369,547	\$ 577,568	\$ 26,035,024	\$ -	\$ 3,485,471	\$ 29,520,495	\$ 28,221,278
Fringe benefits	7,550,692	628,336	45,826	8,224,854	-	1,096,956	9,321,810	9,413,193
Contracted services	1,368,144	342,815	105,957	1,816,916	23,778	926,503	2,767,197	3,704,289
Supplies	1,682,588	88,447	34,320	1,805,355	3,511	64,669	1,873,535	1,306,016
Telephone and pagers	174,730	61,717	7,052	243,499	-	61,753	305,252	405,924
Postage	11,186	1,909	945	14,040	-	16,656	30,696	17,735
Occupancy and storage	2,562,245	345,737	65,602	2,973,584	-	61,029	3,034,613	2,806,315
Utilities	382,635	31,291	-	413,926	-	62,063	475,989	522,221
Printing, publications and advertising	25,738	4,258	7,540	37,536	-	11,902	49,438	117,095
Travel and meetings	775,482	43,123	46,339	864,944	-	197,438	1,062,382	826,916
Subcontracts (Note 17)	36,468,653	-	-	36,468,653	-	-	36,468,653	35,095,579
Food expense	1,190,869	91,475	9,318	1,291,662	2,896	12,616	1,307,174	1,303,841
Client assistance	52,488	175,676	26,600	254,764	-	1,600	256,364	233,984
Equipment expense	1,052,861	111,610	16,092	1,180,563	-	72,060	1,252,623	1,154,652
Depreciation and amortization	300,127	-	-	300,127	-	241,186	541,313	570,809
Insurance	362,225	28,828	1,492	392,545	480	129,159	522,184	540,314
Interest and fees	106,083	7,428	8,946	122,457	-	31,657	154,114	162,053
Other expenses	213,100	5,481	8,591	227,172	1,849	88,974	317,995	291,991
Indirect cost	5,442,783	429,916	8,177	5,880,876	-	(5,880,876)	-	-
Subtotal	82,810,538	4,767,594	970,365	88,548,497	32,514	680,816	89,261,827	86,694,205
Less: indirect allocation	(5,442,783)	(429,916)	(8,177)	(5,880,876)	-	5,880,876	-	-
Total expenses by function	\$ 77,367,755	\$ 4,337,678	\$ 962,188	\$ 82,667,621	\$ 32,514	\$ 6,561,692	\$ 89,261,827	\$ 86,694,205

See Notes to Financial Statements.

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

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 accounting principles generally accepted in the United States of America. 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 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, 2017 or 2016.

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

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 2017 and 2016, the value of contributed services recognized as revenues and expenses in the accompanying financial statements was approximately \$527,000 and \$571,000, 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:

Description	Useful life
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, 2017 and 2016

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.

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, 2017 and 2016, 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, 2017 and 2016.

NHA's federal and state income tax returns prior to fiscal years 2014 and 2013, 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, 2017 and 2016 were approximately \$10,000 and \$44,000, 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.

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.

Subsequent events

Subsequent events have been evaluated through November 14, 2017, which is the date the financial statements were available to be issued.

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

Note 2 - Investments

Investments consist of equity and other securities with an approximate fair value of \$103,000 and \$285,000 at June 30, 2017 and 2016, respectively. Fair values have been determined by reference to the most recent market quotations for the respective investments.

Note 3 - Grants and contracts receivable

At June 30, 2017 and 2016, grants and contracts receivable consist of the following:

	2017	2016
Head Start	\$ 620,437	\$ 328,367
State programs	227,342	316,544
County programs	894,477	961,389
Food reimbursements	370,312	392,898
Other programs	2,599	6,726
Total	\$ 2,115,167	\$ 2,005,924

Note 4 - Property and equipment

Property and equipment as of June 30, 2017 consists of the following:

	Cost	Accumulated depreciation and amortization	Net book value
Land	\$ 1,191,750	\$ -	\$ 1,191,750
Building	4,768,000	2,805,287	1,962,713
Building improvements	615,267	609,809	5,458
Leasehold improvements	7,890,285	6,890,773	999,512
Vehicles	1,807,053	1,804,613	2,440
Furniture and equipment	3,689,821	3,547,660	142,161
Computer equipment	299,232	294,174	5,058
Construction in progress	75,415	-	75,415
	\$ 20,336,823	\$ 15,952,316	\$ 4,384,507

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
	\$ 21,349,410	\$ 16,627,565	\$ 4,721,845

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

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 during the fiscal years ended June 30, 2017 and 2016.

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, 2017 and 2016 is approximately \$4,309,000 and \$4,722,000, 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. These amounts have been funded with cash covered by FDIC insurance.

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, 2016. Borrowings on the line of credit bore interest at a variable rate not to exceed 5.25% (5.0% as of June 30, 2016).

Note 7 - Long-term debt

Long-term debt consists of the following:

	<u>2017</u>	<u>2016</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.	\$ 2,033,305	\$ 2,108,043
Note payable to Alliance Healthcare Foundation in monthly installments of principal and interest, with a fixed interest rate of 4%. The loan commenced on January 12, 2017 and matures on January 1, 2023. The note is secured by real property located at 851 South 35th Street, San Diego, California.	440,000	-
	2,473,305	2,108,043
Less current portion	<u>(61,846)</u>	<u>(70,783)</u>
Long-term portion	<u>\$ 2,411,459</u>	<u>\$ 2,037,260</u>

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

Maturities of long-term debt in each of the five years subsequent to June 30, 2017 and thereafter are calculated as follows:

2018	\$	61,846
2019		84,920
2020		103,920
2021		124,046
2022		130,330
Thereafter		<u>1,968,243</u>
Total	\$	<u><u>2,473,305</u></u>

Note 8 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

College academy	\$	37,000
Summer internship		16,650
Other		<u>34,826</u>
Total	\$	<u><u>88,476</u></u>

There were no temporarily restricted net assets as of June 30, 2016.

Note 9 - 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, 2017 and thereafter are as follows:

2018	\$	2,198,633
2019		1,349,089
2020		854,546
2021		259,851
2022		162,734
Thereafter		<u>1,368,788</u>
Total	\$	<u><u>6,193,641</u></u>

Total operating lease expense for the years ended June 30, 2017 and 2016 was approximately \$2,203,770 and \$1,808,000, respectively.

Note 10 - 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, 2017 and 2016

Note 11 - Grants and contracts revenues

In the fiscal years ended June 30, 2017 and 2016, NHA recognized grants and contracts revenues from the following sources:

	<u>2017</u>	<u>2016</u>
Head Start program	\$ 73,318,405	\$ 72,818,967
State programs	4,838,932	4,234,507
County programs	5,706,286	5,159,623
Other programs	<u>28,879</u>	<u>96,708</u>
Total grants and contracts	<u>\$ 83,892,502</u>	<u>\$ 82,309,805</u>

Note 12 - 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, 2017. 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, 2017 and 2016 were approximately \$1,510,000 and \$1,322,000, respectively.

Note 13 - 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:

	<u>Provisional 2017</u>	<u>Final 2016</u>
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, 2017 and 2016 were approximately \$5,881,000 and \$5,736,000, respectively.

Note 14 - 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, 2017, NHA had cash and cash equivalents in excess of FDIC insured limits at certain financial institutions totaling approximately \$2,674,000.

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

NHA has 11 government contracts in fiscal year 2017 from federal, state and local sources. The largest contract was for the federal Head Start program totaling \$76,894,689. Included in grants and contracts receivable at June 30, 2017 is \$620,437 related to this contract.

Note 15 - 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 16 - 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, 2017 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	<u>\$ 103,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,090</u>
Total assets at fair value	<u><u>\$ 103,090</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 103,090</u></u>

Neighborhood House Association

Notes to Financial Statements June 30, 2017 and 2016

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities	<u>\$ 284,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 284,532</u>
Total assets at fair value	<u><u>\$ 284,532</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 284,532</u></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, 2017 and 2016.

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 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 17 - Subcontracts expense

Subcontracts expense for the fiscal years ended June 30, 2017 and 2016 included the following:

	<u>2017</u>	<u>2016</u>
Subawards/Delegate agencies	<u>\$ 29,315,025</u>	<u>\$ 28,742,067</u>
Contracted child care	<u>7,153,628</u>	<u>6,353,512</u>
Total	<u><u>\$ 36,468,653</u></u>	<u><u>\$ 35,095,579</u></u>

Supplementary Information

Neighborhood House Association

**Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2017**

Federal grantor / pass-through grantor / program title or cluster	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Award Amount			Expenditures	
				Federal	State	Total	Federal	State
U.S. Department of Health and Human Services								
Head Start Program	93.600		\$ 29,315,025	\$ 76,894,689	\$ -	\$ 76,894,689	\$ 73,318,405	\$ -
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	-	22,500	-	22,500	22,500	-
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	547780	-	65,146	-	65,146	65,146	-
Nutrition Services Incentive Program	93.053	547780	-	11,232	-	11,232	11,232	-
Total Aging Cluster			-	98,878	-	98,878	98,878	-
Passed through from the County of San Diego:								
HIV Emergency Relief Project Grants (Case Management) (1)	93.914	537490	-	413,818	-	413,818	394,088	-
HIV Emergency Relief Project Grants (Case Management) (2)	93.914	537490	-	39,596	-	39,596	11,479	-
Total for HIV Emergency Relief Project Grants			-	453,414	-	453,414	405,567	-
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-6215	-	210,510	-	210,510	210,510	-
Child Care Mandatory and Matching Funds of the CCDF	93.596	CSPP-6450	-	62,611	-	62,611	62,611	-
Total for Child Care Mandatory and Matching Funds of the CCDF			-	273,121	-	273,121	273,121	-
Child Care and Development Block Grant	93.575	CCTR-6215	-	96,693	-	96,693	96,693	-
Child Care and Development Block Grant	93.575	CSPP-6450	-	136,310	-	136,310	136,310	-
Total for Child Care and Development Block Grant			-	233,003	-	233,003	233,003	-
Total CCDF Cluster			-	506,124	-	506,124	506,124	-
Child Development Program	93.U00	CCTR-6215	-	-	433,221	433,221	-	433,221
Child Development Program	93.U01	CSPP-6450	-	-	3,981,787	3,981,787	-	3,933,487
Total for Child Development Program			-	-	4,415,008	4,415,008	-	4,366,708
Medicaid Cluster:								
Medical Assistance Program (Medicaid - Title XIX)	93.778		-	164,228	-	164,228	164,228	-
Total Medicaid Cluster			-	164,228	-	164,228	164,228	-
Maternal and Child Health Services Block Grant to the States	93.994		-	253,806	-	253,806	253,806	-
Total U.S. Department of Health and Human Services			29,315,025	78,371,139	4,415,008	82,786,147	74,747,008	4,366,708
U.S. Department of Agriculture								
Passed through from the State Department of Education:								
Child and Adult Care Food Program:								
Child Care Centers	10.558	04500-CACFP-37-NP-CS	-	1,261,960	-	1,261,960	1,261,960	-
Adult Day Care Centers	10.558	04500-CACFP-37-NP-CS	-	50,885	-	50,885	50,885	-
Total U.S. Department of Agriculture			-	1,312,845	-	1,312,845	1,312,845	-
U.S. Department of Housing and Urban Development								
Passed through from the Rural Community Assistance Corporation:								
Housing Finance Agency Innovation Fund for the Hardest Hit Housing Markets	14.U00	KYHC/CalHFA MAC-N181/13	-	75,000	-	75,000	28,873	-
Total Department of Housing and Urban Development			-	75,000	-	75,000	28,873	-
Total Expenditures of Federal and State Awards			\$ 29,315,025	\$ 79,758,984	\$ 4,415,008	\$ 84,173,992	\$ 76,088,726	\$ 4,366,708

Notes:

⁽¹⁾ Program year - July 2016 - February 2017

⁽²⁾ Program year - March 2017 - June 2017

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

Neighborhood House Association

**Notes to Schedule of Expenditures of Federal and State Awards
June 30, 2017**

Note 1 - Basis of presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") include the federal and state grant activity of NHA under programs of the federal and state governments for the year ended June 30, 2017. The information in the schedule 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.

Note 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 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 is included in NHA's financial statements as "Grants and contracts."

Note 3 - Federal contracts

Reconciliation of reported and audited expenses

Program	Program expenses
Amount shown on the schedule of expenditures of federal awards	\$ 73,318,405
Add: obligations liquidated after June 30, 2017	444,753
Total Head Start expenses reported on the SF-425	<u>\$ 73,763,158</u>

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, 2017 included an audit fee of approximately \$126,000.

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 \$22,522,715 for fiscal year ended June 30, 2017.

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, 2017, 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 14, 2017.

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 14, 2017

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, 2017. 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, 2017.

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.



San Diego, California
November 14, 2017

Neighborhood House Association

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2017**

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:

CFDA/Award Number Name of Federal/State Program

93.600 Head Start Program

Dollar threshold used to distinguish between type A and type B programs: \$2,282,662

Auditee qualified as low-risk auditee? X yes _____no

Neighborhood House Association
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Part II - Financial Statement Findings Section

None noted.

Part III - Federal Award Findings and Questioned Costs Section

None noted.

Supplementary Information

Neighborhood House Association
Combined Statement of Financial Position
June 30, 2017

	Combined General Child Care Program CCTR 6215 and State Preschool CSPP 6450 <hr/>
Cash and cash equivalents	\$ 183,506
Grants and contracts receivable	223,928
Prepaid expenses	1,529
Total assets	<u>\$ 408,963</u>
Bank overdrafts	\$ -
Accounts payable	13,955
Accrued payroll and benefits	2,184
Accrued annual leave	308,141
CDE reserve funds	84,683
Total liabilities	<u>408,963</u>
Net assets from operations	-
Equity in property and equipment	-
Transfers to distribution fund	-
Total net assets	<u>-</u>
Total liabilities and net assets	<u><u>\$ 408,963</u></u>

Neighborhood House Association

**Combining Statement of Activities
Year Ended June 30, 2017**

	General Child Care Program CCTR 6215	State Preschool Program CSPP 6450	Total CDE contracts	Other non-CDE programs	Total
Grants, contracts, contributions and other	\$ 706,525	\$ 4,132,408	\$ 4,838,933	\$ 82,459,248	\$ 87,298,181
Service fees	33,900	-	33,900	841,052	874,952
Restricted income	81,812	518,641	600,453	-	600,453
Total revenues	822,237	4,651,049	5,473,286	83,300,300	88,773,586
Salaries	476,128	2,882,960	3,359,088	26,161,407	29,520,495
Fringe benefits	159,901	968,788	1,128,689	8,193,121	9,321,810
Contracted services	-	-	-	2,767,197	2,767,197
Supplies	7,249	235,398	242,647	1,630,888	1,873,535
Telephone and pagers	-	-	-	305,252	305,252
Postage	-	-	-	30,696	30,696
Occupancy and storage	-	-	-	3,034,613	3,034,613
Utilities	-	-	-	475,989	475,989
Printing, publications and advertising	-	-	-	49,438	49,438
Travel and meetings	-	-	-	1,062,382	1,062,382
Food expense	-	-	-	1,307,174	1,307,174
Equipment purchases and repairs	-	-	-	1,252,623	1,252,623
Insurance	-	-	-	522,184	522,184
Other expenses	52,694	620,456	673,150	37,065,289	37,738,439
Indirect costs	67,311	418,836	486,147	(486,147)	-
Total expenses	763,283	5,126,438	5,889,721	83,372,106	89,261,827
Increase (decrease) in net assets	58,954	(475,389)	(416,435)	(71,806)	(488,241)
Net assets, beginning	-	-	-	4,277,259	4,277,259
Net assets, end	\$ 58,954	\$ (475,389)	\$ (416,435)	\$ 4,205,453	\$ 3,789,018

**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, 2017**

	General Child Care Program CTTR 6215	State Preschool Program CSPP 6450	Combining total
Expenses	\$ 13,856	\$ 153,687	\$ 167,543
Indirect costs	<u>67,311</u>	<u>418,836</u>	<u>486,147</u>
Total administrative expenses	<u><u>\$ 81,167</u></u>	<u><u>\$ 572,523</u></u>	<u><u>\$ 653,690</u></u>

Neighborhood House Association

**Combining Schedule of Equipment Expenditures
Utilizing Contract Funds
Year Ended June 30, 2017**

	General Child Care Program CCTR 6215	State Preschool Program CSPP 6450	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, 2017**

	General Child Care Program CTTR 6215	State Preschool Program CSPP 6450	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, 2017**

Expenses	General Child Care Program CCTR 6215	State Preschool Program CSPP 6450	Combining total
1000 Certified Salaries	\$ 312,768	\$ 1,860,230	\$ 2,172,998
2000 Classified Salaries	163,360	1,022,730	1,186,090
3000 Employee Benefits	159,901	968,788	1,128,689
4000 Books and Supplies	7,249	235,398	242,647
5000 Contract Services and Other Operating Expenses	52,694	620,456	673,150
6000 Sites, Buildings, Books and Media & New Equipment	-	-	-
Expenses not otherwise classified	-	-	-
Start-up Expenses	-	-	-
Capital Outlay Revolving Fund Repayment	-	-	-
Indirect Costs	67,311	418,836	486,147
Total Reimbursable Expenses	763,283	5,126,438	5,889,721
Non-Reimbursable Expenses	-	-	-
Total Reimbursable and Non-Reimbursable Expenses	<u>\$ 763,283</u>	<u>\$ 5,126,438</u>	<u>\$ 5,889,721</u>

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.

See Independent Auditor's Report.

Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT

for California State Preschool Programs

Agency Name: Neighborhood House Association Vendor No. 37-B81-00-5

Fiscal Year Ended: June 30, 2017 Contract No. CSPP# 6450

Independent Auditor's Name: CohnReznick LLP

SECTION I - CERTIFIED CHILDREN OF ENROLLMENT	DAYS	COLUMN A CUMULATIVE FISCAL YEAR PER FORM	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT
<i>Three and Four Year Olds</i>						
Full-time-plus		-		-	1.1800	-
Full-time		-		-	1.0000	-
Three-quarters-time		-		-	0.7500	-
One-half-time		164,882		164,882	0.6196	102,161
<i>Exceptional Needs</i>						
Full-time-plus		-		-	1.4160	-
Full-time		-		-	1.2000	-
Three-quarters-time		-		-	0.9000	-
One-half-time		-		-	0.6196	-
<i>Limited and Non-English Proficient</i>						
Full-time-plus		-		-	1.2980	-
Full-time		-		-	1.1000	-
Three-quarters-time		-		-	0.8250	-
One-half-time		-		-	0.6196	-
<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		-		-	0.6196	-
<i>Severely Disabled</i>						
Full-time-plus		-		-	1.7700	-
Full-time		-		-	1.5000	-
Three-quarters-time		-		-	1.1250	-
One-half-time		-		-	0.6196	-
TOTAL DAYS OF ENROLLMENT		164,882	-	164,882		102,161
DAYS OF OPERATION		175		175		
DAYS OF ATTENDANCE		164,127		164,127		

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: Neighborhood House Association Vendor No. 37-B81-00-5

Fiscal Year Ended: June 30, 2017 Contract No. CSPP# 6450

Independent Auditor's Name: CohnReznick LLP

SECTION I - CERTIFIED CHILDREN OF ENROLLMENT	DAYS	COLUMN A CUMULATIVE FISCAL YEAR PER FORM	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT
<i>Toddlers (18 up to 36 months)</i>						
Full-time-plus		-		-	1.6520	-
Full-time				-	1.4000	-
Three-quarters-time				-	1.0500	-
One-half-time				-	0.7700	-
<i>Three and Four Year Olds</i>						
Full-time-plus		-		-	1.1800	-
Full-time		-		-	1.0000	-
Three-quarters-time		-		-	0.7500	-
One-half-time				-	0.6196	-
<i>Exceptional Needs</i>						
Full-time-plus		-		-	1.4160	-
Full-time		-		-	1.2000	-
Three-quarters-time		-		-	0.9000	-
One-half-time		14,776		14,776	0.6196	9,155
<i>Limited and Non-English Proficient</i>						
Full-time-plus		-		-	1.2980	-
Full-time		-		-	1.1000	-
Three-quarters-time		-		-	0.8250	-
One-half-time		-		-	0.6196	-
<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		-		-	0.6196	-
<i>Severely Disabled</i>						
Full-time-plus		-		-	1.7700	-
Full-time		-		-	1.5000	-
Three-quarters-time		-		-	1.1250	-
One-half-time		-		-	0.6196	-
TOTAL DAYS OF ENROLLMENT		14,776	-	14,776		9,155

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

Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: Neighborhood House Association Vendor No. 37-B81-00-5

Fiscal Year End: June 30, 2017 Contract No. CSPP# 6450

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$518,641	\$0	\$518,641
County Maintenance of Effort (EC § 8279)			0
Other (Specify):			0
Subtotal	\$518,641	\$0	\$518,641
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
TOTAL REVENUE	\$518,641	\$0	\$518,641

SECTION IV - REIMBURSABLE EXPENSES			
1000 Certificated Salaries	\$1,860,230		\$1,860,230
2000 Classified Salaries	1,022,730		\$1,022,730
3000 Employee Benefits	968,788		\$968,788
4000 Books and Supplies	235,398		\$235,398
5000 Services and Other Operating Expenses	620,456		\$620,456
6100/6200 Other Approved Capital Outlay			\$0
6400 New Equipment (<i>program-related</i>)			\$0
6500 Replacement Equipment (<i>program-related</i>)			\$0
Depreciation or Use Allowance			\$0
Start-Up Expenses (service level exemption)			\$0
Budget Impasse Credit			\$0
Indirect Costs. Rate: 8.90% (Rate is Self-Calculating)	418,836		\$418,836
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$5,126,438		\$5,126,438
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$572,523		\$572,523
FOR CDE-A&I USE ONLY:			

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:
 Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO): YES
 COMMENTS - If necessary, attach additional sheets to explain adjustments:

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

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

See Independent Auditor's Report.

Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: Neighborhood House Association Vendor No. 37-B81-00-5

Fiscal Year End: June 30, 2017 Contract No. CSPP# 6450

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding			
Other: Head Start	\$466,727	\$0	\$466,727
TOTAL SUPPLEMENTAL REVENUE	\$466,727	\$0	\$466,727
SECTION VI - SUPPLEMENTAL EXPENSES			
1000 Certificated Salaries			0
2000 Classified Salaries			0
3000 Employee Benefits			0
4000 Books and Supplies			0
5000 Services and Other Operating Expenses	466,727		466,727
6000 Equipment/Capital Outlay			0
Depreciation or Use Allowance			0
Indirect Costs			0
NON-REIMBURSABLE EXPENSES			
6100-6500 Non-reimbursable Capital Outlay			0
TOTAL SUPPLEMENTAL EXPENSES	\$466,727	\$0	\$466,727

Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT

for Child Development Programs

Agency Name: Neighborhood House Association Vendor No. 37-B801-00-5
 Fiscal Year Ended: June 30, 2017 Contract No. CCTR# 6215
 Independent Auditor's Name: CohnReznick LLP

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	17,909	-	17,909	1.400	25,073
Three-quarters-time	3,830	-	3,830	1.050	4,022
One-half-time	252	-	252	0.770	194
<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	-
TOTAL DAYS OF ENROLLMENT	21,991	-	21,991		29,289
DAYS OF OPERATION	245	-	245		
DAYS OF ATTENDANCE	21,817	-	21,817		

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: Neighborhood House Association Vendor No. 37-B801-00-5

Fiscal Year Ended: June 30, 2017 Contract No. CCTR# 6215

Independent Auditor's Name: CohnReznick LLP

SECTION I - CERTIFIED CHILDREN OF ENROLLMENT	DAYS	COLUMN A CUMULATIVE FISCAL YEAR PER FORM	COLUMN B AUDIT ADJUSTMENTS	COLUMN C CUMULATIVE FISCAL YEAR PER AUDIT	COLUMN D ADJUSTMENT FACTOR	COLUMN E ADJUSTED DAYS OF ENROLLMENT
<i>Infants (up to 18 months)</i>						
Full-time-plus		-		-	2.0060	-
Full-time				-	1.7000	-
Three-quarters-time				-	1.2750	-
One-half-time				-	0.9350	-
<i>FCCH Infants (up to 18 months)</i>						
Full-time-plus		-		-	1.6520	-
Full-time				-	1.4000	-
Three-quarters-time				-	1.0500	-
One-half-time				-	0.7700	-
<i>Toddlers (18 up to 36 months)</i>						
Full-time-plus		-		-	1.6520	-
Full-time		3,186		3,186	1.4000	4,460
Three-quarters-time				-	1.0500	-
One-half-time				-	0.7700	-
<i>Three and Four Year Olds</i>						
Full-time-plus		-		-	1.1800	-
Full-time		-		-	1.0000	-
Three-quarters-time		-		-	0.7500	-
One-half-time				-	0.6196	-
<i>Exceptional Needs</i>						
Full-time-plus		-		-	1.4160	-
Full-time		-		-	1.2000	-
Three-quarters-time		-		-	0.9000	-
One-half-time				-	0.6196	-
<i>Limited and Non-English Proficient</i>						
Full-time-plus		-		-	1.2980	-
Full-time		-		-	1.1000	-
Three-quarters-time		-		-	0.8250	-
One-half-time		-		-	0.6196	-
<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		-		-	0.6196	-
<i>Severely Disabled</i>						
Full-time-plus		-		-	1.7700	-
Full-time		-		-	1.5000	-
Three-quarters-time		-		-	1.1250	-
One-half-time		-		-	0.6196	-
TOTAL DAYS OF ENROLLMENT		3,186	-	3,186		4,460

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-B801-00-5</u>		
Fiscal Year End: <u>June 30, 2017</u>		Contract No. _____	CCTR# <u>6215</u>	
Insert Any Commingled Contract No. _____				
	COLUMN A		COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 9500		AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE				
RESTRICTED INCOME				
Child Nutrition Programs	\$81,812		\$0	\$81,812
County Maintenance of Effort (EC § 8279)				0
Uncashed Checks to Providers				0
Other (Specify):				0
Subtotal	\$81,812		\$0	\$81,812
Transfer from Reserve Contract #				0
Family Fees for Certified Children Contract # 4220	33,900		0	33,900
Interest Earned on Apportionments Contract #				0
UNRESTRICTED INCOME				
Family Fees for Noncertified Children				0
Head Start				0
Other (Specify):				0
TOTAL REVENUE	\$115,712		\$0	\$115,712
SECTION IV - REIMBURSABLE EXPENSES				
<i>Direct Payments to Providers (FCCH Only)</i>				0
1000 Certificated Salaries	312,768		0	312,768
2000 Classified Salaries	163,360		0	163,360
3000 Employee Benefits	159,901		0	159,901
4000 Books and Supplies	7,249		0	7,249
5000 Services and Other Operating Expenses	52,694		0	52,694
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
Indirect Costs. Rate: 9.67% (Rate is Self-Calculating)	67,311		0	67,311
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$763,283		\$0	763,283
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$81,167		\$0	\$81,167
FOR CDE-A&I USE ONLY:				
Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Child Development Division:				
Eligibility, enrollment, and attendance records are being maintained as required (check YES or NO):				
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO - Explain any discrepancies.		COMMENTS - If necessary, attach additional sheets to explain adjustments:		
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.				
<input type="checkbox"/> NO SUPPLEMENTAL REVENUES OR EXPENSES - Check this box and omit page 4 if there are no supplemental revenues or expenses to report.				

See Independent Auditor's Report.

Neighborhood House Association

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: Neighborhood House Association Vendor No. 37-B801-00-5

Fiscal Year End: June 30, 2017 Contract No. CCTR# 6215

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION V - SUPPLEMENTAL REVENUE			
Enhancement Funding			
Other: Head Start	\$263,565	\$0	\$263,565
TOTAL SUPPLEMENTAL REVENUE	\$263,565	\$0	\$263,565
SECTION VI - SUPPLEMENTAL EXPENSES			
1000 Certificated Salaries	111,332		111,332
2000 Classified Salaries	58,149		58,149
3000 Employee Benefits	54,382		54,382
4000 Books and Supplies	2,580		2,580
5000 Services and Other Operating Expenses	13,162		13,162
6000 Equipment/Capital Outlay	23,960		23,960
Depreciation or Use Allowance			0
Indirect Costs			0
NON-REIMBURSABLE EXPENSES			
6100-6500 Non-reimbursable Capital Outlay			0
TOTAL SUPPLEMENTAL EXPENSES	\$263,565	\$0	\$263,565

Neighborhood House Association

AUDITED RESERVE ACCOUNT ACTIVITY REPORT			
Agency Name: <u>Neighborhood House Association</u>			
Fiscal Year End: <u>June 30, 2017</u>		Vendor No. <u>37-801</u>	
Independent Auditor's Name: <u>CohnReznick LLP</u>			
RESERVE ACCOUNT TYPE (Check One): <input checked="" type="checkbox"/> Center Based <input type="checkbox"/> Resource and Referral <input type="checkbox"/> Alternative Payment	COLUMN A	COLUMN B	COLUMN C
	PER AGENCY	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	PER AUDIT
LAST YEAR:			
1. Beginning Balance (must equal ending balance from Last Year's AUD 9530-A)	\$84,352	\$0	\$84,352
2. Plus Transfers from Contracts to Reserve Account (based on last year's post-audit CDFS 9530, Section IV):			
Contract No. CSPP 6450	\$13	\$0	13
Contract No. CCTR 6215	10		10
Contract No. _____			0
Contract No. _____			0
Contract No. _____			0
Contract No. _____			0
Total Transferred from Contracts to Reserve Account	23	0	23
3. Less Excess Reserve to be Billed (enter as a positive amount any excess amount calculated by CDFS on last year's post-audit CDFS 9530)	\$0		\$0
4. Ending Balance on Last Year's Post-Audit CDFS 9530	\$84,375	\$0	\$84,375
THIS YEAR:			
5. Plus Interest Earned This Year on Reserve Funds (column A must agree with this year's CDFS 9530-A, Section II)	\$308	\$0	\$308
6. Less Transfers to Contracts from Reserve Account (column A amounts must agree with this year's CDFS 9530-A, Section III; and column C amounts must be reported on this year's AUD forms for respective contracts):			
Contract No. _____	\$0	\$0	\$0
Contract No. _____			0
Contract No. _____			0
Contract No. _____			0
Contract No. _____			0
Contract No. _____			0
Total Transferred to Contracts from Reserve Account	0	0	0
7. Ending Balance on June 30, 2017 (column A must agree with this year's CDFS 9530-A, Section IV)	\$84,683	\$0	\$84,683
COMMENTS - If necessary, attach additional sheets to explain adjustments:			

See Independent Auditor's Report.

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