

PALCARE, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)

REPORT ON AUDIT OF FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019)

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PALCARE, INC.
GENERAL INFORMATION
YEAR ENDED JUNE 30, 2020

Agency Name: PALCARE, INC.

Type of Agency: A CALIFORNIA NONPROFIT PUBLIC
BENEFIT CORPORATION

**Child Development
Program Numbers:** CHILD DEVELOPMENT PROGRAMS:
CCTR-9241 GENERAL CHILD CARE CENTER
CSP-9531 CALIFORNIA STATE PRESCHOOL

Address of Agency: 945 CALIFORNIA DRIVE
BURLINGAME, CA 94010

Executive Director: LISA KIESSELBACH

Period Covered: JULY 1, 2019 - JUNE 30, 2020

Hours of Operation: 6:00 A.M. – 11:00 P.M., MONDAY THROUGH
SATURDAY

Number of Days Operating: 276

INDEPENDENT AUDITOR'S REPORT

February 10, 2021

Board of Directors
PALCARE, Inc.
Burlingame, California

Report on the Financial Statements

I have audited the accompanying financial statements of PALCARE, Inc. (a nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PALCARE, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information and Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and the supplementary reporting requirements of the California Department of Education as found on pages 26 through 46, are presented for purposes of additional analysis and are not a required component of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Summarized Comparative Information

PALCARE, Inc.'s 2019 financial statements, were audited by me, and I expressed an unmodified audit opinion on those audited financial statements in my report dated November 5, 2019. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Board of Directors
PALCARE, Inc.
Page Three

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 10, 2021, on my consideration of PALCARE, Inc.'s internal control over financial reporting and on my 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 the effectiveness of PALCARE'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 PALCARE, Inc.'s internal control over financial reporting and compliance.



Healy and Associates
Concord, California

PALCARE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and Equivalents	\$ 1,178,788	\$ 697,366
Investments	357,496	327,582
Accounts Receivable	16,744	7,356
Contracts Receivable	134,200	275,000
Due from CDE	-	47,656
Prepaid Expenses	7,690	3,233
TOTAL CURRENT ASSETS	<u>1,694,918</u>	<u>1,358,193</u>
Property and Equipment, Net	1,841,366	1,155,518
Deposits	<u>51,846</u>	<u>48,595</u>
TOTAL ASSETS	<u>\$ 3,588,130</u>	<u>\$ 2,562,306</u>
 <u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 957,923	\$ 137,080
Due to CDE	25,038	-
Deferred Revenue	34,915	128,672
TOTAL CURRENT LIABILITIES	<u>1,017,876</u>	<u>265,752</u>
PPP grant payable	<u>474,127</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,492,003</u>	<u>265,752</u>
Commitments and Contingencies		
NET ASSETS:		
Without donor restrictions	2,045,581	2,246,008
With donor restrictions	<u>50,546</u>	<u>50,546</u>
TOTAL NET ASSETS	<u>2,096,127</u>	<u>2,296,554</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,588,130</u>	<u>\$ 2,562,306</u>

See Notes to Financial Statements

PALCARE, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
REVENUE AND SUPPORT				
Government Grant and Contracts	\$ 374,791	\$ -	\$ 374,791	\$ 450,864
Airport Support	923,452	-	923,452	1,100,000
Parent Fees and Tuition	2,148,682	-	2,148,682	2,139,125
Corporate/Foundation Grants	64,200	-	64,200	78,100
Donations	21,216	-	21,216	2,604
Interest Income	19,481	-	19,481	2,569
Unrealized Gain on Investments	12,244	-	12,244	17,726
Fundraising	11,195	-	11,195	21,384
In-kind Supplies	23,865	-	23,865	23,002
Net Assets Released from Restrictions	-	-	-	-
Total Revenue and Support	<u>3,599,126</u>	<u>-</u>	<u>3,599,126</u>	<u>3,835,374</u>
EXPENSES				
Program	3,406,343	-	3,406,343	3,501,167
General and Administrative	387,104	-	387,104	386,889
Fundraising	6,106	-	6,106	7,541
TOTAL EXPENSES	<u>3,799,553</u>	<u>-</u>	<u>3,799,553</u>	<u>3,895,597</u>
CHANGE IN NET ASSETS	(200,427)	-	(200,427)	(60,223)
NET ASSETS, Beginning of Year	<u>2,246,008</u>	<u>50,546</u>	<u>2,296,554</u>	<u>2,356,777</u>
NET ASSETS, End of Year	<u>\$ 2,045,581</u>	<u>\$ 50,546</u>	<u>\$ 2,096,127</u>	<u>\$ 2,296,554</u>

See Notes to Financial Statements

PALCARE, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Program	General and Administrative	Fundraising	Total	
				2020	2019
<u>Personnel Costs</u>					
Salaries, Benefits, and Payroll Taxes	\$2,313,775	\$ 263,290	\$ -	\$ 2,577,065	\$2,522,397
Contract Labor - Substitutes	159,632	-	-	159,632	270,700
Total Personnel Costs	<u>2,473,407</u>	<u>263,290</u>	<u>-</u>	<u>2,736,697</u>	<u>2,793,097</u>
<u>Operating Expenses</u>					
Supplies and Program Expenses	88,544	3,237	-	91,781	115,794
Professional Fees	-	60,301	-	60,301	59,472
Food	146,481	-	-	146,481	184,185
Conferences and Training	7,678	5,144	-	12,822	15,516
Licenses, Dues, and Memberships	9,303	1,745	-	11,048	29,603
Insurance	17,011	7,601	-	24,612	18,754
Utilities	52,679	477	-	53,156	55,656
Occupancy	300,276	-	-	300,276	296,204
Advertising	14,071	1,274	-	15,345	11,551
Equipment, Maintenance, Janitorial, and Repair	122,857	2,993	-	125,850	123,773
Postage	50	751	-	801	960
Telephone	12,440	2,271	-	14,711	4,331
Printing and Copying	1,139	331	-	1,470	1,724
Other Expenses	45,518	32,069	-	77,587	48,475
Fundraising	-	-	6,106	6,106	7,541
In-kind Supplies	23,865	-	-	23,865	23,002
Total Operating Expenses	<u>841,912</u>	<u>118,194</u>	<u>6,106</u>	<u>966,212</u>	<u>996,541</u>
Depreciation	<u>91,024</u>	<u>5,620</u>	<u>-</u>	<u>96,644</u>	<u>105,959</u>
Total Expenses	<u>\$3,406,343</u>	<u>\$ 387,104</u>	<u>\$ 6,106</u>	<u>\$ 3,799,553</u>	<u>\$3,895,597</u>

See Notes to Financial Statements

PALCARE, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Total	
	2020	2019
Cash Flows from Operating Activities:		
Changes in Net Assets	\$ (200,427)	\$ (60,223)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	96,644	105,959
Unrealized Gain on Investment	(12,244)	(17,726)
Changes in Assets and Liabilities		
Receivables	179,068	(128,616)
Deposits	(3,251)	(152)
Prepaid Expenses	(4,457)	1,702
Accounts Payable and Accrued Expenses	820,843	(16,182)
Deferred Revenue	(93,757)	23,731
Due to CDE	25,038	-
Net Cash Provided (Used) by Operating Activities	<u>807,457</u>	<u>(91,507)</u>
Cash Flows from Investing Activities:		
Change in Investments	(17,670)	(1)
Property and Equipment Purchases	(782,492)	(79,070)
Net Cash Used by Investing Activities	<u>(800,162)</u>	<u>(79,071)</u>
Cash Flows from Financing Activities:		
Proceeds from PPP grant payable	474,127	-
Net Cash Provided by Financing Activities	<u>474,127</u>	<u>-</u>
Net Change in Cash	481,422	(170,578)
Cash and Equivalents:		
Beginning of Year	<u>697,366</u>	<u>867,944</u>
End of Year	<u>\$ 1,178,788</u>	<u>\$ 697,366</u>

See Notes to Financial Statements

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE A – NATURE OF ACTIVITIES

PALCARE, Inc. (Agency or PALCARE) was established as a nonprofit public benefit corporation in 1987 to provide a child care center near San Francisco International Airport offering high quality child care with options for flexible scheduling, at extended hours, six days per week. The Agency opened in 1993 and serves families with infant, toddler, and preschool-age children. PALCARE Inc.'s main constituency is families with employees based at San Francisco International Airport and local hospitals as well as families who live and work elsewhere in the San Francisco Peninsula community.

The County of San Mateo (County) contracts with PALCARE, Inc. on behalf of the San Francisco Airport Commission (Airport), to provide childcare for parents working at the Airport on a preferential basis. In 2013, the County renewed its agreement with PALCARE, Inc. to secure priority enrollment placement and certain other benefits provided to Airport employees and second priority enrollment for County employees through June 2019. The contract was amended as of April 1, 2015. The amended agreement provides a monthly subsidy for children whose parents qualify for economic assistance not otherwise available to them. In the agreement the County has agreed to pay no more than \$175,000 per quarter up to an annual maximum of \$700,000 for the fiscal year ended June 30, 2017. The contract provides that service levels and funding will be evaluated annually through the end of the contract. PALCARE and the County renewed the contract for five years effective July 1, 2018. In the agreement the County has agreed to pay no more than \$275,000 per quarter, up to an annual maximum of \$1,100,000, through June 20, 2021. Effective July 1, 2021, the County agreed to pay no more than \$300,000 per quarter, up to an annual maximum of \$1,200,000, through June 30, 2022. Effective July 1, 2022, The County agreed to pay no more than \$325,000 per quarter up to a maximum of \$1,300,000.

The Agency operates utilizing the following fund groups:

General Fund – The general fund represents unrestricted funds available for use in programs and supporting services at the discretion of the officers and directors of the Agency. There is one primary service program accounted for in the General Fund: PALCARE, Inc. child care center.

Restricted Fund – The restricted fund accounts for activities funded primarily by grants and contracts, which specify how the resources must be spent. The activities of the State Child Development programs are reflected in this fund.

In 2014, the Agency undertook a capital campaign to renovate the Infant/Toddler wing of their facility in Burlingame. The net proceeds of the fundraising events associated with the capital campaign are temporarily restricted until such time the renovation begins (see Note M).

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Method and Basis of Presentation

The accounting records of the Agency are maintained on the accrual basis of accounting. The financial statements of the Agency have been prepared in accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, which require the Agency to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. These net assets may be used at the discretion of the Agency's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires the Agency to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Revenue Recognition

The Agency is supported primarily through tuition, government grants, and contributions.

In accordance with ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is,

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Tuition, fees, contract earnings, and other transaction-based revenue sources are recognized when the services have been provided. Funds received in advance of earnings are deferred until the earnings process has been complete.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months, which are neither held for nor restricted by donors for long term purposes. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Accounts Receivables

The Agency has experienced negligible losses with collecting its receivables and consequently considers a provision for uncollected amounts unnecessary. Management continually monitors the status of receivables through the use of aging and other reports.

Fixed Assets

Fixed asset additions in excess of \$5,000 are recorded at cost, or if donated, at fair value on the date of donation. Equipment purchased through a grant is expensed in the year allowed by the granting agency. Significant property and equipment purchases are capitalized and depreciated using the straight-line method over the estimated useful lives of the related assets. Maintenance and repairs that do not extend the useful lives of the respective assets are expensed as incurred.

Donated Services and In-kind Contributions

Donated professional services are recorded at the respective fair values of the services received. Parent volunteers contribute significant amounts of time to the program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Parent contributed supplies are recorded at fair value at the date of donation, which was recognized at \$23,865 and \$23,002 for the year ended June 30, 2020 and 2019, respectively.

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The Agency's financial instruments include investments. The carrying amount of these financial instruments has been estimated by management to approximate fair value. Fair value is defined as "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." When determining the inputs used to measure fair value, the highest priority is given to observable inputs and lowest priority is given to unobservable inputs. Accounting Standards Codification (ASC) 820-10, *Fair Value Measurement*, establishes a fair value hierarchy to prioritize the inputs used in measuring fair value. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1— Quoted prices for identical assets and liabilities in active markets.

Level 2—Observable inputs other than Level 1, which include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair values of the assets and liabilities.

The Agency measured the fair value of investments using Level 1 inputs (see Note C).

Functional Allocation of Expenses

The costs of program activities and supporting services have been summarized on a functional basis in the statements of functional expenses. The statement presents the natural classification of detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Indirect costs such as general and administrative expenses include costs that are not directly identifiable with any specific program, but which provide the overall support and direction of the Agency. Such expenses which are common to multiple functions have been allocated among the various functions benefited either based upon square footage or personnel time records.

Tax Exemption Status

The Agency has received exempt status under section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the State of California Revenue and Taxation Code. The Agency is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS along with related state filings. The related tax returns are subject to examination by federal and state taxing authorities generally for three years after they are filed. The Agency has no unrelated business income, and management has analyzed tax positions taken and has concluded that, as of June 30, 2020, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information and Reclassifications

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Newly Adopted Accounting Principles

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance applies to all organizations that receive or make contributions. The ASU includes specific criteria to consider when determining whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. ASU 2018-08 also provides a framework to determine whether a contribution is conditional or unconditional, which may impact the timing of revenue recognition. Under the new guidance, if a transaction is considered an exchange transaction, it is accounted for under the applicable revenue recognition standards. The Agency adopted the standard on July 1, 2019. The adoption of this standard did not materially affect changes in net assets, financial position, or cash flows.

Relevant Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires organizations to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the organization expects to be entitled to in exchange for those goods and services. The Agency plans to adopt the standard on July 1, 2020. The Agency is currently evaluating the impact of adopting this new guidance on its financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (ASU 2016-02). ASU 2016-02 establishes a comprehensive new lease accounting model. The new standard clarifies the definition of a lease and causes lessees to recognize leases on the statement of financial position as a lease liability with a corresponding right-of-use asset for leases with a lease term of more than one year. ASU 2016-02 is effective for financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years. Early adoption is permitted. The new standard requires a modified retrospective transition for capital or operating leases existing at or entered into after the

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)Relevant Accounting Pronouncements (Continued)

beginning of the earliest comparative period presented in the financial statements, but it does not require transition accounting for leases that expire prior to the date of initial application. The Agency is currently evaluating the impact of adopting this new guidance on its financial statements.

NOTE C – INVESTMENTS

Investments held consists of mutual funds, which are considered to be investments held for resale and reported at fair market value. The composition and fair value of investments at June 30, 2020 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$357,496	\$357,496

Activity in the investment account for the year ended June 30, 2020 is as follows:

Beginning balance, June 30, 2019:	\$ 327,582
Dividend and interest income	17,670
Unrealized capital gain	12,244
Ending balance, June 30, 2020	<u>\$ 357,496</u>

NOTE D – ACCOUNTS AND CONTRACTS RECEIVABLE

Accounts and contracts receivable as of June 30, 2020 and 2019 include the following:

	2020	2019
San Mateo County	\$ 134,200	\$ 275,000
California Department of Education	-	47,656
Tuition accounts receivable	16,744	7,356
Total receivables	<u>\$ 150,944</u>	<u>\$ 330,012</u>

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Equipment, child care	\$ 221,546	\$ 221,546
Equipment, office	45,916	45,916
Donated equipment	7,733	7,733
Leasehold improvements	1,702,851	1,693,850
Construction in progress	872,418	98,927
Total property and equipment	<u>2,850,464</u>	<u>2,067,972</u>
Accumulated depreciation	(1,009,098)	(912,454)
Property and equipment, net	<u>\$1,841,366</u>	<u>\$1,155,518</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$96,644 and \$105,959, respectively.

NOTE F – PPP LOAN PAYABLE

In April 2020, the Agency received \$474,127 from the Payroll Protection Program, offered through the Small Business Administration, in response to COVID-19. The PPP carries an interest rate of 1% and becomes payable two years after issuance. The Agency plans to seek forgiveness of the small business loan in the fiscal year ended June 30, 2021, however the total amount of forgiveness is not known at June 30, 2020.

NOTE G – CONCENTRATIONS

Several financial institutions hold the Agency's cash and cash equivalents. At June 30, 2020 and 2019, the amount exceeding federally insured limits was approximately \$399,220 and \$116,128, respectively. The Agency does not consider this a significant risk as the financial institutions are considered very substantial entities within the financial community.

At June 30, 2020, accounts and contracts receivable are primarily due from two funders as noted in Note D. In addition, the Agency receives approximately 36% of its support from the federal, state, and local governments. A significant reduction in the level of this support could have an effect on the Agency's ability to continue to provide services.

Substantially all non-management employees of the Agency are covered by a collective bargaining agreement. The inability to negotiate terms or dependence on these workers create a concentration of services. The loss of services or any disruption in services could impact the Agency's ability to provide services.

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE H – EMPLOYEE BENEFITS

The Agency offers all of its full-time permanent employees coverage in a health maintenance organization and offers a 403(b) deferred compensation plan with no employer match.

Employees of the Agency are entitled to paid vacation based on length of service and other factors. Employees gain a vested right to accumulated vacation. As of June 30, 2020 and 2019, the Agency had accrued the vacation liability of \$114,172 and \$77,643, respectively, and is reflected in accounts payable and accrued expense in the accompanying financials. Sick leave benefits are accumulated for each employee, however, employees do not gain a vested right to the accumulated sick leave. Accumulated employee sick leave benefits are therefore not recognized as a liability by the Agency, and sick leave benefits are recorded as expenditures in the period taken.

NOTE I – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash	\$ 1,178,788
Accounts and contracts receivable	150,944
Investments	<u>357,496</u>
Total financial assets	1,687,228
Less:	
Net assets with donor restrictions	<u>(50,546)</u>

Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,636,682</u></u>
--	----------------------------

As part of the Agency's liquidity management, the Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Agency invests cash in excess of daily requirements, if available, in short-term investments.

NOTE J – UNEMPLOYMENT RESERVE DEPOSIT

The Agency elected to be self-insured for employment benefits during the year. As of June 30, 2020 and 2019 the balance in the unemployment reserve account was \$33,235 and \$33,595, respectively.

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE K – COMMITMENTS

Collective Bargaining

Substantially all non-management employees of the Agency are covered, by a collective bargaining agreement with the Communications Workers of America, which was effective November 27, 2018 and continues through October 1, 2020. Subsequent to year end, the contract was extended until October 31, 2021.

Leases

The Agency's lease relating to its premises from the County of San Mateo extends through June 30, 2031. The lease requires annual increases equal to the increase in the consumer price index, not to exceed 5%. Minimum lease payments currently required under the lease approximate \$151,000 per year.

The Agency entered into a lease from 1001 California Drive LLC, effective July 1, 2017. The Agency plans to open two classrooms to serve 40 infant children. The lease extends through June 30, 2026. The lease requires annual increases to equal to 2% per annum through the lease term with minimum lease payments of \$165,000 per year.

In addition, the Agency leases certain office equipment through 2022. Rent expense for the years ended June 30, 2020 and 2019 was \$300,276 and \$296,204 respectively. Total future commitments for the next five years are as follows:

2021	\$348,150
2022	\$350,565
2023	\$177,530
2024	\$179,200
2024	\$182,780

NOTE L – CONTINGENCIES

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

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of non-essential businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. While the Agency has revised operations in light of COVID-19, it remains uncertain as to how this matter will continue to impact its operating results. The related financial impact and duration cannot be reasonably estimated at this time.

PALCARE, INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

NOTE M – LINE OF CREDIT

In March 2020, the Agency obtained a secured line of credit with a financial institution with a maximum line of \$175,000, with a variable interest rate of .25 percentage points over the index used by the Lender, maturing April 2021. At June 30, 2020 the line of credit had a balance due of \$687 and is included in the accounts payable and accrued expenses in the accompanying financial statements.

NOTE N – NOTE PAYABLE

In March 2020, the Agency obtained a secured note payable in the amount of \$350,000. The loan is intended to cover construction costs associated with the Tidepools Infant Center. At June 30, 2020, the balance due on the note was \$0.

NOTE O – CAPITAL CAMPAIGN

During the year ended June 30, 2014, the Agency began a capital campaign to renovate the Infant/Toddler wing at their facility in Burlingame. The fundraising of the campaign grossed \$100,800, which after expenses of \$50,462 was \$50,338. The Agency intends to continue to raise funds for the renovation and will release funds when the Agency has raised sufficient proceeds to begin the project.

NOTE P – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2020, net assets with donor restrictions of \$50,546 are restricted for the renovation of the Infant/Toddler wing of the facility. There was no activity during the year ended June 30, 2020.

NOTE Q – SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through February 10, 2021, which is the date these financial statements were available to be issued. All subsequent events requiring recognition as of June 30, 2020, have been incorporated into these financial statements.

Subsequent the year end, the Agency opened the Tidepools Infant Center and began services.

In July 2020, the Agency used the \$350,000 funds available to them under the note payable.

ADDITIONAL INFORMATION

PALCARE, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements of PALCARE, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Organization's Compliance and Internal Control over Financial Reporting.
3. No instances of noncompliance material to the financial statements of PALCARE, Inc. were disclosed during the audit.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

Current Year – None
Prior Year – None

PALCARE, INCSCHEDULE OF EXPENDITURES OF FEDERAL, STATE, AND COUNTY FINANCIAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Contract Period</u>	<u>Award Amount</u>	<u>Disbursements/ Expenditures</u>
Federal:					
Department of Health and Human Services					
Passed through the California Department of Education					
General Child Care	93.596	CCTR-9241	7/1/19-6/30/20	\$ 49,750	\$ 34,491
General Child Care	93.575	CCTR-9241	7/1/19-6/30/20	22,870	15,855
Total Federal Awards			Total Federal Awards	<u>72,620</u>	<u>50,346</u>
State:					
California Department of Education Child Care Programs					
General Child Care		CCTR-9241	7/1/19-6/30/20	177,000	122,711
California State Preschool		CSPP-9531	7/1/19-6/30/20	248,155	200,916
Total State Awards			Total State Awards	<u>425,155</u>	<u>323,627</u>
Grand Total Federal and State Awards				<u>\$ 497,775</u>	<u>\$ 373,973</u>
County:					
City and County of San Francisco					
Passed through San Mateo County					
Total County Expenditures				<u>\$ 923,452</u>	<u>\$ 923,452</u>
Grand Total				<u>\$ 1,421,227</u>	<u>\$ 1,297,425</u>

Basis of Presentation

The accompanying Schedule of Federal, State, and County Awards includes the expenditures of federal awards of PALCARE, Inc.; these expenditures are presented on the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

ADDITIONAL REPORTS

PALCARE, INC.

**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**

February 10, 2021

Board of Directors
PALCARE, Inc.
Burlingame, California

I 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 PALCARE, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued my report thereon dated February 10, 2021.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered PALCARE, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of PALCARE, Inc.'s internal control. Accordingly, I do not express an opinion on the effectiveness of the PALCARE, Inc.'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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 PALCARE, Inc.'s financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Healy and Associates
Concord, California

SUPPLEMENTAL INFORMATION

PALCARE, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	CCTR-9241	CSPP-9531	Total CDE Programs	Non-CDE Programs	Total
REVENUE AND SUPPORT					
Government Grant and Contracts	\$ 173,057	\$ 200,916	\$ 373,973	\$ 818	\$ 374,791
Airport Support	434,022	489,430	923,452	-	923,452
Subsidized Parent Fees and Tuition	3,945	14,407	18,352	-	18,352
Tuition and fees	1,161,092	969,238	2,130,330	-	2,130,330
Corporate/Foundation Grants	-	-	-	64,200	64,200
Donations	-	-	-	21,216	21,216
Interest Income	-	-	-	19,481	19,481
Unrealized Gain	-	-	-	12,244	12,244
Fundraising	-	-	-	11,195	11,195
In-kind Supplies	-	-	-	23,865	23,865
Total Revenue and Support	1,772,116	1,673,991	3,446,107	153,019	3,599,126
EXPENSES					
Salaries, Benefits, and Payroll Taxes	1,306,888	1,270,177	2,577,065	-	2,577,065
Contract Labor - Substitutes	70,800	88,832	159,632	-	159,632
Supplies and Program Expenses	46,772	45,009	91,781	-	91,781
Food	114,305	32,176	146,481	-	146,481
Conferences and Training	6,234	6,588	12,822	-	12,822
Licenses, Dues, Memberships, and Fingerprinting	5,321	4,440	9,761	1,287	11,048
Insurance	10,365	11,691	22,056	2,556	24,612
Utilities and security	24,730	28,426	53,156	-	53,156
Contracts, Rents, and Leases	140,011	158,695	298,706	141,951	440,657
Professional fees	-	-	-	-	-
Other Services and Operating	74,202	81,482	155,684	-	155,684
In-kind Supplies	-	-	-	23,865	23,865
Fundraising	-	-	-	6,106	6,106
TOTAL EXPENSES BEFORE DEPRECIATION	1,799,628	1,727,516	3,527,144	175,765	3,702,909
Depreciation	5,973	8,006	13,979	82,665	96,644
TOTAL EXPENSES	1,805,601	1,735,522	3,541,123	258,430	3,799,553
CHANGE IN NET ASSETS	\$ (33,485)	\$ (61,531)	\$ (95,016)	\$ (105,411)	\$ (200,427)

PALCARE, INC.
SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
YEAR ENDED JUNE 30, 2020

Expenditures	CCTR-9241	CSPP-9531	Total
1000 Certificated Personnel Sal.	\$1,010,668	\$ 992,129	\$2,002,797
2000 Classified Personnel Sal.	168,657	169,868	338,525
3000 Employee Benefits	198,363	197,012	395,375
4000 Books and Supplies	161,077	77,185	238,262
5000 Services and other operating expense	260,863	291,322	552,185
6000 Capital Outlay	-	-	-
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Equipment Replacement	-	-	-
Depreciation on assets not purchased with public funds	5,973	8,006	13,979
Start-up expenses - service level exemption (a)	-	-	-
Total	\$1,805,601	\$1,735,522	\$3,541,123

Note: We have examined the claims filed for reimbursement and the original supporting records covering the transactions under these contracts to an extent considered necessary to assure ourselves that the amounts claimed by the Agency were proper.

PALCARE, INC.**SCHEDULE OF ADMINISTRATIVE EXPENDITURES BY STATE CATEGORIES**

YEAR ENDED JUNE 30, 2020

<u>Expenditures</u>	<u>CCTR-9241</u>	<u>CSPP-9531</u>	<u>Total</u>
1000 Certificated Personnel Sal.	\$ 70,077	\$ 79,023	\$ 149,100
2000 Classified Personnel Sal.	38,993	43,971	82,964
3000 Employee Benefits	8,888	10,022	18,910
4000 Books and Supplies	2,030	2,289	4,319
5000 Services and other operating expense	76,354	86,101	162,455
6000 Capital Outlay	-	-	-
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Equipment Replacement	-	-	-
Depreciation on assets not purchased with public funds	2,641	2,979	5,620
Start-up expenses - service level exemption (a)	-	-	-
Total	\$ 198,983	\$ 224,385	\$ 423,368

Note: We have examined the claims filed for reimbursement and the original supporting records covering the transactions under these contracts to an extent considered necessary to assure ourselves that the amounts claimed by the Agency were proper.

PALCARE, INC.

SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES

UTILIZING CONTRACT FUNDS

YEAR ENDED JUNE 30, 2020

Expenditures under \$10,000 unit cost		Expenditures over \$10,000 unit cost with CDE approval		Expenditures over \$10,000 unit cost without CDE approval	
Cost	Item	Cost	Item	Cost	Item
\$0	N/A	\$0	N/A	\$0	N/A

PALCARE, INC.
SCHEDULE OF EQUIPMENT EXPENDITURES
UTILIZING CONTRACT FUNDS
YEAR ENDED JUNE 30, 2020

Expenditures under \$7,500 unit cost		Expenditures over \$7,500 unit cost with CDE approval		Expenditures over \$7,500 unit cost without CDE approval	
Cost	Item	Cost	Item	Cost	Item
\$0	N/A	\$0	N/A	\$0	N/A

California Department of Education Audited Attendance and Fiscal Report for Child Development Programs

Fiscal Year Ending **June 30, 2020**

Contract Number **CCTR-9241**

Vendor Code **Q806**

A U D 9500 Page 1 of 8

Full Name of Contractor **PALCARE, INC.**

Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus	121		121	2.8792	348.3832
Infants (up to 18 months) Full-time	223		223	2.4400	544.12
Infants (up to 18 months) Three-quarters-time	62		62	1.8300	113.46
Infants (up to 18 months) One-half-time	8		8	1.3420	10.736
Toddlers (18 up to 36 months) Full-time-plus	454		454	2.1240	964.296
Toddlers (18 up to 36 months) Full-time	959		959	1.8000	1,726.2
Toddlers (18 up to 36 months) Three-quarters-time	372		372	1.3500	502.2
Toddlers (18 up to 36 months) One-half-time	1		1	0.9900	0.99
Three Years and Older Full-time-plus	22		22	1.1800	25.96
Three Years and Older Full-time	242		242	1.0000	242
Three Years and Older Three-quarters-time				0.7500	0
Three Years and Older One-half-time				0.5500	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

Full Name of Contractor **PALCARE, INC.**

Section 1 - Days of Enrollment Certified Children (continued)

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
TOTAL CERTIFIED DAYS OF ENROLLMENT	2,464		2,464	N/A	4,478.3452
DAYS OF OPERATION	271		271	N/A	N/A
DAYS OF ATTENDANCE	2,350		2,350	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-4) and continue to Revenue Section on page 5.

Full Name of Contractor **PALCARE, INC.**

Section 2 - Days of Enrollment Non-Certified Children

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Infants (up to 18 months) Full-time-plus	266		266	2.8792	765.8672
Infants (up to 18 months) Full-time	3,582		3,582	2.4400	8,740.08
Infants (up to 18 months) Three-quarters-time	98		98	1.8300	179.34
Infants (up to 18 months) One-half-time	3		3	1.3420	4.026
Toddlers (18 up to 36 months) Full-time-plus	1,016		1,016	2.1240	2,157.984
Toddlers (18 up to 36 months) Full-time	7,716		7,716	1.8000	13,888.8
Toddlers (18 up to 36 months) Three-quarters-time	590		590	1.3500	796.5
Toddlers (18 up to 36 months) One-half-time	14		14	0.9900	13.86
Three Years and Older Full-time-plus	373		373	1.1800	440.14
Three Years and Older Full-time	3,056		3,056	1.0000	3,056
Three Years and Older Three-quarters-time	242		242	0.7500	181.5
Three Years and Older One-half-time				0.5500	0
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.8470	0

Full Name of Contractor **PALCARE, INC.**

Section 2 - Days of Enrollment Non-Certified Children (continued)

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6050	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6050	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.0615	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT	16,956		16,956	N/A	30,224.0972

Full Name of Contractor **PALCARE, INC.**

Section 3 - Revenue

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal			
Transfer From Reserve			
Family Fees for Certified Children	13,185	-9,240	3,945
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children		1,161,092	1,161,092
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue	13,185	1,151,852	1,165,037

Comments: Adjustments due to reclassifications, adjustments, and estimate to actual.

Full Name of Contractor **PALCARE, INC.**

Section 4 - Reimbursable Expenses

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	915,169	-2,785	912,384
2000 Classified Salaries	70,661	27,335	97,996
3000 Employee Benefits	104,513	-3,316	101,197
4000 Books and Supplies	41,395	76,080	117,475
5000 Services and Other Operating Expenses	129,312	7,242	136,554
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	6,954	-981	5,973
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	1,268,004	103,575	1,371,579
Total Administrative Cost (included in Section 4 above)	207,212	-8,229	198,983
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **PALCARE, INC.**

Section 5 - Supplemental Revenue

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding	430,918	3,104	434,022
Other:			
Other:			
Total Supplemental Revenue	430,918	3,104	434,022

Section 6 - Supplemental Expenses

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries	95,180	3,104	98,284
2000 Classified Salaries	70,661		70,661
3000 Employee Benefits	97,166		97,166
4000 Books and Supplies	43,602		43,602
5000 Services and Other Operating Expenses	124,309		124,309
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses	430,918	3,104	434,022

Full Name of Contractor **PALCARE, INC.**

Section 7 - Summary

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	2,464		2,464
Days of Operation	271		271
Days of Attendance	2,350		2,350
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children	13,185	-9,240	3,945
Interest Earned on Child Development Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,268,004	103,575	1,371,579
Total Administrative Cost	207,212	-8,229	198,983
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **4,478.3452** Total Non-Certified Adjusted Days of Enrollment **30,224.0972**

Independent auditor's assurances on agency's compliance with contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): **YES**

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): **YES**

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.

**California Department of Education
Audited Attendance and Fiscal Report for
California State Preschool Programs**

A U D 8501 Page 1 of 8

Fiscal Year Ending **June 30, 2020**

Contract Number **CSPP-9531**

Vendor Code **Q806**

Full Name of Contractor **PALCARE, INC.**

Section 1 - Days of Enrollment Certified Children

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Three Years and Older Full-time-plus	587		587	1.1800	692.66
Three Years and Older Full-time	2,742		2,742	1.0000	2,742
Three Years and Older Three-quarters-time	762		762	0.7500	571.5
Three Years and Older One-half-time	7		7	0.6193	4.3351
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

Full Name of Contractor **PALCARE, INC.**

Section 1 - Days of Enrollment Certified Children (continued)

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
TOTAL DAYS OF ENROLLMENT	4,098		4,098	N/A	4,010.4951
DAYS OF OPERATION	276		276	N/A	N/A
DAYS OF ATTENDANCE	3,905		3,905	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3 and 4) and continue to Revenue Section on page 5.

Full Name of Contractor **PALCARE, INC.**

Section 2 - Days of Enrollment Non-Certified Children

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Toddlers (18 up to 36 months) Full-time-plus				2.1240	0
Toddlers (18 up to 36 months) Full-time				1.8000	0
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	0
Toddlers (18 up to 36 months) One-half-time				0.9900	0
Three Years and Older Full-time-plus	1,798		1,798	1.1800	2,121.64
Three Years and Older Full-time	10,343		10,343	1.0000	10,343
Three Years and Older Three-quarters-time	814		814	0.7500	610.5
Three Years and Older One-half-time	121		121	0.6193	74.9353
Exceptional Needs Full-time-plus				1.8172	0
Exceptional Needs Full-time				1.5400	0
Exceptional Needs Three-quarters-time				1.1550	0
Exceptional Needs One-half-time				0.9537	0

Full Name of Contractor **PALCARE, INC.**

Section 2 - Days of Enrollment Non-Certified Children (continued)

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit	Column D Adjustment Factor	Column E Adjusted Days per Audit
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time				1.1000	0
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				2.2774	0
Severely Disabled Full-time				1.9300	0
Severely Disabled Three-quarters-time				1.4475	0
Severely Disabled One-half-time				1.1952	0
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT	13,076		13,076	N/A	13,150.0753

Full Name of Contractor **PALCARE, INC.**

Section 3 - Revenue

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Restricted Income - Child Nutrition Programs			
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other:			
Restricted Income - Subtotal			
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children	14,407		14,407
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children		969,238	969,238
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue	14,407	969,238	983,645

Comments:

Full Name of Contractor **PALCARE, INC.**

Section 4 - Reimbursable Expenses

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	893,965	2,972	896,937
2000 Classified Salaries	89,202	15,154	104,356
3000 Employee Benefits	104,632	-3,739	100,893
4000 Books and Supplies	60,734	-38,620	22,114
5000 Services and Other Operating Expenses	146,766	-32,980	113,786
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance	8,006		8,006
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses	1,303,305	-57,213	1,246,092
Total Administrative Cost (included in Section 4 above)	233,675	-9,290	224,385
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

NO SUPPLEMENTAL REVENUE / EXPENSES Check this box and omit page 7.

Full Name of Contractor **PALCARE, INC.**

Section 5 - Supplemental Revenue

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding	485,928	3,502	489,430
Other:			
Other:			
Total Supplemental Revenue	485,928	3,502	489,430

Section 6 - Supplemental Expenses

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries	91,690	3,502	95,192
2000 Classified Salaries	65,512		65,512
3000 Employee Benefits	96,119		96,119
4000 Books and Supplies	87,571	-32,500	55,071
5000 Services and Other Operating Expenses	145,036	32,500	177,536
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses	485,928	3,502	489,430

Full Name of Contractor **PALCARE, INC.**

Section 7 - Summary

	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment	4,098		4,098
Days of Operation	276		276
Days of Attendance	3,905		3,905
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children	14,407		14,407
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	1,303,305	-57,213	1,246,092
Total Administrative Cost	233,675	-9,290	224,385
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment **4,010.4951**

Total Non-Certified Adjusted Days of Enrollment **13,150.0753**

Independent auditor's assurances on agency's compliance with the contract funding terms and conditions and program requirements of the California Department of Education, Early Learning and Care Division:

Eligibility, enrollment and attendance records are being maintained as required (select YES or NO from the drop-down box): **Yes**

Reimbursable expenses claimed on page 6 are eligible for reimbursement, reasonable, necessary, and adequately supported (select YES or NO from the drop-down box): **Yes**

Include any comments in the comments box on page 5. If necessary, attach additional sheets to explain adjustments.