

PALCARE, INC.
(A NONPROFIT PUBLIC BENEFIT CORPORATION)
REPORT ON AUDIT OF FINANCIAL STATEMENTS AND
ADDITIONAL INFORMATION
YEAR ENDED JUNE 30, 2021

CONTENTS

	<u>Page</u>
GENERAL INFORMATION	1
INDEPENDENT AUDITOR'S REPORT	2-3
FINANCIAL STATEMENTS	
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows.....	7
NOTES TO FINANCIAL STATEMENTS	8-16
SUPPLEMENTARY INFORMATION.....	17
Independent Auditor's Report on Supplemental Information	18
Schedule of Findings and Questioned Costs	19
Schedule of Expenditures of Federal, State, and County Awards	20
Notes to the Child Care and Development Program Supplemental Information	21
ADDITIONAL REPORTS	22-24
CDE SUPPLEMENTAL INFORMATION	25
Combining Statement of Activities	26
Schedule of Expenditures by State Categories.....	27
Schedule of Administrative Expenditures by State Categories	28
Schedule of Renovation and Repair Expenditures Utilizing Contract Funds.....	29
Schedule of Equipment Expenditures Utilizing Contract Funds	30
Audited Attendance and Fiscal Reports.....	31-32

PALCARE, INC.
GENERAL INFORMATION
YEAR ENDED JUNE 30, 2021

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
CSPP-9531 CALIFORNIA STATE PRESCHOOL

Address of Agency: 945 CALIFORNIA DRIVE
BURLINGAME, CA 94010

Executive Director: LISA KIESSELBACH

Period Covered: JULY 1, 2020 - JUNE 30, 2021

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

Number of Days Operating: 244

ALLAN LIU, CPA

201 Willow Avenue Millbrae, California 94030

**Member American Institute of Certified Public Accountants
Member California Society of Certified Public Accountants**

**E Mail: Allan_Liu@msn.com
Tel: (650) 692-1172/Fax: (650) 692-1194**

PALCARE, INC.

INDEPENDENT AUDITOR'S

December 22, 2021

Board of Directors
PALCARE, Inc.
Burlingame, California

I have audited the accompanying financial statements of PALCARE, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021, 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.

Board of Directors
PALCARE, Inc.
Page Two

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, 2021, 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 supplemental information, such as the schedule of expenditures of federal and state awards and the additional supplementary information on pages 26-31, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 22, 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 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.

Allan Liu

Certified Public Accountant
Millbrae, California

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Cash and Equivalents	\$	1,141,617
Investments		437,023
Tuition Receivable		3,035
Contracts Receivable		175,963
Prepaid Expenses		23,367
TOTAL CURRENT ASSETS		<u>1,781,005</u>

Property and Equipment, Net		1,699,027
Deposits		<u>-</u>

TOTAL ASSETS	\$	<u><u>3,480,032</u></u>
--------------	----	-------------------------

LIABILITIES AND NET ASSETS

LIABILITIES:

Accounts Payable and Accrued Expenses	\$	548,019
Deferred Revenue		149,474
TOTAL LIABILITIES		<u>697,493</u>

Commitments and Contingencies

NET ASSETS:

Without donor restrictions		2,782,539
With donor restrictions		<u>-</u>

TOTAL NET ASSETS		<u>2,782,539</u>
------------------	--	------------------

TOTAL LIABILITIES AND NET ASSETS	\$	<u><u>3,480,032</u></u>
----------------------------------	----	-------------------------

See Notes to Financial Statements

PALCARE, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	
REVENUE AND SUPPORT			
Government Grant and Contracts	\$ 501,389	\$ -	\$ 501,389
Local Grants and Contracts	37,789	-	37,789
Airport Support	476,624	-	476,624
Parent Fees and Tuition	2,082,434	-	2,082,434
Corporate/Foundation Grants	127,015	-	127,015
Donations	17,452	-	17,452
Investment Income	446	-	446
Unrealized Gain on Investments	79,527	-	79,527
Fundraising	4,775	-	4,775
PPP Grant	948,254	-	948,254
In-Kind Supplies	-	-	-
Net Assets Released from Restrictions	50,546	(50,546)	-
Total Revenue and Support	4,326,251	(50,546)	4,275,705
EXPENSES			
Program	3,096,369	-	3,096,369
General and Administrative	492,924	-	492,924
Fundraising	-	-	-
TOTAL EXPENSES	3,589,293	-	3,589,293
CHANGE IN NET ASSETS	736,958	(50,546)	686,412
NET ASSETS, Beginning of Year	2,045,581	50,546	2,096,127
NET ASSETS, End of Year	\$ 2,782,539	\$ -	\$ 2,782,539

See Notes to Financial Statements

PALCARE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

	Program	General and Administrative	Fundraising	Total
<u>Personnel Costs</u>				
Salaries, Benefits, and Payroll Taxes	\$ 2,268,430	\$ 337,227	\$ -	\$ 2,605,657
Contract Labor - Substitutes	23,577	-	-	23,577
Total Personnel Costs	2,292,007	337,227	-	2,629,234
<u>Operating Expenses</u>				
Supplies and Program Expenses	68,597	4,834	-	73,431
Professional Fees	632	69,415	-	70,047
Food	18,862	-	-	18,862
Conference and Training	6,592	704	-	7,296
License, Dues, and Memberships	7,315	1,578	-	8,893
Insurance	14,988	10,444	-	25,432
Utilities	64,761	507	-	65,268
Occupancy	288,491	250	-	288,741
Advertising	11,488	-	-	11,488
Equipment, Maintenance, Janitorial, and Repair	89,325	1,358	-	90,683
Postage	403	96	-	499
Telephone	34,933	993	-	35,926
Printing and Copying	24	-	-	24
Other Expenses	-	42,486	-	42,486
Loan Interest	-	16,874	-	16,874
Covid janitorial/cleaning	64,088	72	-	64,160
Total Operating Expenses	670,499	149,611	-	820,110
Depreciation	133,863	6,086	-	139,949
Total Expenses	\$ 3,096,369	\$ 492,924	\$ -	\$ 3,589,293

See Notes to Financial Statements

PALCARE, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2021

Cash Flows from Operating Activities:	
Changes in Net Assets	\$ 686,412
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Depreciation	142,339
Unrealized Gain on Investment	(79,527)
Changes in Assets and Liabilities	
Receivables	(28,054)
Deposits	51,846
Prepaid Expenses	(15,677)
Accounts Payable and Accrued Expenses	(409,904)
Deferred Revenue	114,559
Due to CDE	(25,038)
Net Cash Used by Operating Activities	<u>436,956</u>
Cash Flows from Financing Activities:	
Forgiveness of PPP grant payable	<u>(474,127)</u>
Net Cash Used by Investing Activities	<u>(474,127)</u>
Net Change in Cash	(37,171)
Cash and Equivalents:	
Beginning of Year	<u>1,178,788</u>
End of Year	<u><u>\$ 1,141,617</u></u>
SUPPLEMENTAL INFORMATION:	
Interest paid	<u><u>\$ -</u></u>

See Notes to Financial Statements

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE A – NATURE OF ACTIVITIES

PALCARE, Inc. (Agency or PALCARE) was established as a nonprofit public benefit corporation in 1987 to provide a childcare center near San Francisco International Airport offering high quality childcare 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 and second priority enrollment for County employees on a preferential basis. The commission has subsidized extended-hour childcare costs at Palcare for the children of airport-based employees since 1993. The current contract is for July 1, 2018 – June 30th, 2023. For fiscal year 2020-2021 In the agreement the County has agreed to pay no more than \$300,000 per quarter, up to an annual maximum of \$1,200,000, through June 30, 2022. The contract is renewed every five years.

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 with donor restrictions until such time the renovation begins (see Note N).

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

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. During the fiscal year ended June 30, 2021, the Agency did not require parent participation hours of enrolled families due to COVID 19, so there would be no parent contributed supplies

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).

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Relevant Accounting Pronouncements (Continued)

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 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, 2021 is as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual Funds	\$437,023	\$437,023

Activity in the investment account for the year ended June 30, 2021 is as follows:

Beginning balance, June 30, 2020:	\$ 357,496
Unrealized capital gain	79,527
Ending balance, June 30, 2021	<u>\$ 437,023</u>

NOTE D – ACCOUNTS AND CONTRACTS RECEIVABLE

Accounts and contracts receivable as of June 30, 2021 include the following:

San Mateo County	\$ 128,113
California Department of Education	47,850
Ending balance, June 30, 2021	<u>\$ 175,963</u>

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 consisted of the following:

Equipment, childcare	\$	221,546
Equipment, office		45,916
Donated equipment		7,733
Leasehold improvements		2,575,269
Total property and equipment		<u>2,850,464</u>
Accumulated depreciation		<u>(1,151,437)</u>
Property and equipment, net		<u>\$1,699,027</u>

Depreciation expense for the years ended June 30, 2021 was \$139,950.

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. On April 21, 2021 the Agency received forgiveness of loan from the Small Business Administration and must retain all records proving compliance with the loan requirements for four year periods following the submission of the loan forgiveness application.

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. On April 21, 2021 the Agency received forgiveness of loan from the Small Business Administration and must retain all records proving compliance with the loan requirements for four year periods following the submission of the loan forgiveness application.

NOTE G – CONCENTRATIONS

Several financial institutions hold the Agency's cash and cash equivalents. At June 30, 2021 and 2019, the amount exceeding federally insured limits was approximately \$636,584. 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, 2021, accounts and contracts receivable are primarily due from two funders as noted in Note D. In addition, the Agency receives approximately 23% 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.

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

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.

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, 2021, the Agency had accrued the vacation liability of \$97,222 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	\$ 1,141,617
Accounts and contracts receivable	178,998
Investments	437,023
Total financial assets available to meet cash needs for general expenditures within one year	<u>1,757,638</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.

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE J – UNEMPLOYMENT RESERVE DEPOSIT

The Agency elected to be self-insured for employment benefits during the year. As of June 30, 2021 balance in the unemployment reserve account was a deficit of \$4,210.

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. 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, 2021 was \$284,577. Total future commitments for the next five years are as follows:

2022	\$327,155
2023	\$330,532
2024	\$333,977
2025	\$337,491
2026	\$341,075

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.

PALCARE, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021

NOTE M – 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. The loan bears an interest rate of 5.25% and at June 30, 2021, the balance due on the note was \$324,293.

NOTE N – 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 O – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021, 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, 2021.

NOTE P – SUBSEQUENT EVENTS

The Agency reviewed the results of operations for the period of time from its year end June 30, 2021 through December 22, 2021, the date the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts report in the accompanying financials statements nor have any subsequent events occurred, the nature of which would require disclosure.

The coronavirus (SARS-CoV-2) pandemic developed rapidly in 2020-2021, with a significant number of cases globally. Measures taken to contain the virus have significantly affected economic activity. The extent to which the coronavirus pandemic may impact operating results, financial conditions, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted.

Management and the Organization' Board of Directors continue to carefully monitor the situation, conduct financial scenario planning, and evaluate The Organization' options during this time.

SUPPLEMENTARY INFORMATION

ALLAN LIU, CPA
201 Willow Avenue Millbrae, California 94030

Member American Institute of Certified Public Accountants
Member California Society of Certified Public Accountants

E Mail: Allan_Liu@msn.com
Tel: (650) 692-1172/Fax: (650) 692-1194

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors
PALCARE, Inc.
Burlingame, California

I have audited the combined financial statements of PALCARE, Inc. for the year ended June 30, 2021, and have issued my opinion thereon dated December 22, 2021, which is presented in the preceding section. My audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The following supplemental information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements taken as a whole.

Allan Liu

Certified Public Accountant
Millbrae, California
December 22, 2021

PALCARE, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

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, INC.
SCHEDULE OF FEDERAL, STATE, AND COUNTY AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/ Pass Through Grantor/ Program Title	Federal Catalog Number	Program or Award Number	Award Amount	Revenue Recognized	Disbursements/ Expenditures
Federal					
U.S. DEPT. OF HEALTH AND HUMAN SERVICES					
<i>Passed through:</i>					
California State Dept. of Education					
Child Development Services					
Child Care and Development					
General Child Care	93.595/6	CCTR-0246	\$ 67,505	\$ 67,505	\$ 67,505
TOTAL FEDERAL AWARDS			<u>67,505</u>	<u>67,505</u>	<u>67,505</u>
STATE					
California State Dept. of Education					
Child Development Services					
General Child Care		CCTR-0246	182,515	182,515	182,515
State Preschool		CSPP-0537	251,369	251,369	251,369
TOTAL STATE AWARDS			<u>433,884</u>	<u>433,884</u>	<u>433,884</u>
COUNTY					
First 5 QRIS					
City and County of San Francisco			37,789	37,789	37,789
Passed through San Mateo County			476,624	476,624	476,624
TOTAL COUNTY AWARDS			<u>\$ 514,413</u>	<u>\$ 514,413</u>	<u>\$ 514,413</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of PALCARE, Inc. is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of California Department of Education. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements and supplementary schedules.

PALCARE, INC.
Notes to the Child Care and Development Programs Supplemental Information
JUNE 30, 2021

In accordance with the applicable requirements from the Funding Terms & Conditions:

1. Interest expense is only allowable as a reimbursable cost in certain circumstances when it has been preapproved by the administering state department or relates to the lease purchase, acquisition, or repair or renovation of early learning and care facilities owned or leased by the contractor. No interest expense was claimed to a child development contract for the year ended June 30, 2021.
2. All expenses claimed for reimbursement under a related party rent transaction must be supported by a fair market rental estimate from an independent appraiser, licensed by the California Office of Real Estate Appraisers. No Related party rent expense was claimed as a reimbursable expense for the year ended June 30, 2021.
3. Bad debt expense is unallowable unless it relates to uncollected family fees where documentation of adequate collection attempts exists. No bad debt expense was claimed to a child development contract for the year ended June 30, 2021.

ADDITIONAL REPORTS

ALLAN LIU, CPA

201 Willow Avenue Millbrae, California 94030

Member American Institute of Certified Public Accountants

E Mail: Allan_Liu@msn.com

Member California Society of Certified Public Accountants

Tel: (650) 692-1172/Fax: (650) 692-1194

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**

December 22, 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, 2021, 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 December 22, 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.

Allan Liu

Certified Public Accountant
Millbrae, California

CDE SUPPLEMENTAL INFORMATION

PALCARE, INC.
COMBINING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

	CCTR-0246	CSPP-0537	Total CDE Programs	Non-CDE Programs	Total
REVENUE AND SUPPORT					
Government Grant and Contracts	\$ 250,020	\$ 251,369	\$ 501,389	\$ -	\$ 501,389
Local Grants and Contracts	-	37,789	37,789	-	\$ 37,789
Airport Support	-	-	-	476,624	476,624
Parent Fees and Tuition	5,830	12,605	18,435	2,063,999	2,082,434
Corporate/Foundation Grants	11,233	11,498	22,731	104,284	127,015
Donations	-	-	-	17,452	17,452
Investment Income	-	-	-	446	446
Unrealized Gain	-	-	-	79,527	79,527
Fundraising	-	-	-	4,775	4,775
PPP grant	-	-	-	948,254	948,254
Total Revenue and Support	267,083	313,261	580,344	3,695,361	4,275,705
EXPENSES					
Salaries, Benefits, and Payroll Taxes	401,354	332,084	733,438	1,534,992	2,268,430
Contract Labor - Substitutes	3,255	4,446	7,701	15,876	23,577
Supplies and Program Expenses	11,260	11,386	22,646	47,113	69,759
Food	2,767	3,380	6,147	12,715	18,862
Conference and Training	984	1,163	2,147	4,445	6,592
Licenses, Dues, Memberships, and Fingerprinting	1,077	1,307	2,384	4,931	7,315
Insurance	2,197	2,687	4,884	10,104	14,988
Utilities and security	10,136	12,324	22,460	46,466	68,926
Contracts, Rents, and Leases	45,144	51,931	97,075	201,170	298,245
Professional fees	-	-	-	-	-
Other Services and Operating	23,488	20,117	43,605	78,120	121,725
COVID cleaning & supplies	6,158	10,588	16,746	47,341	64,087
Fundraising	-	-	-	-	-
General, Administrative, and indirect	85,029	74,530	159,559	333,365	492,924
TOTAL EXPENSES BEFORE DEPRECIATION	592,849	525,943	1,118,792	2,336,638	3,455,430
Depreciation	26,171	16,900	43,071	90,792	133,863
TOTAL EXPENSES	619,020	542,843	1,161,863	2,427,430	3,589,293
CHANGE IN NET ASSETS	\$ (351,937)	\$ (229,582)	\$ (581,519)	\$ 1,267,931	\$ 686,412

PalCare**SCHEDULE OF EXPENDITURES BY STATE CATEGORIES
YEAR ENDED JUNE 30, 2021**

Expenditures	CCTR-0246	CSPP-0537	Total
1000 Certificated Personnel Sal.	\$ 262,831	\$ 194,726	\$ 457,557
2000 Classified Personnel Sal.	77,310	90,842	168,152
3000 Employee Benefits	64,468	50,962	115,430
4000 Books and Supplies	19,406	29,330	48,736
5000 Services and other operating expense	83,805	85,553	169,358
6000 Capital Outlay	-		-
6100/6200 Other Approved Capital Outlay	-		-
6400 New Equipment	-		-
6500 Equipment Replacement	-		-
Admin Cost	85,029	74,530	159,559
Depreciation on assets not purchased with public funds	26,171	16,900	43,071
Start-up expenses - service level exemption (a)	-	-	-
Total	\$ 619,020	\$ 542,843	\$ 1,161,863

Note: I 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**SCHEDULE OF ADMINISTRATIVE EXPENDITURES BY STATE CATEGORIES****YEAR ENDED JUNE 30, 2021**

Expenditures	CCTR-0246	CSPP-0537	Total
1000 Certificated Personnel Sal.	\$ -	\$ -	\$ -
2000 Classified Personnel Sal.	38,115	33,408	71,523
3000 Employee Benefits	20,056	17,580	37,636
4000 Books and Supplies	-	-	-
5000 Services and other operating expense	25,808	22,622	48,430
6000 Capital Outlay	-	-	-
6100/6200 Other Approved Capital Outlay	-	-	-
6400 New Equipment	-	-	-
6500 Equipment Replacement	-	-	-
Depreciation on assets not purchased with public funds	1,050	920	1,970
Start-up expenses - service level exemption (a)	-	-	-
Total	\$ 85,029	\$ 74,530	\$ 159,559

Note: I 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 REIMBURSABLE RENOVATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

Unit Cost Under \$10,000 Per Item	CCTR 0246	CSPP 0537	Total
None			
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
			-
Unit Cost \$10,000 or more per item with prior written approval	-	-	-
None			-
	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

PALCARE, INC.
SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2021

Unit Cost Under \$10,000 Per Item	CCTR 0246	CSPP 0537	Total
None			
	\$ -	\$ -	\$ -
	\$ -	\$ -	\$ -
			-
Unit Cost \$10,000 or more per item with prior written approval	-	-	-
None			
	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

California Department of Social Services

Audited Attendance and Fiscal Report for Child Development Programs

Fiscal Year Ending

Contract Number

Vendor Code

A U D 9500 v2 Page 1 of 8

Full Name of Contractor

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					
Infants (up to 18 months) Full-time					
Infants (up to 18 months) Three-quarters-time					
Infants (up to 18 months) One-half-time					
Toddlers (18 up to 36 months) Full-time-plus					
Toddlers (18 up to 36 months) Full-time					
Toddlers (18 up to 36 months) Three-quarters-time					
Toddlers (18 up to 36 months) One-half-time					
Three Years and Older Full-time-plus					
Three Years and Older Full-time					
Three Years and Older Three-quarters-time				0.7500	
Three Years and Older One-half-time				0.5500	
Exceptional Needs Full-time-plus				1.8172	
Exceptional Needs Full-time				1.5400	
Exceptional Needs Three-quarters-time				1.1550	
Exceptional Needs One-half-time				0.8470	

Full Name of Contractor

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	
Limited and Non-English Proficient Full-time				1.1000	
Limited and Non-English Proficient Three-quarters-time				0.8250	
Limited and Non-English Proficient One-half-time				0.6050	
At Risk of Abuse or Neglect Full-time-plus				1.2980	
At Risk of Abuse or Neglect Full-time				1.1000	
At Risk of Abuse or Neglect Three-quarters-time				0.8250	
At Risk of Abuse or Neglect One-half-time				0.6050	
Severely Disabled Full-time-plus				2.2774	
Severely Disabled Full-time				1.9300	
Severely Disabled Three-quarters-time				1.4475	
Severely Disabled One-half-time				1.0615	
TOTAL CERTIFIED DAYS OF ENROLLMENT				N/A	
DAYS OF OPERATION				N/A	N/A
DAYS OF ATTENDANCE				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

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				2.8792	
Infants (up to 18 months) Full-time				2.4400	
Infants (up to 18 months) Three-quarters-time				1.8300	
Infants (up to 18 months) One-half-time				1.3420	
Toddlers (18 up to 36 months) Full-time-plus				2.1240	
Toddlers (18 up to 36 months) Full-time				1.8000	
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	
Toddlers (18 up to 36 months) One-half-time				0.9900	
Three Years and Older Full-time-plus				1.1800	
Three Years and Older Full-time				1.0000	
Three Years and Older Three-quarters-time				0.7500	
Three Years and Older One-half-time				0.5500	
Exceptional Needs Full-time-plus				1.8172	
Exceptional Needs Full-time				1.5400	
Exceptional Needs Three-quarters-time				1.1550	
Exceptional Needs One-half-time				0.8470	

Full Name of Contractor

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	
Limited and Non-English Proficient Full-time				1.1000	
Limited and Non-English Proficient Three-quarters-time				0.8250	
Limited and Non-English Proficient One-half-time				0.6050	
At Risk of Abuse or Neglect Full-time-plus				1.2980	
At Risk of Abuse or Neglect Full-time				1.1000	
At Risk of Abuse or Neglect Three-quarters-time				0.8250	
At Risk of Abuse or Neglect One-half-time				0.6050	
Severely Disabled Full-time-plus				2.2774	
Severely Disabled Full-time				1.9300	
Severely Disabled Three-quarters-time				1.4475	
Severely Disabled One-half-time				1.0615	
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	

Full Name of Contractor

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			
Waived Family Fees for Certified Children (July and August)			
Family Fees Collected for Certified Children (September - June)			
Waived Family Fees for Certified Children (September - June)			
Family Fees (September - June) - Subtotal			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue			

Comments:

Full Name of Contractor

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			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses			
Total Administrative Cost (included in Section 4 above)			
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

Section 5 - Supplemental Revenue

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other:			
Other:			
Total Supplemental Revenue			

Section 6 - Supplemental Expenses

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses			

Full Name of Contractor

Section 7 - Summary

	Column A Cumulative CDNFS 9500	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment			
Days of Operation			
Days of Attendance			
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children (September - June)			
Interest Earned on Child Development Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses			
Total Administrative Cost			
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment Total Non-Certified Adjusted Days of Enrollment

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):

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

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

Contract Number

Vendor Code

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children

Enrollment Category	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				1.1800	
Three Years and Older Full-time				1.0000	
Three Years and Older Three-quarters-time				0.7500	
Three Years and Older One-half-time				0.6193	
Exceptional Needs Full-time-plus				1.8172	
Exceptional Needs Full-time				1.5400	
Exceptional Needs Three-quarters-time				1.1550	
Exceptional Needs One-half-time				0.9537	
Limited and Non-English Proficient Full-time-plus				1.2980	
Limited and Non-English Proficient Full-time				1.1000	
Limited and Non-English Proficient Three-quarters-time				0.8250	
Limited and Non-English Proficient One-half-time				0.6193	

Full Name of Contractor

Section 1 - Days of Enrollment Certified Children (continued)

Enrollment Category	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	
At Risk of Abuse or Neglect Full-time				1.1000	
At Risk of Abuse or Neglect Three-quarters-time				0.8250	
At Risk of Abuse or Neglect One-half-time				0.6193	
Severely Disabled Full-time-plus				2.2774	
Severely Disabled Full-time				1.9300	
Severely Disabled Three-quarters-time				1.4475	
Severely Disabled One-half-time				1.1952	
TOTAL DAYS OF ENROLLMENT				N/A	
DAYS OF OPERATION				N/A	N/A
DAYS OF ATTENDANCE				N/A	N/A

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

Section 2 - Days of Enrollment Non-Certified Children

Enrollment Category	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	
Toddlers (18 up to 36 months) Full-time				1.8000	
Toddlers (18 up to 36 months) Three-quarters-time				1.3500	
Toddlers (18 up to 36 months) One-half-time				0.9900	
Three Years and Older Full-time-plus				1.1800	
Three Years and Older Full-time				1.0000	
Three Years and Older Three-quarters-time				0.7500	
Three Years and Older One-half-time				0.6193	
Exceptional Needs Full-time-plus				1.8172	
Exceptional Needs Full-time				1.5400	
Exceptional Needs Three-quarters-time				1.1550	
Exceptional Needs One-half-time				0.9537	

Full Name of Contractor

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

Enrollment Category	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	
Limited and Non-English Proficient Full-time				1.1000	
Limited and Non-English Proficient Three-quarters-time				0.8250	
Limited and Non-English Proficient One-half-time				0.6193	
At Risk of Abuse or Neglect Full-time-plus				1.2980	
At Risk of Abuse or Neglect Full-time				1.1000	
At Risk of Abuse or Neglect Three-quarters-time				0.8250	
At Risk of Abuse or Neglect One-half-time				0.6193	
Severely Disabled Full-time-plus				2.2774	
Severely Disabled Full-time				1.9300	
Severely Disabled Three-quarters-time				1.4475	
Severely Disabled One-half-time				1.1952	
TOTAL NON-CERTIFIED DAYS OF ENROLLMENT				N/A	

Full Name of Contractor

Section 3 - Revenue

Revenue Category	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			
Waived Family Fees for Certified Children (July - August)			
Family Fees Collected for Certified Children (September - June)			
Waived Family Fees for Certified Children (September - June)			
Family Fees for Certified Children (September - June) - Subtotal			
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income - Fees for Non-Certified Children			
Unrestricted Income - Head Start			
Unrestricted Income - Other:			
Total Revenue			

Comments:

Full Name of Contractor

Section 4 - Reimbursable Expenses

Expense Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance			
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (include in Total Administrative Cost)			
Non-Reimbursable (State use only)			
Total Reimbursable Expenses			
Total Administrative Cost (included in Section 4 above)			
Total Staff Training Cost (included in Section 4 above)			

Approved Indirect Cost Rate:

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

Audit Report Page

Full Name of Contractor

Section 5 - Supplemental Revenue

Supplemental Revenue Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Enhancement Funding			
Other:			
Other:			
Total Supplemental Revenue			

Section 6 - Supplemental Expenses

Supplemental Expense Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
1000 Certificated Salaries			
2000 Classified Salaries			
3000 Employee Benefits			
4000 Books and Supplies			
5000 Services and Other Operating Expenses			
6000 Equipment / Capital Outlay			
Depreciation or Use Allowance			
Indirect Costs			
Non-Reimbursable Supplemental Expenses			
Total Supplemental Expenses			

Full Name of Contractor

Section 7 - Summary

Summary Category	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative per Audit
Total Certified Days of Enrollment			
Days of Operation			
Days of Attendance			
Restricted Program Income			
Transfer from Reserve			
Family Fees for Certified Children (September - June)			
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses			
Total Administrative Cost			
Total Staff Training Cost			

Total Certified Adjusted Days of Enrollment

Total Non-Certified Adjusted Days of Enrollment

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):

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

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