

SIERRA NEVADA CHILDREN'S SERVICES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2008



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sierra Nevada Children's Services
Grass Valley, California

We have audited the accompanying statement of financial positions of Sierra Nevada Children's Services as of June 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Sierra Nevada Children's Services as of June 30, 2007 were audited by other auditors whose report dated September 28, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sierra Nevada Children's Services as of June 30, 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Susan E. Goranson, CPA

Santa Rosa, California
October 15, 2008

SIERRA NEVADA CHILDREN'S SERVICES
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008
(With summarized totals for June 30, 2007)

	<u>2008</u>	<u>2007</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 593,321	\$ 694,046
Grants and accounts receivable	292,230	214,561
Prepaid expenses	<u>17,428</u>	<u>20,952</u>
Total current assets	<u>902,979</u>	<u>929,559</u>
Property and equipment:		
Equipment and furniture	76,515	134,285
Vehicles	<u>23,161</u>	<u>20,481</u>
Subtotal	99,676	154,766
Less accumulated depreciation	<u>(60,914)</u>	<u>(126,040)</u>
Net book value property and equipment	<u>38,762</u>	<u>28,726</u>
Deposits	<u>3,469</u>	<u>4,108</u>
Total assets	<u>\$ 945,210</u>	<u>\$ 962,393</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 414,474	\$ 442,609
Grants payable	30,342	20,491
CDE Reserves	23,658	22,565
Refundable advances	1,369	17,986
Unemployment reserves	33,681	
Current portion of capital leases	<u> </u>	<u>6,792</u>
Total current liabilities	<u>503,524</u>	<u>510,443</u>
Capital lease payable, net of current portion		<u>2,100</u>
Net assets:		
Unrestricted	384,077	426,503
Property and equipment	38,762	20,367
Temporarily restricted	<u>18,847</u>	<u>2,980</u>
Total net assets	<u>441,686</u>	<u>449,850</u>
Total liabilities and net assets	<u>\$ 945,210</u>	<u>\$ 962,393</u>

The accompanying notes are an integral part of these financial statements

SIERRA NEVADA CHILDREN'S SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008
(With summarized totals for the year ended June 30, 2007)

UNRESTRICTED	<u>2008</u>	<u>2007</u>
SUPPORT AND REVENUE:		
Grants and contracts	\$ 4,208,726	\$ 4,085,520
Program revenue	18,231	150,573
Family fees	107,306	81,019
In-kind contributions	2,026	25,218
Contributions	12,081	11,446
Fundraising	1,176	2,990
Investment income	12,840	11,823
Other revenue	23,049	29,028
Net assets released from restriction	<u>14,133</u>	<u>43,345</u>
 Total revenue and support	 <u>4,399,568</u>	 <u>4,440,962</u>
EXPENDITURES:		
Programs	4,142,607	4,152,681
General and unrestricted programs	292,913	255,725
Fundraising	<u>6,474</u>	<u> </u>
 Total expenses	 <u>4,441,994</u>	 <u>4,408,406</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>(42,426)</u>	 <u>32,556</u>
 TEMPORARILY RESTRICTED		
Grants	30,000	2,980
Net assets released from restriction	<u>(14,133)</u>	<u>(43,950)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>15,867</u>	 <u>(40,970)</u>
 CHANGE IN NET ASSETS	 (26,559)	 (8,414)
 CAPITAL ADDITIONS/DELETIONS	 18,395	 (10,926)
 NET ASSETS, BEGINNING OF YEAR	 <u>449,850</u>	 <u>469,190</u>
 NET ASSETS, END OF YEAR	 \$ <u>441,686</u>	 \$ <u>449,850</u>

The accompanying notes are an integral part of these financial statements

SIERRA NEVADA CHILDREN'S SERVICES
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2008
(With summarized totals for the year ended June 30, 2007)

	<u>Program</u>	<u>General and Unrestricted</u>	<u>2008 Total</u>	<u>2007 Total</u>
Salaries and wages	\$ 647,301	\$ 217,695	\$ 864,996	\$ 984,770
In-kind salaries	2,026		2,026	25,218
Payroll tax expenses	60,519	18,775	79,294	95,159
Employee benefits	101,368	27,791	129,159	132,930
Provider payments	2,887,690		2,887,690	2,585,584
Equipment	33,493		33,493	
Stipends	9,425		9,425	25,933
Consultants and contractual	52,373	13,699	66,072	176,089
Materials and supplies	84,486	362	84,848	73,788
Travel	9,621	374	9,995	19,793
Equipment lease	10,837		10,837	
Training and seminars	14,123	2,674	16,797	37,012
Occupancy	129,658		129,658	117,967
Insurance	5,399	15,324	20,723	22,864
Postage and printing	32,144	763	32,907	24,534
Telephone	12,199	100	12,299	12,628
Depreciation	1,567		1,567	9,403
Other operating expenses	<u>48,378</u>	<u>1,830</u>	<u>50,208</u>	<u>64,734</u>
Total expenses	<u>\$ 4,142,607</u>	<u>\$ 299,387</u>	<u>\$ 4,441,994</u>	<u>\$ 4,408,406</u>

The accompanying notes are an integral part of these financial statements

SIERRA NEVADA CHILDREN'S SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008
(With summarized totals for the year ended June 30, 2007)

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (26,559)	\$ (8,414)
Adjustments to reconcile changes in net assets to cash provided by operating activities:		
Depreciation	1,567	24,121
Depreciation, charged directly to net assets	(9,511)	(14,718)
(Increase) decrease in:		
Grants and accounts receivables	(77,669)	29,574
Prepaid expenses and deposits	4,163	(11,618)
Increase (decrease) in:		
Accounts payable and accrued expenses	(28,114)	62,602
Grants payable	9,851	3,743
CDE reserve	1,093	3,359
Refundable advances	(16,617)	(169,299)
Unemployment reserves	<u>33,681</u>	<u> </u>
Total cash used by operating activities	<u>(108,115)</u>	<u>(80,650)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Asset additions, net of direct charges to net assets	(33,493)	(3,792)
Asset disposal, net of direct charges to net assets	<u>49,775</u>	<u>3,792</u>
Total cash used by investing activities	<u>16,282</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease	<u>(8,892)</u>	<u>(9,603)</u>
NET INCREASE (DECREASE) IN CASH	(100,725)	(90,253)
CASH, BEGINNING OF YEAR	694,046	784,299
CASH, END OF YEAR	\$ <u>593,321</u>	\$ <u>694,046</u>
Supplemental information:		
Interest paid	\$ <u>799</u>	\$ <u>500</u>
Non-cash transactions	\$ <u>2,026</u>	\$ <u>25,218</u>

The accompanying notes are an integral part of these financial statements

SIERRA NEVADA CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 ORGANIZATION

Sierra Nevada Children's Services was founded as a California nonprofit public benefit corporation in 1978 to enhance the lives of children and their families by providing and administering innovative programs and services that nurture, inspire, support and expand opportunities for families and communities to thrive in the Sierra Nevada Region. The Agency is supported primarily by the Department of Education, and other government grants as well as support from other nonprofit organizations.

The major programs of the Agency are as follows:

Family Resource Center/Resource and Referral - Provides child care referrals and other child care information as well as support and services to parents and the community. Services include referrals to child care programs, publications, workshops and classes on parent and child care topics. There is also access to the Child Development Library.

Child Care Subsidized Payment - Child care payment programs subsidize the child care costs of qualified low-income parents while they are working, seeking employment, in school or in training. The Agency also provides child care payment services through grants from a variety of local government, educational and nonprofit agencies.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Agency have been prepared on the accrual method of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Fund Accounting - The Agency receives a major portion of its revenues in the form of federal and state grants for program operations. To ensure observance of limitations and restrictions placed on the use of resources available to the Agency, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established in accordance to their nature and purpose. Separate accounts are maintained for each fund.

SIERRA NEVADA CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents - Cash is defined as cash in demand deposit accounts as well as cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to cash; and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. The Agency considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Fixed Assets - Property and equipment purchased with Agency unrestricted funds are recorded at cost and depreciation using the straight-line method over the estimated useful lives of the related assets, usually five to ten years. Property and equipment purchased with restricted funds are recorded as expenditures in the year of purchase in accordance with the grantor's funding terms and conditions, and then re-capitalized, and depreciation is charged directly to the property and equipment net asset accounts. The individual funders or grantors retain title to those assets based on terms and conditions of the grants. Assets purchased with governmental grant or contract funds are subject to certain restrictions for which depreciation may not be claimed against child development contracts. Prior written approval of required purchases was obtained by CDE. All assets carried on the books are restricted assets.

Unrestricted Net Assets - Those net assets over which the governing board has discretionary control for general operations of the Agency. The Agency accounts for the Child Development Program's contracts, and other grants and contracts without restriction as unrestricted. The only limits on unrestricted net assets are limits resulting from contractual agreements.

Temporarily Restricted Net Assets - Those net assets resulting from contributions, pledges, and other inflows of assets whose use by the Agency is limited by donor-imposed restrictions that expire by passage of time. The Agency accounts for the one-time only Child Development Program's grants as temporarily restricted, as there are purpose restrictions, which limit their use. When the purpose restrictions are accomplished, the temporarily restricted net assets are reclassified to unrestricted net assets.

Contributed Services and Items - A substantial number of volunteers have contributed hours to the Organization's program services during the year, however these donated services are not reflected in the financial statements since they do not require specialized services. Inventory and other assets received as donations are reflected in the accompanying financial statements at their fair value at the date of receipt. The Agency recorded in-kind contributions of \$2,026 for volunteer services for the year ended June 30, 2008.

SIERRA NEVADA CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inter-Agency Transactions - Certain expenses of the Agency are recorded in the Agency's fund. These costs are allocated to certain unrestricted and fee for service programs as an allowable expense with a corresponding recognition of income in the general fund. These inter-agency revenues and their related fiscal services expenses have been eliminated from these financial statements.

Income Taxes - The Agency is a tax exempt nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The Internal Revenue Service has determined that the Agency is not a private foundation.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Allocation of Expenses - Expenses are allocated to various programs and support services based upon the Office of Management and Budget Circular A-122's simplified allocation method.

Concentration of Revenue Sources - For the year ended June 30, 2008, the Agency had two major revenue funding sources that accounted for approximately 92% of the total revenue of the Agency. The California Department of Revenue accounted for approximately 75%, and the County of Nevada accounted for approximately 17% of the total revenue.

Concentration of Credit Risk for Cash Held in Banks - The Agency places its cash deposits with high-credit quality financial institutions/ At times, balances in the Agency's cash accounts may exceed the Federal Deposit Insurance Corporation limit of \$100,000. The Agency exceeds the limit by approximately \$244,000 at June 30, 2008.

Comparative Financial Data - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

SIERRA NEVADA CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassification items - Certain items were reclassified from the prior year to more closely fit with the current presentation. Most specifically, the elimination columns were removed, the capital lease payments were reclassified under financing activities in the statement of cash flows, and the inclusion of the statement of functional expenses.

NOTE 3 GRANTS AND ACCOUNTS RECEIVABLE

At June 30, 2008 and 2007, grants and accounts receivable consists of the following:

	<u>2008</u>	<u>2007</u>
California Department of Education	\$ 106,369	\$ 137,387
Sierra County Children and Families Commission	11,200	14,881
First Five Nevada County	6,047	10,529
County of Nevada	152,146	38,724
Other programs	<u>16,468</u>	<u>13,040</u>
Total	<u>\$ 292,230</u>	<u>\$ 214,561</u>

NOTE 4 LINE OF CREDIT

The Agency maintains a line of credit with a bank. The maximum borrowings are \$350,000, and interest is due monthly at prime plus 1.00 percent, currently 6.50 percent. The line matures January 31, 2009. There was no balance at June 30, 2008 and 2007.

NOTE 5 ACCRUED VACATION AND SICK LEAVE

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Agency. The value of accumulated vacation at June 30, 2008 and 2007 is \$36,754 and \$37,830, respectively.

Sick leave benefits are accumulated for each employee. The employees do not gain a vested right to accumulated sick leave. Accumulated employee sick leave benefits are not recognized as liabilities of the Agency since payment of such benefits is not probable. Therefore, sick leave benefits are recorded as expenses in the period the sick leaves are taken.

SIERRA NEVADA CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 CAPITAL LEASE OBLIGATION

At June 30, 2007, three separate copier leases existed on copy machines. The balance at June 30, 2007 was \$8,892. The copier leases were paid off during the fiscal year ended June 30, 2008.

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2008:

Dental program	\$ 5,000
Health care	11,710
Swim lessons	<u>2,137</u>
Total June 30, 2008	\$ <u>18,847</u>

NOTE 8 RETIREMENT PLANS

The Agency maintains an employer contributory profit-sharing plan for its employees. The Agency makes a discretionary contribution based on a percentage of the employee's compensation. This contribution percentage is determined annually by the Board of Directors. The plan vests over five years with one hundred percent vesting at five years. The contribution for the year ended June 30, 2008 is \$28,047.

The Agency also maintains two contributory retirement plans which allow participants to make tax deferred contributions which the Agency may match. The first plan qualifies under the provisions of Internal Revenue Code Section 403(b), and the second qualifies under Internal Revenue Code Section 401(k). During the year ended June 30, 2008 the Agency made \$13,186 in contributions.

SIERRA NEVADA CHILDREN'S SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 9 COMMITMENTS UNDER OPERATING LEASES

The Agency leases space for their Grass Valley offices under a three year lease commencing September 1, 2006 through August 31, 2009. Monthly payments are \$6,500. The Agency leases space at their satellite offices under annual leases. Total rent paid for the year ended June 30, 2008 is \$106,640.

The Agency leases their postage meter under an operating lease through June 30, 2013. The Agency leases three copiers under leases terminating September 30, 2012.

Allocation of Indirect Rental Cost for occupancy:	<u>2008</u>
Non-Department of Education sponsored programs	\$ 31,614
Alternative payment	66,513
Resource and referral	8,513

Minimum future rental payments under noncancellable operating leases for each of the next five years in aggregate are at June 30:

2009	\$ 91,953
2010	26,253
2011	12,853
2012	12,853
2013	4,842

NOTE 10 CONTINGENCIES

The Agency receives a substantial amount of its support from federal, state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Agency's programs.

NOTE 11 RELATED PARTY TRANSACTIONS

Two of the Agency's child care providers sit on the Board of Directors of the Agency. Total payments to the providers for the year ended June 30, 2008 were \$93,645. Payments were made for child care services, reimbursements for provider training programs and stipends for educator support programs. Provider rates for reimbursement are limited by the California State Department of Education contracts. Management is of the opinion that these transactions were consummated on the same terms and conditions as other Agency providers.