THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY

FINANCIAL STATEMENTS

June 30, 2021 and 2020

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COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Children's Center of the Antelope Valley
Lancaster, California

We have audited the accompanying financial statements of The Children's Center of the Antelope Valley (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses, and cash flows for the years 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, 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 the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Children's Center of the Antelope Valley as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reported dated February 16, 2022 on our consideration of The Children's Center of the Antelope Valley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Cobb, Doerfler & Associates, CPA

February 16, 2022

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

ASSETS

	2021	2020
CURRENT ASSETS		
Cash	$ 1,204,857	$ 102,007
Accounts Receivable	1,171,847	1,214,904
Investments	250,330	249,860
Prepaid Expenses	8,615	19,325
Total Current Assets	2,635,649	1,586,096
PROPERTY AND EQUIPMENT, NET of Accumulated Depreciation	2,528,615	2,551,518
OTHER ASSETS		
Long-Term Accounts Receivable	301,001	216,205
Board Designated Investments	275,686	262,561
Cash - Restricted for Construction	38,900	38,900
Total Other Assets	615,587	517,666
Total Assets	$ 5,779,851	$ 4,655,280

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts Payable	$ 176,328	$ 131,739
Deferred Income	462,166	235,213
Accrued Payroll and Payroll Taxes	288,451	229,314
Total Current Liabilities	926,945	596,266
Total Liabilities	926,945	596,266
NET ASSETS		
Net Assets Without Donor Restrictions		
Unrestricted Net Assets	4,289,409	3,508,805
Board Designated	524,597	511,309
Total Net Assets Without Donor Restrictions	4,814,006	4,020,114
Net Assets With Donor Restrictions	38,900	38,900
Total Net Assets	4,852,906	4,059,014
Total Liabilities and Net Assets	$ 5,779,851	$ 4,655,280

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	**2020**
NET ASSETS WITHOUT DONOR RESTRICTIONS		
PUBLIC SUPPORT		
Special events and fundraising		
Cash contributions and revenues	$ 74,040	$ 325,642
In-kind contributions	-0-	78,490
Less: event costs	(2,220)	(203,690)
Net special events and fundraising	71,820	200,442
Corporation and foundation donations	11,000	57,080
Individual, service organizations, and employee fund donations	68,085	47,488
In-kind and non-cash contributions	265,714	268,750
Total Public Support	416,619	573,760
REVENUES		
County financial assistance/grants	5,940,490	4,898,107
PPP debt forgiveness income	574,160	-0-
Fees for service	330,335	240,281
Investment income	15,967	12,930
Other	4,465	700
Total Revenues	6,865,417	5,152,018
Total Public Support and Revenues	7,282,036	5,725,778
FUNCTIONAL EXPENSES		
Program services	6,216,518	5,225,197
Supporting services		
Management and general	248,781	299,473
Fundraising	22,845	45,007
Total Functional Expenses	6,488,144	5,569,677
Change in Net Assets Without Donor Restrictions	793,892	156,101
NET ASSETS - BEGINNING OF YEAR	4,059,014	3,902,913
NET ASSETS - END OF YEAR	$ 4,852,906	$ 4,059,014

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021				2020			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
COMPENSATION AND RELATED EXPENSES								
Wages and Salaries	$ 3,441,470	$ 188,498	$ 7,880	$ 3,637,848	$ 2,774,200	$ 195,686	$ 26,303	$ 2,996,189
Employee Benefits	165,974	9,091	380	175,445	141,453	9,978	1,341	152,772
Payroll Taxes	286,677	15,702	656	303,035	251,529	17,742	2,385	271,656
Total Compensation and Related Expenses	3,894,121	213,291	8,916	4,116,328	3,167,182	223,406	30,029	3,420,617
OPERATING EXPENSES								
Conferences, Travel and Training	60,095	-0-	-0-	60,095	84,134	-0-	-0-	84,134
Depreciation	167,257	4,017	121	171,395	147,798	6,709	488	154,995
Insurance	67,068	1,611	48	68,727	45,908	2,084	152	48,144
Occupancy	162,651	3,906	117	166,674	114,874	5,215	380	120,469
Contract and Outside Services	1,383,162	15,806	-0-	1,398,968	1,245,793	56,145	-0-	1,301,938
Client support and supplies	235,204	-0-	-0-	235,204	185,763	-0-	-0-	185,763
Telephone	26,417	634	19	27,070	24,378	1,107	81	25,566
Advertising and Outreach	126,239	-0-	13,568	139,807	100,959	-0-	13,568	114,527
Office and Other Operating Expenses	77,326	1,857	56	79,239	93,452	4,242	309	98,003
Bad Debt	14,920	-0-	-0-	14,920	12,560	-0-	-0-	12,560
Miscellaneous	2,058	2,499	-0-	4,557	2,396	565	-0-	2,961
Interest	-0-	5,160	-0-	5,160	-0-	-0-	-0-	-0-
Total Operating Expenses	2,322,397	35,490	13,929	2,371,816	2,058,015	76,067	14,978	2,149,060
Total Functional Expenses	$ 6,216,518	$ 248,781	$ 22,845	$ 6,488,144	$ 5,225,197	$ 299,473	$ 45,007	$ 5,569,677

See accompanying notes and
Independent Auditor's Report.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 793,892	$ 156,101
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation	171,395	154,995
In-kind contributions	(212,479)	(100,551)
Unrealized (Gain) loss on market value of investments	(308)	(1)
Realized (Gain) loss on sale of investments	(467)	341
(Gain) Loss on sale of fixed assets	5	-0-
(Increase) Decrease in Assets		
Accounts receivable	43,057	(552,561)
Prepaid expenses	10,710	(9,473)
Long-term accounts receivable	(84,796)	(216,205)
Increase (Decrease) in Liabilities		
Accounts payable	44,589	71,613
Deferred income	226,953	234,999
Accrued payroll and payroll taxes	59,137	(74,063)
Net Cash Provided (Used) by Operating Activities	1,051,688	(334,805)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(148,497)	(114,959)
Proceeds from sale of investments	212,946	100,210
Purchase of investments	(13,287)	(12,599)
Release of board designated cash for long-term purposes	-0-	137,865
Net Cash Provided (Used) by Investing Activities	51,162	110,517
Net Increase (Decrease) in Cash	1,102,850	(224,288)
Cash - Beginning of Year	140,907	365,195
Cash - End of Year	$ 1,243,757	$ 140,907
SUPPLEMENTAL INFORMATION		
Schedule of Noncash Investing and Financing Transactions:		
Donation of investments	$ 212,479	$ 100,551
Total Noncash Transations	$ 212,479	$ 100,551
Reconciliation of Cash to Statement of Net Position		
Cash	$ 1,204,857	$ 102,007
Cash - Restricted for Construction	38,900	38,900
Total Cash per Statement of Net Position	$ 1,243,757	$ 140,907

See accompanying notes and
Independent Auditor's Report.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Formation and Scope of Operation

   The Children's Center of the Antelope Valley (the Center) is located in Lancaster, California and was incorporated under the laws of the State of California to provide prevention, intervention and treatment services to victims of child abuse and their families who live in the Antelope Valley. The primary sources of the organization's revenue come from state and county grant contracts.

2. Method of Accounting

   The Center maintains its books on the accrual basis of accounting and, accordingly, reflects all significant receivables, payables and other liabilities.

3. Financial Statement Presentation

   The Center reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

   The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and a board-designated endowment. Net assets with donor restrictions are subject to donor-imposed restrictions. Donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

   Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Center, the environment in which it operates, the purposes specified in it corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

   Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

   The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

   When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

   As of June 30, 2021 and 2020, the Center's had net assets with donor restrictions totaling $38,900 and $38,900, respectively.

4. Use of 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 those estimates.

5. Cash and Cash Equivalents

   For purposes of the Statement of Cash Flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Investments

The Center reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

7. Accounts Receivable

Accounts receivable as of June 30, 2021 and 2020 consisted of grant receivables, and are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expenses and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. For the years ended June 30, 2021 and 2020, no allowance for doubtful accounts had been accrued as all amounts are expected to be collectible. See Note A-8 below for more detail.

8. Property, Equipment and Improvements

All purchased property and equipment are valued at cost when purchased and at their estimated fair market value on the date received if donated. A capitalization threshold of $5,000 is used. Donations of property and equipment are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment, are reported as restricted support. Absent donor stipulation regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are being depreciated using the straight-line method over the following estimated useful lives as follows:

Asset Class	Estimated Useful Lives
Buildings	5-40 years
Autos	5-10 years
Furniture, Fixtures & Equipment	5-15 years

Depreciation expense for the years ended June 30, 2021 and 2020, was $171,394 and $154,995, respectively.

9. Deferred Revenue

During the year ended June 30, 2020, the Center received an advance on its contract with the Department of Mental Health (DMH) totaling $235,213. As the amounts have not been earned, the amounts received have been reported as deferred revenue. The Center expects that at a future date such amounts will be repaid to DMH through a reduction in amounts paid to the Center for services rendered under the contact until all amounts are repaid. As of June 30, 2021 and 2020, deferred revenue related to DMH totaled $235,213 and $235,213, respectively.

During the year ended June 30, 2021, the Center received advances on its contracts with California Community Foundation and the Community Health Councils totaling $139,600 and $87,353, respectively. It is expected that these amounts will be repaid to the grantors either through direct repayment or through reductions in amounts paid to the Center for services rendered under the contracts.

10. Designation of Net Assets Without Donor Restrictions

It is the policy of the Board of Directors of the Center to review its plans for future leasehold improvements and expenditures from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and expenditures.

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

12. Income Taxes

The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Service Code and Section 23701d of the State of California Revenue and Taxation Code.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Center in its federal and state exempt organizations tax returns are more likely than not to be sustained upon examination. The Center returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

13. Contributions with and without Donor Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are restricted by the donor for specific purposes or the future periods are reported as an increase in net assets with donor restrictions. 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 statement of activities as net assets released from donor restrictions.

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) {958-605-45-4}, *Accounting for Contributions Received and Contributions Made* and its subsequent interpretations, provides that if the governing body of an organization has the ability to remove a donor restriction (i.e., variance power), the contribution should be classified as a net asset without donor restrictions. Accordingly, such assets are classified in the accompanying financial statements as unrestricted net assets absent donor-imposed restrictions to maintain the assets permanently. This classification does not alter the longstanding policy of the Center to distribute assets entrusted to the Center in accordance with the intentions of the Center's donors and to manage the assets of the component funds in a manner similar to an endowment with only a portion of each component fund distributed annually, unless directed otherwise by the fund advisor.

NOTE B — CASH

All cash and certificates of deposit are deposited into institutions that are insured or collateralized by the Federal Deposit Insurance Center (FDIC). Under FDIC guidelines each depositor's accounts are insured to an aggregate of $250,000. At June 30, 2021 and 2020, the Center had $602,807 and $-0-, respectively, of cash deposited at one institution which exceeded the FDIC insured/collateralized amount.

NOTE C – LIQUIDITY

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date.

	2021	2020
Financial assets at year-end	$ 3,242,621	$ 2,084,437
Less: long-term accounts receivable	(301,001)	(216,205)
Less: net assets with donor restrictions	(38,900)	(38,900)
Less: board designated net assets	(524,597)	(511,309)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,378,123	$ 1,318,023

As part of the Center's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Center invests cash in excess of requirements in short-term investments. Included in board designated net assets shown above is a fund established by the governing board totaling $248,911 and $248,748 at June 30, 2021 and 2020, respectively, that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE D – INVESTMENTS

The fair value of financial instruments has been determined through quoted market values to approximate the amounts recorded in the statement of financial position. Investments in marketable securities consist of the following at June 30, 2021 and 2020:

	2021		2020	
	Cost	Fair Market Value	Cost	Fair Market Value
Investments:				
Certificate of Deposit	$ 248,910	$ 248,910	$ 248,748	$ 248,748
Index Linked Annuity	250,000	275,686	250,000	262,561
Stock – Illumina Inc.	238	1,420	238	1,112
	$ 499,148	$ 526,016	$ 498,986	$ 512,421

Investment return consists of the following:

	2021	2020
Investment income	$ 15,193	$ 13,203
Net realized and unrealized gain/ (loss) on investments	774	(273)
	$ 15,967	$ 12,930

See Independent Auditor's Report.

NOTE E — RECEIVABLES

Receivables at June 30, 2021 and 2020 consisted of the following:

	2021	2020
Los Angeles County Sources		
Innovations 2	$ 428,196	$ 599,931
Relative Support Services	83,132	28,438
DVSS	22,695	-0-
OCS Drop-In	76,596	-0-
Department of Mental Health	773,161	705,218
Total County Sources	1,383,780	1,333,587
Local Sources		
Community Health Councils	61,420	-0-
Private Sources – Fee for Service		
Kaiser	16,447	77,341
Other Receivables	11,201	20,181
Total Accounts Receivable	1,472,848	1,431,109
Less: Long-Term Accounts Receivable	(301,001)	(216,205)
Total Accounts Receivable	$ 1,171,847	$ 1,214,904

The Center's policy is to classify accounts receivable that it does note expect to collect within one year as long-term accounts receivable. Such amounts typically consist of amounts held back by grantors until final audit may be completed and final amounts owed under the contact may be determined. The amounts reported reflect the amounts the Center expects to collect under the terms of the contact are expected to be collectible.

NOTE F – PROPERTY AND EQUIPMENT

A summary of changes in property and equipment is presented below:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Land	$ 456,525	$ -0-	$ -0-	$ 456,525
Buildings and improvements	2,997,435	101,274	-0-	3,098,709
Autos	161,567	-0-	-0-	161,567
Furniture, fixtures and equipment	335,815	47,223	(143,550)	239,488
Totals	3,951,342	148,497	(143,550)	3,956,289
Accumulated depreciation	(1,399,824)	(171,395)	143,545	(1,427,674)
Net Property and Equipment	$ 2,551,518	$ (22,898)	$ (5)	$ 2,528,615

Property and equipment acquired with funds provided through grants and other contracts may or may not be restricted for use. Upon termination of the grant or other contract, the organization may or may not be required to relinquish property and equipment acquired with grant or contract funds at the discretion of the grantor or contracting entity and ownership may then revert back to the County.

NOTE G – LEASE COMMITMENTS

As of June 30, 2021, the Center had entered into three operating leases for office equipment with the contract details as follows:

1. On July 26, 2018 the Center entered into a contract with Canon Financial Services, Inc. to lease a copier for a term of 63 months with the final payment scheduled for October 1, 2023. The monthly lease payments under the contract equal $995 plus applicable state and local taxes. The contract includes an end of term purchase option equal to the fair market value of the leased equipment.
2. On June 6, 2019 the Center entered into a contract with Canon Financial Services, Inc. to lease a copier for a term of 39 months with the final payment scheduled for September 1, 2022. The monthly lease payments under the contract equal $238 plus applicable state and local taxes. The contract includes an end of term purchase option equal to the fair market value of the leased equipment.

The total rental expense for the equipment leases for the years ended June 30, 2021 and 2020 was $16,195 and $21,026, respectively.

Additionally, as of June 30, 2021, the Center had entered into two operating leases for vehicles with the contact details as follows:

1. On January 31, 2019 the Center entered into a contract with Antelope Valley Chevrolet for the lease of a 2019 Chevrolet Silverado. The lease term is for 39 months with scheduled monthly payments equal to $1,037. The contact includes an end of term purchase option to purchase the vehicle at a price of $26,524.
2. On February 20, 2020 the Center entered into a contract with Antelope Valley Chevrolet for the lease of a 2020 Chevrolet Traverse. The lease term is for 27 months with schedule monthly payments equal to $699. The contract includes an end of term purchase option to purchase the vehicle at a price of $26,288.

The total rental expense for the vehicle leases for the years ended June 30, 2021 and 2020 was $21,650 and $7981, respectively.

The scheduled future minimum lease payments are as follows:

Year Ending June 30,	Amount
2022	$ 37,969
2023	30,629
2024	3,269
2025	-0-
2026	-0-
Thereafter	-0-
	$ 71,867

NOTE H — CONCENTRATIONS OF RISK

The Center's contracts with the Los Angeles County Department of Mental Health (LACDMH) comprised approximately 71% and 80% of the Center's revenues during the years ending June 30, 2021 and 2020, respectively. A significant decrease in funding or the loss of a contract with LACDMH could have a significant negative effect on the Center's financial condition.

NOTE I – FUNCTIONAL ALLOCATION OF EXPENSES

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses that are allocated include depreciation, which is allocated based on location and use of assets, as well as personnel costs, insurance, occupancy costs, telephone and office and operating expenses, which are allocated on the basis of estimated time and effort.

NOTE J – DONATED MATERIALS AND SERVICES

The value of donated materials and services included as contributions in the financial statements and the corresponding expenses for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Materials:		
Program supplies	$ 52,660	$ 127,449
Banquet costs, entertainment, etc.	-0-	78,490
Total Materials	52,660	205,939
Services:		
Contract and outside services	575	2,050
Total Services	575	2,050
Facilities:		
MPR facility usage	-0-	38,700
Total Donated Contributions	$ 53,235	$ 246,689

The Center receives donated materials and supplies to assist in programs, operations, and fundraising events. The value of the contribution income and expenses was estimated and recognized in the accompanying financial statements based on fair value of the items donated. The Center's policy related to gifts-in-kind is to utilize the assets given to carry out the mission of the Center. If an asset is provided that does not all the Center to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

For the years ended June 30, 2021 and 2020, the Center also received donated professional services and has elected to include the value of these donations at their estimated fair market value within contract/outside services expenses. The estimated fair market value of those services is based on the standard billing rate as indicated by those professionals multiplied by the number of hours of service donated. The MPR facilities usage represents the fair market rental value of the Center's facility for which the Center has allowed other organizations to use its facilities without charge.

Materials and banquet costs donated by the Center are value at the fair market value indicated by the donor unless the value indicated is clearly unreasonable based of the Center's comparison of the stated value of the item donated to the cost to purchase similar types of items elsewhere.

All gift-in-kind received by the Center for the years ended June 30, 2021 and 2020 were considered without donor restrictions and able to be used by the Center as determined by the board of directors and management.

In addition to the above donations, during the years ended June 30, 2021 and 2020, the Center received donations of common stock valued at $212,479 and $100,551, respectively, which was immediately sold and converted to cash.

NOTE K – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the FASB ASC 820 are described as follows:

> Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has ability to access.
>
> Level 2 – Inputs to the valuation methodology include: A) quoted prices for similar assets or liabilities in active markets; B) quoted prices for identical or similar assets or liabilities in inactive markets; C) input other than quoted prices that are observable for the asset or liability; D) inputs that are derived principally from or corroborated by observable market data by correlation or other means.
>
> If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
>
> Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Common stocks - Valued at the closing price reported on the active market on which the securities are traded.

Certificates of deposit– Valued at amortized cost, which approximates fair value.

Indexed annuities – Valued using the quoted market price of the underlying investments less applicable charges.

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

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2021:

	June 30, 2021			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,420	$ -0-	$ -0-	$ 1,420
Certificate of Deposit	-0-	248,910	-0-	248,910
Index Linked Annuity	-0-	275,686	-0-	275,686
	$ 1,420	$ 524,596	$ -0-	$ 526,016

The following table sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of June 30, 2020:

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
Common stocks	$ 1,112	$ -0-	$ -0-	$ 1,112
Certificate of Deposit	-0-	248,748	-0-	248,748
Index Linked Annuity	-0-	262,561	-0-	262,561
	$ 1,112	$ 511,309	$ -0-	$ 512,421

NOTE K – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS – continued

Transfers Between Levels – The availability of observable market data is monitored to assess the appropriate classifications of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

Management evaluated the transfers between levels based upon the nature of the financial instrument and size of the transfer relative to total net assets available for benefits. For the years ended June 30, 2021 and 2020, there were no transfers in or out of levels 1, 2 or 3.

NOTE L – RETIREMENT PLAN

The Center maintains a Savings Incentive Match Plan for an Employee's Individual Retirement Account (Simple IRA) under IRC Section 408(p). All full-time employees are eligible to make their own contributions and employer contributions made are based on matching employee contributions up to 3% of eligible wages as defined in the plan. Total employer contributions for the years ended June 30, 2021 and 2020 were $52,795 and $54,067, respectively.

NOTE M – ENDOWMENT FUNDS

The Center's endowment fund consists of one fund established for the preservation of capital and to maximize return while ensuring the safety and liquidity objectives of the organization. Its endowment includes funds designated by the Board of Directors to function as endowments (quasi-endowments). As required by GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Center manages its endowment and earnings are added to the perpetual funds or may be available for appropriation as determined by the Board.

Endowment net assets composition by type of fund as of June 30, 2021 is as follows:

	Without Donor Restrictions	Total
Board-designated endowment funds	$ 275,686	$ 275,686
Total funds	$ 275,686	$ 275,686

Endowment net assets composition by type of fund as of June 30, 2020 is as follows:

	Without Donor Restrictions	Total
Board-designated endowment funds	$ 262,561	$ 262,561
Total funds	$ 262,561	$ 262,561

Changes in endowment net assets for the year ended June 30, 2021 consisted of the following:

	Without Donor Restrictions	Total
Endowment net assets, beginning of year	$ 262,561	$ 262,561
Investment return, net	13,125	13,125
Endowment net assets, end of year	$ 275,686	$ 275,686

NOTE M – ENDOWMENT FUNDS – continued

Changes in endowment net assets for the year ended June 30, 2020 consisted of the following:

	Without Donor Restrictions	Total
Endowment net assets, beginning of year	$ 250,062	$ 250,062
Investment return, net	12,499	12,499
Endowment net assets, end of year	$ 262,561	$ 262,561

NOTE N – BOARD DESIGNATED NET ASSETS AND INVESTMENTS

At June 30, 2021 and 2020, board designated net assets and investments were available for use as follows:

	2021	2020
Quasi-endowment	$ 275,686	$ 262,561
Emergency funds	248,911	248,748
	$ 524,597	$ 511,309

NOTE O – RELEASES OF BOARD DESIGNATED NET ASSETS AND INVESTMENTS

During the years ended June 30, 2021 and 2020, the following board designated net assets and investments were released from designation by the board due to the cancellation of the Center's capital fundraising campaign due to the outbreak of COVID-19:

	2021	2020
Construction of TAY Center	$ -0-	$ 137,865
	$ -0-	$ 137,865

NOTE P – NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2021 and 2020, net assets with donor restrictions were restricted for the following purpose:

	2021	2020
Subject to expenditures for specified purpose:		
Construction of TAY Center	$ 38,900	$ 38,900
	$ 38,900	$ 38,900

NOTE Q – SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 16, 2022, the date the financial statements were available to be issued. No events were identified by management that would warrant disclosure.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY

SINGLE AUDIT REPORTS

For the Year Ended
June 30, 2021

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COBB, DOERFLER & ASSOCIATES, CPA

A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

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*

Board of Directors
The Children's Center of the Antelope Valley
Lancaster, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The Children's Center of the Antelope Valley, 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 our report thereon dated February 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Children's Center of the Antelope Valley's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The Children's Center of the Antelope Valley's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 2021-001 and 2021-002 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Children's Center of the Antelope Valley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*

The Children's Center of the Antelope Valley's Response to Findings

The Children's Center of the Antelope Valley's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Children's Center of the Antelope Valley response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Cobb, Doerfler & Associates, CPA

COBB, DOERFLER & ASSOCIATES, CPA
February 16, 2022

COBB, DOERFLER & ASSOCIATES, CPA
A PROFESSIONAL CORPORATION
1039 WEST AVENUE J
LANCASTER, CALIFORNIA 93534

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

To the Board of Directors
Antelope Valley Partners for Health
Lancaster, California

Report on Compliance for Each Major Federal Program

We have audited the Children Center of the Antelope ValleyThe Children's Center of the Antelope Valley's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Children Center of the Antelope Valley's major federal programs for the year ended June 30, 2021. Children Center of the Antelope Valley's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Children Center of the Antelope Valley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Children Center of the Antelope Valley's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Children Center of the Antelope Valley's compliance.

Opinion on Each Major Federal Program

In our opinion, Children Center of the Antelope Valley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Children Center of the Antelope Valley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Children Center of the Antelope Valley internal control over compliance with the types of requirement that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Children Center of the Antelope Valley internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of Children Center of the Antelope Valley as of and for the year ended June 30, 2021, and have issued our report thereon dated February 16, 2022, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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 sued 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 our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Cobb, Doerfler & Associates, CPA

February 16, 2022

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Program Name	Federal CFDA Number	Passthrough Grantor's Number	Program or Award Amount	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Health and Human Services pass through programs from:					
Sierra Health Foundation					
COVID 19 - Block Grants for Community Health Services	93.958	CA20MAT341	$ 67,746	$ -0-	$ 67,746
County of Los Angeles - Department of Children and Family Services					
Foster Care_Title IV-E	93.658	15-0001-24	379,041	78,346	348,841
County of Los Angeles - Department of Public Health					
Domestic Violence Supportive Services	93.558	PH-004269	101,440	-0-	57,450
Community Health Councils					
COVID 19 - Child Health and Human Development Extramural Research	93.323	N/A	582,348	39,996	184,786
Total U.S. Department of Health and Human Services			1,130,575	118,342	658,823
U.S. Department of the Treasury pass through from					
County of Los Angeles - Department of Public Health					
COVID-19 - Coronavirus Relief Fund	21.019	PH004319	147,993	-0-	54,995
County of Los Angeles - Department of Mental Health					
COVID-19 - Coronavirus Relief Fund	21.019	MH250007	211,000	98,916	211,000
California Community Foundation					
COVID-19 - Coronavirus Relief Fund	21.019	169350	322,147	-0-	88,298
Subtotal - CFDA Number 21.019			681,140	98,916	354,293
Total U.S. Department of the Treasury			681,140	98,916	354,293
Total Federal Awards			$ 1,811,715	$ 217,258	$ 1,013,116

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2021

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Children's Center of the Antelope Valley (the "Center") under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Center, it is not intended and does not present the financial position, changes in net assets, or cash flows of the Center.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting - Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Indirect Cost Rate – The Center has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance or the rate allowed under state and local grant agreements as applicable.
3. Pass-through Grantor's Number - Pass-through entity numbers are presented where available.
4. Program Costs – The amount shown as current year expenditures represents only the federal grant portion of the program costs. Entire program costs including the states, county or grantors portions, are more than shown.

THE CHILDREN'S CENTER OF THE ANTELOPE VALLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	unmodified	
Internal control over financial reporting		
Material weakness(es) identified?	☒ yes	☐ no
Significant deficiencies identified that are not considered to be material weakness(es)	☒ yes	☐ none reported
Noncompliance material to financial statements noted?	☐ yes	☒ no

Federal Awards

Type of auditor's report issued on compliance for major programs	unmodified	
Internal control over major programs		
Material weakness(es) identified?	☐ yes	☒ no
Significant deficiencies identified that are not considered to be material weakness(es)?	☐ yes	☒ none reported
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	☐ yes	☒ no

Identification of Major Programs

CFDA Number(s)	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund
93.958	Bock Grants for Community Health Services

Dollar threshold used to distinguish between Type A and Type B programs	$750,000	
Auditee qualified as low-risk auditee?	☐ yes	☒ no

SECTION II – FINANCIAL STATEMENT AUDIT

2021-001

Condition and Criteria – Accounting controls to ensure regular and accurate reconciliation of the Center's bank accounts is necessary to ensure the entities reported cash balances are accurate and complete.

Context – The Center reconciles its cash balances monthly. Upon completion the preparer signs the reconciliation and a second individual reviews the reconciliation and bank statement for accuracy and completeness. Upon completion of the review, the second person signs the reconciliation indicating that they had performed the review. Proper segregation of duties is maintained as the preparer does not process payments or receipts and does not record transactions. There also exists an accounting manual which details how the reconciliation should be performed and which individuals should perform each step of the process.

Cause – While the process has been well designed there appears to be two issues. The first is the implementation of the process described in the accounting manual is incomplete. There are no worksheets or checklists that guide the preparer or reviewer through the process as described in the accounting manual and prompt them to consistently perform the required procedures as described. Additionally, while the accounting manual explicitly addresses the issue of stale dated checks, no similar procedure exists for deposits that have been outstanding for an unreasonable length of time.

Effect – Due to these errors in the current period, reported cash balances were overstated by $129,709.

Recommendation – Our recommendation to the Children's Center is to consider the following changes:

1. Expand the bank reconciliation portion of the accounting manual to address how stale dated deposits should be dealt with. Additional thought might also be given to outlining specific considerations the reviewer should consider when performing their review.
2. Develop a standardized worksheet or checklist for the preparer and reviewer to "check off" or complete while performing their procedures. At completion this checklist can then be signed by the preparer and reviewer and attached to the bank statement and reconciliation documenting that the procedures have been performed. This will help ensure that all steps outlined in the accounting manual are followed and performed consistently.
3. To help ensure that employees understand how each policy is to be implemented at the end of the accounting manual there should be a table that "bridges" the accounting policies to actual worksheets or workpapers used in performing the described procedures. The table should have one column that lists each policy or process to be performed and lists in the second column which worksheet should be used in performing that policy or procedure. Each procedure and its related worksheet or workpaper should be listed in the same row of cells on that table.

Views of Responsible Officials – The Children's Center of the Antelope Valley (CCAV) understands the importance of regular and accurate reconciliation of monthly bank statements. To improve accounting controls, CCAV will have monthly peer review of Bank Statements/uncased checks on a monthly basis by the Compliance Manager. The Compliance Manager will noted on the Bank Statement Checklist pending items. Any uncashed checks will be voided after 15 days of attempted correction.

SECTION II – FINANCIAL STATEMENT AUDIT – continued

2021-002

Condition and Criteria – Controls concerning the proper authorization and review of general journal entries should be implement in a manner similar to those implemented for routine transactions such as purchase orders or payroll. This helps to ensure that only authorized transactions are input into the Center's books and records.

Context – At the present moment the process surrounding the preparation and recording of general journal entries is largely informal and entries are prepared ad hoc as needed. There is also currently no formal review or approval process for such entries.

Cause – As the Center has grown the Center's activities have become increasingly complex and the need for non-routine and more complex journal entries has become more frequent. The increased frequency of such entries without an approval or authorization process increases the chance of errors occurring and remaining undetected.

Effect – This deficiency contributed to the bank reconciliation issue described above. Specifically, the majority of the difference described above was due to the duplicate posting of a deposit for $140,508 via a general journal entry. While the duplication should have been caught during the bank reconciliation process, the error might have also been prevented had the error been caught prior to posting. A second error involving the duplicate posting of a $212,947 stock donation was also the result of an unintentional duplicate posting.

Recommendation – Our recommendation to the Center is to develop a written process for inclusion in its accounting manual describing who may approve general journal entries, who may post them, how the approval should be documented, which documents should be retained and what constitutes appropriate supporting documentation for proposed entries. It is also recommended that a structured numbering sequence be used to identify journal entries and a log maintained documenting each number as it is used.

Views of Responsible Officials – CCAV agrees that our accounting has become more complex and that the need for review of journal entries should be monitored more frequently. Therefore, CCAV will being to review Journal Entries once a month. The Program Manager will prepare a monthly General Ledger report to the Compliance Manager for review every 20th of the month. Corrections/deletions/voids will be made if necessary after the review.

2021-003

Condition and Criteria – Accounts receivable should be stated at net realizable value which is the amount that management reasonably expects to collect net of allowance for doubtful accounts.

Context – At the present moment billings are posted monthly after the billings have been prepared based off of the amount invoiced to the grantor. Upon collection the payment is posted to the outstanding receivable and matched based off of the information contained on the remittance advice.

Cause – While there appears to be a process for the input of charges and the receipt of related payments the process is not actively monitored. In the current case, the error could have been caught and corrected within a reasonable period of time had the accounts receivable aging report been regularly been reviewed for outstanding receivables that had been outstanding for a reasonable period of time. Similarly, if budget to actual comparisons been made on a monthly basis, the Center could have determined that the maximum charges per the contract had been exceeded and adjusted the reported receivable to the correct amount.

SECTION II – FINANCIAL STATEMENT AUDIT – continued

2021-003 – continued

Effect – This deficiency resulted in accounts receivable being overreported by $37,925.

Recommendation – Our recommendations consist of the following:

1. The Center should consider inputting it's grant or program budgets directly input QuickBooks as QuickBooks allows a separate budget to be input for each "class" that is currently active. This would allow the Center to easily and rapidly generate budget to actual comparisons monthly after the accounting is completed for upper management, program managers and for use in the accounting department. This would allow the Center to more easily track expenses relative to budget and to determine when amounts billed exceed the amount allowed per the budget contract.
2. In its accounting manual the Center should consider as part of its month end process defining what reports should be generated and to whom that they should be distributed to. This would include the aforementioned budget reports as well as other items such as an accounts receivable aging report.
3. The accounts receivable aging report should be reviewed monthly by management and the account department for past due accounts. These accounts should then be followed up on and reviewed to determine if further collection efforts should be made or they should be written off.

Views of Responsible Officials – With the increased complexity of the accounting needed, CCAV will create a process for monthly review of accounts receivable. The process will contain monthly review of the A/R aging detail, documentation of receivable attempts, and reporting actual contract allowances.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings were noted in the current period.

SECTION IV – PRIOR YEAR FINDINGS

No findings were noted in the prior period.