

EXECUTIVE SUMMARY

We were engaged to complete financial audits of CYSAS and CVRYFA to assist the City in meeting its responsibilities under the MOU. These financial audits were based on agreed-upon procedures noted in our Engagement Letter dated May 11, 2017 (Engagement Letter). Our findings are based on requests for documentation and information of the Leagues via the Public Works Director and Recreation Services Coordinator as well as our review of certain documents, including publicly available records. Details of our findings are discussed in the *Procedures Performed and Findings* sections of this report.

Administrative burdens can be overwhelming to a small community service organization. We recognize that the Leagues are performing a valuable community service. Our effort has been to disclose findings and provide recommendations appropriate to small volunteer organizations that assist them in complying with their agreements and bylaws as well as any government requirements.

There is effort on the part of both leagues to comply with the City Memorandum of Understanding (MOU). Grades below are heavily influenced by amount of missing information and status of leagues with State of California and Attorney's Office.

Coachella Youth Sports Association Soccer (CYSAS)

Grade: C+ – Fair. CYSAS provided good profit and loss accounting and bank statement and tax filing documentation for 2015 and 2016. CYSAS records are currently the best we have reviewed for the City. The major weaknesses are unrecorded cash activity and not reporting its reconciliation of cash, its balance sheet, and any player dues collection system for our audit. The League indicated that complying with its California requirements is in process.

Coachella Valley Raiders Youth Football Association (CVRYFA)

Grade: C+ (Fair) – Records that were supplied were limited but provided a fair look at how the organization has been operating. Missing information included any donation and cash activity and bylaws. The League appeared to be fairly structured. Corporate status in California is suspended per Secretary of State Website. Attorney General registration appears to not have been performed. There is better effort on the part of the League to comply with the City MOU.

PROCEDURES PERFORMED AND FINDINGS – CYSAS

Results of the steps taken for the financial audit of CYSAS are provided below.

PROCEDURES PERFORMED	FINDINGS
INTERNAL CONTROLS	
<p>1. Inquired about how financial transactions were monitored and recorded. Determined that income and expenses from activities were recorded in a manner consistent with sound business practices and that they incorporated elements of control appropriate to a small organization.</p> <p>We reviewed, summarized and analyzed financial records provided. Key records were:</p> <ul style="list-style-type: none"> • Wells Fargo bank statements for 2015-2016 (except March 2016 for the #640 account) • 2015 & 2016 profit and loss statements and general ledger detail for income and expense accounts only (no balance sheet general ledger provided). 	<p>The financial records were reasonably improved from our 2015 audit of CYSAS.</p> <p>The largest audit difficulty is that we were not provided general ledger activity for bank cash or cash on hand. We recommend that the League record and be able to provide this information to the City and for completeness for tax authority reporting.</p> <p>Substantial cash is received and disbursed, without going through the bank accounts. (Comparing general ledger and tax reporting to banking activity, we estimated this amount as over \$30,000 for 2015 and over \$60,000 for 2016.)</p> <p>The above reflects that it is unknown if all activity is being recorded and whether any funds are being lost. For example, savings account bank fees were not recorded. While it's recognized that the volunteers are putting in exceptional efforts, the City, teams, and donors want to be sure that League finance is administered carefully and financial reporting is complete.</p> <p>We recommend that as much as practical, all cash be deposited into and disbursed from the bank accounts.</p> <p>We recommend that all bank cash and cash on hand be reconciled to the general ledger and that the preparer sign the reconciliations. We further recommend that the Treasurer sign these reconciliations as being reviewed by him or her.</p>
<p>2. Determined that fundraising activities were in-line with the League's bylaws and properly monitored.</p> <p>Accounting for cash and noncash donations and providing receipts and acknowledgments are key compliance requirements for retaining tax-exempt status and allowing donors to deduct donations.</p>	<p>Donation information was received. Donations appear to have been recorded in the general ledger. No information was received on fundraising methods and whether donors received donation acknowledgement letters.</p> <p>We recommend that the Treasurer periodically review donation activity, the proper depositing of donations in the bank, and whether acknowledgement letters have been provided to donors. We recommend that a system of tracking donation acknowledgement letters be implemented including reconciling acknowledgement letter amounts to amounts received.</p>

PROCEDURES PERFORMED

FINDINGS

FINANCIAL REPORTING

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| <p>3. Obtained monthly or quarterly financial reports to determine whether reports were prepared routinely. Trace amounts on the reports to the supporting documentation such as bank statements and other documentation as related to the balance sheet items.</p> <ul style="list-style-type: none">• Income and expense statements for 2015 and 2016 were received. As noted above at Procedure 1, cash balances (bank and cash on hand) statements were not received. No balance sheet amounts were reported. | <p>Expenses per income and expense statements agreed with the Internal Revenue Service (IRS) Form 990-EZ tax filings. \$580 was added to Form 990-EZ revenue (classified as program services revenue) to make receipts equal to expense.</p> <p>Accounting records do not reflect whether the League held significant snack inventories.</p> <p>Our recommendations at Procedure 1 will solve the need to force revenue to agree with expense for Form 990-EZ reporting and provide for balance sheet reporting.</p> |
| <p>4. Tested the income statement items on a test basis to determine that transactions were recorded properly.</p> <ul style="list-style-type: none">• We did not receive any membership information that may have been maintained on Excel spreadsheets. The League provided support for 2016 Fireworks event revenue and reporting and for a tournament costs subsidy received from California State Soccer Association. | <p>We do not know whether the current records system tracks all membership income and deposits and whether there are any players with unpaid membership fees.</p> <p>We recommend that the Treasurer work with the League accountant to develop a system that tracks membership income received and deposited and any uncollected membership dues receivable.</p> <p>We also recommend added a Sales Tax Payable account to the balance sheet to track sales tax amounts collected and paid (for the fireworks sales event).</p> |
| <p>5. Tested how income was recorded and vouched a sample of expenses.</p> <ul style="list-style-type: none">• See above on income reporting. We tested two expense transactions. | <p>The League provided support for CSL Club fees. It did not provide support for check 1071 for \$685.00.</p> <p>We recommend providing this documentation to the City. We recommend that the Treasurer review document retention and filing procedures so this information is readily available at audit.</p> |

QUALIFIED AMATEUR SPORTS ORGANIZATION UNDER IRC 501(c)(3)

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| <p>6. Determined that the League met the IRS requirements of a Qualified Amateur Sports Organization and tax-exempt charitable organization as discussed in our Letter of Agreement.</p> | <p>As a Secretary responsibility to maintain correspondence, The CYSAS Form 1023 Application for Recognition of Exemption we received did not have any of the narrative attachments and line item explanations required to be provided as supplemental to the form. As recommended in 2015, we recommend CYSAS request a copy of its full Form 1023 with narrative from the IRS using IRS Form 4506-A as an important permanent record of the League.</p> |
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PROCEDURES PERFORMED	FINDINGS
REGISTRATIONS AND TAX FILINGS	
<p>7. If applicable, determined that the League had filed the appropriate tax compliance documents. Obtained a copy of the returns.</p> <ul style="list-style-type: none"> We obtained a copy of CYSAS's 2015 and 2016 Form 990-EZ IRS exempt organization filings. Apparently, no California filings have been made. 	<p>For 2015, we noted that beginning and ending cash (net assets) were not reported in Part I or Part II. For 2016, we noted a net assets deficit of \$13,183 was reported, but this deficit was not reported on Form 990-EZ Part II Balance Sheet section nor in the accounting records provided (missing balance sheet accounts in general ledger).</p> <p>We recommend that these deficiencies be corrected by accurate balance sheet accounting and in future IRS filings.</p> <p>CYSAS apparently does not file California Form 199-EZ as a nonprofit corporation. We recommend CYSAS consult with a tax accountant and file Form 199-EZ for each year it has a filing responsibility. We recommend that the League report to the City on this matter and our other recommendations.</p>
<p>8. Determined that the League had both determination letters from the federal government as a 501(c)(3) and the Franchise Tax Board (23701d).</p>	<p>CYSAS received tax exempt status from the IRS in a letter dated May 9, 2014, effective May 15, 2012. The League received California tax exempt status in a letter dated June 7, 2012 effective June 4, 2009.</p>

PROCEDURES PERFORMED	FINDINGS
REVIEW OF BYLAWS AND MINUTES	
<p>9. Obtained a copy of the bylaws and determined that the League was operating substantially within its bylaws.</p>	<p>We noted that the CYSAS had corporate officers and held regular meetings (see Procedure #11). We did not find a report on the full Annual Meeting requirement according to the bylaws, including financial reporting.</p> <p>The financial reporting and deposit and recording of all funds had deficiencies as noted above, regarding the Treasurer's bylaw responsibilities.</p> <p>We were unable to determine what player dues might remain unpaid.</p> <p>We were unable to determine the nature of the Snack Bar Manager's accounting system or tournament accounting (summary amounts only reported).</p> <p>We recommend that League officers develop a program to address all matters in this report and assign a person to oversee completion of the program. The League accountant may be able to provide guidance.</p>

PROCEDURES PERFORMED	FINDINGS
10. Determined that the recorded league registration was documented with the State.	<p>We did not find any evidence that CYSAS had registered as a charity with the State Attorney General.</p> <p>As CYSAS is an organization that holds assets for charitable purposes and solicits donations from the public, according to California Government Code Section 12581, we recommend it register with the California Attorney General as a charity using Initial Registration CT-1 Form. We also recommend the League file Registration Renewal Fee RRF-1 Form for any years for which it has filing responsibility. (The League reported that California registration is in process.)</p>
11. Reviewed the League's board minutes for the last twelve months.	No finding or recommendation at this time to add to our comment above regarding having a full annual meeting with financial reporting documents provided to attendees.
REVIEW OF INSURANCE BINDER	
12. Obtained a copy of the insurance binder to ensure the League had insurance coverage such that the programs included liability protection for the organization, including its employees and volunteers, for liability claims arising out of its operations. Most importantly, insurance coverage should have a \$1,000,000 general liability which includes covering the City of Coachella.	The CYSAS provided us its Certificate of Insurance with \$1 million liability coverage, also covering the City of Coachella as Certificate Holder.
ADDITIONAL	
13. Trace payments for use of city facilities to League records.	

PROCEDURES PERFORMED AND FINDINGS – CVRYFA

Results of the steps taken for the financial audit of CVRYFA are provided below.

PROCEDURES PERFORMED	FINDINGS
INTERNAL CONTROLS	
<p>1. Inquired about how financial transactions were monitored and recorded. Determined that income and expenses from activities were recorded in a manner consistent with sound business practices and that they incorporated elements of dual control.</p> <ul style="list-style-type: none"> • CVRYFA provided limited information as described at financial reporting Procedure 3 and here. 	<p>There appears to be a basic accounting and cash custody system in place without enough evidence presented on how complete cash recording is. From websites and information provided, the League appears to have a strong interest in providing a high caliber league. Fees due from players are tracked in a manual accounts receivable ledger system to partially support completeness.</p> <p>We recommend that the League identify a Treasurer outside of League leaders, Joe and Maria Moya, as a key segregation of duties. We recommend that the Treasurer review revenue and expense activity and sign off on bank reconciliations and financial statements as complete and accurate to the best of the Treasurer's knowledge each month the League is active. We recommend that written accounting policy be developed, including depositing as practical all cash in bank and tracking and recording any cash not deposited and prudent custody and accounting for snack bar and fireworks event inventory.</p>
<p>2. Determined that fundraising activities were in-line with the League's bylaws and properly monitored.</p>	<p>Unknown. We received no information on whether the League solicits or receives donations. League website indicates a possible sponsorships with USC Trojans.</p> <p>We recommend that the League provide a description and accounting of its donation and sponsorship solicitation and revenue to the City for 2016 and 2017 as well as provide its bylaws.</p>
FINANCIAL REPORTING	
<p>3. Obtained monthly or quarterly financial reports to determine reports were prepared routinely. Traced amounts on the reports to the supporting documentation such as bank statements and other documentation as related to the balance sheet items.</p>	<p>The most complete reporting received was as of and for the period ending August 31, 2016 including computer produced balance sheet, income statement, and bank reconciliation. Bank statements were also provided. Transactions as summarized appeared reasonably classified. No general ledger detail was provided.</p> <p>It appears any snack bar income was not deposited or recorded. Significant snack bar inventory, if any, is also not recorded.</p> <p>We recommend that any transactions outside of the bank account also be recorded, such as any snack bar revenue and cash and snack donations.</p>

PROCEDURES PERFORMED	FINDINGS
4. Tested the income statement items on a test basis to determine that transactions were recorded properly.	We reviewed the League's account receivables tracking system. The League also classified its fireworks revenue and expense in separate general ledger accounts.
5. Tested how income was recorded and vouched a sample of expenses.	<p>The League records player fees and event income separately, but as noted above, there was no snack bar income reported.</p> <p>The League scanned and provided monthly support for 2015 expenses.</p>
QUALIFIED AMATEUR SPORTS ORGANIZATION UNDER IRC 501(c)(3)	
6. Determined that the League met the IRS requirements of a Qualified Amateur Sports Organization and tax exempt charitable organization as discussed in our Letter of Agreement.	<p>CVRYFA utilizes the IRS 501(c)3 group determination letter (Group Exemption 1155 from January 1966) of the Amateur Athletic Union (AAU). AAU advised in a letter dated August 15, 2015 that CVRYFA, as an affiliate organization is recognized as tax exempt. We recommend that CVRYFA renew their membership every year to maintain their 501(c)3 status and have this documentation available for the City.</p> <p>The League is a qualified amateur sports organization per Procedure 8.</p>
TAX FILINGS	
7. If applicable, determined that the League had filed the appropriate tax compliance documents. Obtained a copy of the returns.	<p>The League provided its 2015 Form 990-N e-Postcard filing (for tax exempt organizations with less than \$50,000 in revenue.) The League will need good accounting controls to monitor when its revenue exceeds \$50,000 and it will be responsible for filing Form 990 or 990-EZ.</p> <p>No similar California 199-N filing was provided.</p> <p>We recommend that the League consult with its tax professional regarding filing in California for all open years.</p>
8. Determined that the League had both determination letters from the federal government as a 501(c)(3) and the Franchise Tax Board (23701d).	<p>CVRYFA utilizes the IRS 501(c)3 group determination letter (Group Exemption 1155 from January 1966) of the Amateur Athletic Union (AAU). AAU advised in a letter dated August 15, 2015 that CVRYFA, as an affiliate organization is recognized as tax exempt. We recommend that CVRYFA renew their membership every year to maintain their 501(c)3 status and have this documentation available for the City.</p> <p>CVRYFA was not found to be a California tax exemption organization per California Franchise Tax Board website. We recommend that CVRYFA consult with its tax professional</p>

PROCEDURES PERFORMED	FINDINGS
REVIEW OF BYLAWS	
9. Obtained a copy of the bylaws and determined that the League was operating substantially within its bylaws.	While minutes indicate the existence of bylaws, these were not provided. We recommend that the League provide these to the City as part of prudent organizational structure.
10. Determined that the recorded league registration was documented with the state.	It appears the League is not registered with the state. We recommend this above.
11. Reviewed the League's board minutes for the last twelve months.	The League provided acceptable minute for meetings in August 2015 (in which it acknowledged that it would now operate under AAU rules and regulations) and January and June of 2016, in which it expressed its intent to comply with the City MOU and audit requests to the best of its ability.
REVIEW OF INSURANCE BINDER	
12. Obtained a copy of the insurance binder to ensure the League had insurance coverage such that the programs included liability protection for the organization, including its employees and volunteers, for liability claims arising out of its operations. Most importantly, insurance coverage should have a \$1,000,000 general liability which includes covering the City of Coachella.	The League provided a certificate of insurance with adequate coverage for license events (AAU Southern California East Football and Cheerleading) expiring August 31, 2018 (Rancho Los Flores Park).
ADDITIONAL	
13. As requested by Public Service Director, traced payments for use of city facilities to league records.	The information we requested to perform this procedure was not received.

APPENDIX A - MOU REFERENCE**Financial Excerpts from Memorandum of Understanding between the City and the Leagues****6. Record Keeping.**

6.1 The following documents must be provided to the City thirty (30) days prior to the commencement of the sports season in order to ensure no delays are experienced in permitting sport season play: copy of the league bylaws, copy of the league board, copy of the league's current 501c3 status, current insurance documents providing the coverage referenced in section 5. A facility use permit will not be issued without the above noted documents. If the documents are not provided to the City thirty (30) days prior to the commencement of the sports season the Sports League may experience up to a thirty (30) day delay in obtaining the required Facility Use Permit for facility access.

6.4 The Sports Leagues shall keep and maintain during the term of this MOU, in accordance with generally accepted accounting principles, complete books of accounts and accounting records collectively, the "Books and Records") of all league enrollment fees, purchases and receipts of merchandise, food, beverage, inventories and all sales and other transactions from which the Sports Leagues' receipts and charges are or can be determined.

6.5 The Sports Leagues shall record all transactions, at the time each transaction is made, whether for cash or credit.

6.6 The Sports Leagues shall retain the Books and Records during the term of this MOU and for a period of at least four (4) years after the end of each calendar year thereof.

7. User Fees. The Sports Leagues must pay the approved user fees for their use of City facilities. All uses must be permitted and codified per an issued Facility Use Permit approved of by the City of Coachella's Public Works Director.

8. Financial Audit. The Books and Records shall, upon five (5) business days' prior written notice to the Sports Leagues, be open for inspection by City, its auditors or other authorized representatives.

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