

EXECUTIVE SUMMARY

We were engaged to complete financial audits of CYBSA 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 21, 2018 (Engagement Letter). Our findings are based on requests for documentation and information of the League 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 League is 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 the league to comply with the City Memorandum of Understanding (MOU). Grades below are judgmental as requested by the City and are heavily influenced by the amount of missing information and the status of the league with State of California and Attorney's Office.

Coachella Youth Baseball and Softball Association (CYBSA)

Grade: C - Fair (tax exemptions in place) – CYBSA provided us with limited records. Key activity provided included banking activity through 2016, insurance certificate and some tax information. Very limited 2017 information was provided.

While it appears CYBSA tax compliance is in place (except that no California Attorney General filings were found), information on accounting, financial reporting, and governance was lacking.

PROCEDURES PERFORMED AND FINDINGS – CYBSA

Results of the steps taken for the financial audit of CYBSA 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 (and some check images) for 2014 - 2016 (except missing September 2015) • Income and expense overview for Spring 2017 	<p>We were provided minimal transaction information outside bank statements, some bank documents and an overview of the Spring 2017 activity.</p> <p>We recommend that CYBSA provide its 2017 and 2018 bank statements and bank reconciliations to the City. We recommend that CYBSA also provide information on the monitoring and review functions it conducts on transactions and cash and whether all cash is deposited and tracked. (Also per below, we ask for information on CYBSA status with the California Attorney General.) We recommend that officers sign this report.</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 CYBSA solicited or received donations.</p> <p>We recommend CYBSA provide a description and accounting of its donation and sponsorship solicitation and revenue to the City for 2017 and 2018.</p>
FINANCIAL REPORTING	
<p>3. Obtained monthly or quarterly financial reports to determine reports were prepared routinely.</p> <p>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>While a payment for QuickBooks was noted, no QuickBooks or other financial reports were provided except a Spring 2017 overview of income and expenses.</p> <p>We did not find evidence that all cash, such as snack bar income, was being deposited and recorded.</p> <p>We recommend that CYBSA provide the 2017 and 2018 financial reports classifying income and expense with reconciled cash to the City. We recommend CYBSA also record any transactions outside of the bank account it has been excluding, 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 were provided limited information, although an accounting overview for Spring 2017 appeared reasonable. We recommend the League implement procedures (if it does not already have them) to ensure all fees are collected or written off as uncollectible with dual officer approval.
5. Tested how income was recorded and vouched a sample of expenses.	We requested a sample of documentation (four check disbursements). No information was provided.
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.	CYBSA is a tax exempt non-profit 501(c)3 charitable organization eligible to receive tax exempt donations in addition to fees for services.
TAX FILINGS	
7. If applicable, determined that the League had filed the appropriate tax compliance documents. Obtained a copy of the returns.	CYBSA provided us only with its 2014-2016 electronic tax authorization forms (Federal and California) and its 2018 California Statement of Information. It did not provide the actual tax returns nor any California Attorney General filings that may have been made.
8. Determined that the League had both determination letters from the federal government as a 501(c)(3) and the Franchise Tax Board (23701d).	CYBSA tax-exempt status was reinstated October 15, 2015 per the IRS website. We also determined online that CYBSA had California nonprofit corporate status per the Franchise Tax Board website.
REVIEW OF BYLAWS	
9. Obtained a copy of the bylaws and determined that the League was operating substantially within its bylaws.	<p>We noted CYBSA had corporate officers. We were unable to determine whether regular meetings were held (see Procedure #11). We found no report on the full Annual Meeting requirement according to the bylaws, including financial reporting.</p> <p>Regarding the Secretary's responsibility to handle correspondence, we were unable to obtain CYBSA's Form 1023 Application for Tax Exemption filing.</p> <p>The financial reporting and deposit and recording of all funds were not being performed in accordance with the Treasurer's bylaw responsibilities.</p> <p>We were unable to determine which players might remain unpaid.</p> <p>We were unable to determine the nature of the Snack Bar Manager's accounting system or tournament accounting. Event and activity accounting is needed for preparing Federal Form 990.</p>

PROCEDURES PERFORMED	FINDINGS															
10. Determined that the recorded league registration was documented with the state.	CYBSA was listed as a California tax exempt organization. We received the 2016 electronic tax authorization for filing California tax exempt return (client copy) but did not receive the tax exempt filing or any California Attorney General filing.															
11. Reviewed the League's board minutes for the last twelve months.	Minutes were not provided.															
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.	CYBSA provided a certificate of insurance with a coverage level meeting the MOU requirement for license events. The City was not listed as the additional insured but rather the following: PONY Baseball / Softball, Inc., Washington, PA 15301.															
ADDITIONAL																
13. As requested by Public Service Director, traced payments for use of city facilities to league records.	<p>We collected the following information from limited CYBSA records provided for 2016-2017:</p> <table border="0"> <tr> <td data-bbox="919 857 1058 885">03-08-2016</td> <td data-bbox="1108 857 1226 885">\$8,000.00</td> <td data-bbox="1255 857 1373 885">Field use</td> </tr> <tr> <td data-bbox="919 889 1058 917">05-31-2016</td> <td data-bbox="1108 889 1226 917">3,376.80</td> <td data-bbox="1255 889 1478 917">Second installment</td> </tr> <tr> <td data-bbox="919 922 1058 950">10-13-2016</td> <td data-bbox="1108 922 1226 950">910.40</td> <td data-bbox="1255 922 1394 950">September</td> </tr> <tr> <td data-bbox="919 954 1058 982">01-04-2017</td> <td data-bbox="1108 954 1226 982">852.80</td> <td data-bbox="1255 954 1520 982">November lights, field</td> </tr> <tr> <td data-bbox="919 987 1058 1015">Spring 2017</td> <td data-bbox="1108 987 1226 1015">8,298.60</td> <td data-bbox="1255 987 1772 1015">Indicated as paid City per activity statement</td> </tr> </table>	03-08-2016	\$8,000.00	Field use	05-31-2016	3,376.80	Second installment	10-13-2016	910.40	September	01-04-2017	852.80	November lights, field	Spring 2017	8,298.60	Indicated as paid City per activity statement
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APPENDIX A – MOU REFERENCE

Financial Excerpts from Memorandum of Understanding between the City and the Leagues

6. Bylaws.

Effective July 1, 2016, the Sport League shall ensure their by-laws preclude any board member, including a Sport League President, to hold any position for any official Sport League board/committee for more than two consecutive years or for more than three years in a ten year period; by-laws must be changed by the effective date to be issued a facility use permit. The Sport League must notice the City immediately any time its President resigns.

7. Record Keeping.

7.1 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, submit form identifying its board members, file form identifying: when, where and how often the sport league holds its regular meetings, copy of the league's current 501c3 status and original issuance, 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.

7.4 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.

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

7.6 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.

8. 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.

9. 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.

9.2 All members of Sport League boards must attend the annual 501c3 training provided by the City.

9.3 All Sport Leagues must obtain a Financial Audit score of C or higher and each Sport League's Financial Audit score much improve each year.

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EXECUTIVE SUMMARY

We were engaged to perform a financial audit of CVSL to assist the City in meeting its responsibilities under the MOU. This financial audit was based on agreed-upon procedures noted in our engagement letter dated May 21, 2018 (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 League is 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 the league to comply with the MOU. Grades below are judgmental as requested by the City and are heavily influenced by the amount of missing information and the status of the leagues with State of California and Attorney's Office.

Coachella Valley Soccer League (CVSL)

Grade: B+ – Very Good. While some requested information was not provided, from what we received for this recently formed organization, we observed evidence of above average organizational formation, tax compliance efforts, and financial records preparation. As noted in our procedures performed and findings, there are still notable items to be addressed, most importantly, its California Attorney General Registration and California tax exempt status, reporting to the City, whether it filed the correct Internal Revenue Service (IRS) and California tax exempt forms for fiscal year July 2017.

PROCEDURES PERFORMED AND FINDINGS – CVSL

Results of the steps taken for the financial audit of CVSL 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"> Rabobank bank statements for October 2016 to September 2017 (except missing January 2017) QuickBooks financial statements covering August 2016 to July 2017 	<p>We found the QuickBooks financial reporting to be sound. Financial transactions appeared well classified and reported in an organized fashion.</p> <p>We were not provided with bank reconciliations. Even if there are no reconciling items in a month, we recommend that a reconciliation report be prepared via QuickBooks with bank statement support attached. We also recommend the CVSL preparer and reviewer sign as acceptable and provide the report to the City.</p> <p>While deposits were marked as either cash or checks on the bank deposit slips, it appears that all cash received was not deposited into and disbursed from the bank accounts (such as cash snack bar activity or cash received from events). We recommend CVSL make part of its cash policy and procedures that the Treasurer is to implement procedures to provide for the tracking of all cash collections and depositing of all cash into the bank and recording in QuickBooks. If a petty cash account is needed, this can be funded (and replenished with documentation of cash use) via a check. (Treasurer duties per bylaws is to ensure the timely deposit of funds in the bank.) We can provide guidance on developing procedures as requested.</p> <p>CVSL appeared to have had a successful first year financially. Bank deposits for the period reviewed were over \$63,000 and ending cash was over \$25,000.</p>
<p>2. Determined that fundraising activities were in-line with the League’s bylaws and properly monitored.</p> <p>Providing receipts and acknowledgments are key compliance requirements for retaining tax-exempt status and allowing donors to deduct donations.</p>	<p>We noted the bylaws were limited on defining donation activities. We received no information on donation activities other than the total paid of \$13,167 for fiscal year ending July 2017.</p> <p>We recommend that this information be provided to the City. We recommend that the CVSL Treasurer periodically review donation activity, the proper depositing of donations in the bank, and whether acknowledgement letters have been provided to donors. We also recommend that CVSL implement a system of tracking donation acknowledgement letters, which would include reconciling acknowledgement letter amounts to the amounts received. (We remind each League that it should not value any noncash donations for the donor.)</p>

PROCEDURES PERFORMED	FINDINGS
FINANCIAL REPORTING	
<p>3. Obtained monthly or quarterly financial reports to determine whether 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>We reviewed the balance sheet (net position) and income and expense statement for fiscal year ending July 2017.</p>	<p>Financial reporting on the QuickBooks software is regularly available as long as recording of transactions is kept current. The ending cash per QuickBooks at July 31, 2017 agreed with the bank statement.</p>
<p>4. Tested the income statement items on a test basis to determine that transactions were recorded properly.</p> <p>We reviewed financial statements, bank records, deposit slips, registration records, and other.</p>	<p>While we noted financial records were attentively kept, we were unable to determine whether the current records system tracked all membership income and deposits and whether there were any players with unpaid membership fees and unrecorded cash activity.</p> <p>We recommend that the Treasurer prepare or have prepared a report of any uncollected fees with efforts to collect or decision on uncollectable amounts and provide this report at monthly meetings.</p> <p>CVSL may be operating a snack bar; however, this type activity did not show up in financial records provided. We recommend that the Treasurer ensure all cash activity is recorded in QuickBooks as policy and practice for complete and honest records and MOU compliance.</p>
<p>5. Tested how income was recorded and vouched a sample of expenses.</p>	<p>CVSL provided supporting documentation for a sample of four check disbursements.</p> <p>Please see above for income analysis.</p>
QUALIFIED AMATEUR SPORTS ORGANIZATION UNDER IRC 501(c)(3)	
<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>CVSL is a tax exempt non-profit 501(c)(3) charitable organization eligible to receive tax exempt donations in addition to fees for services.</p>

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> <p>We obtained a copy of CVSL’s 2015 and 2016 Form 990-N (for fiscal years ending July 2016 and 2017) IRS exempt organization filings and fiscal year June 2017 California tax exempt filing.</p>	<p>The League is not eligible to file postcard Form 990-N if its receipts are over \$50,000 in a year. Per Procedure #1, including its Statement of Financial Income and Expense on QuickBooks, we noted this was not the case for fiscal year July 2017. We recommend that CVSL review this matter with its accountant and file Form 990-EZ (and Form 199-EX for California) for fiscal years ending July 2017 and 2018 as may be required.</p>
<p>8. Determined that the League had both tax-exempt determination letters from the Federal government as a 501(c)(3) and the Franchise Tax Board (23701d).</p>	<p>CVSL received tax exempt status from the IRS in a letter dated July 19, 2016, effective June 6, 2016 (after filing of IRS Form 1023-EZ Tax Exempt Application).</p> <p>While the League provided an initial registration form stamped as received by the California Attorney General, we did not find CVSL (corporate number 3914826) on California’s exempt status list of August 13, 2018.</p> <p>https://www.ftb.ca.gov/businesses/Exempt-Organizations/Entity-list.shtml</p> <p>We recommend that CVSL pursue its California tax-exempt registration and verify it has been added to the California tax-exempt list when its registration and filings are determined to be in order.</p>
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 CVSL had corporate officers and held regular meetings (see Procedure #11). We did not find a report on the full Annual Meeting requirement according to League bylaws, including financial reporting. We recommend fulfilling this requirement and reporting on it to the City.</p> <p>While CVSL was not part of the March 6, 2017 MOU with the City, the League did not have this MOU requirement in its bylaws: “6. By-Laws. Effective July 1, 2016, the Sport League shall ensure their by-laws preclude any board member, including a Sport League President, to hold any position for any official Sport League board/committee for more than two consecutive years or for more than three years in a ten year period; by-laws must be changed by the effective date to be issued a facility use permit. The Sport League must notice the City immediately any time its President resigns.” We recommend adding this requirement.</p> <p>We also recommend adding a conflict of interest section to its bylaws as appropriate for a nonprofit organization.</p>

PROCEDURES PERFORMED	FINDINGS
10. Determined that the recorded league registration was documented with the State.	<p>We found that CVSL submitted its registration to the California Attorney General (see #8 above).</p> <p>We were not provided with any tax exempt filings made to the State of California.</p>
11. Reviewed the League's board minutes for the last twelve months.	CVSL kept sufficient minutes on its regular meetings.
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 CVSL provided us with Certificates of Insurance with \$1 million liability coverage, (\$2 million aggregate) latest expiring October 2018, also covering the City of Coachella as an additional insured.
ADDITIONAL	
13. Traced payments for use of city facilities to League records.	We found no payments to the City. (There were some payments to Coachella Valley Unified School District for field use.)

APPENDIX A – MOU REFERENCE

Financial Excerpts from 2017 Memorandum of Understanding between the City and the Leagues (Youth and Adult)6. Bylaws.

Effective July 1, 2016, the Sport League shall ensure their by-laws preclude any board member, including a Sport League President, to hold any position for any official Sport League board/committee for more than two consecutive years or for more than three years in a ten year period; by-laws must be changed by the effective date to be issued a facility use permit. The Sport League must notice the City immediately any time its President resigns.

7. Record Keeping.

7.1 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, submit form identifying its board members, file form identifying: when, where and how often the sport league holds its regular meetings, copy of the league's current 501c3 status and original issuance, 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.

7.4 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.

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

7.6 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.

8. 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.

9. 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.

9.2 All members of Sport League boards must attend the annual 501c3 training provided by the City.

9.3 All Sport Leagues must obtain a Financial Audit score of C or higher and each Sport League's Financial Audit score much improve each year.

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