THE FIRST 72+

FINANCIAL STATEMENTS

DECEMBER 31, 2019

Postlethwaite & Netterville

A Professional Accounting Corporation

www.pncpa.com

THE FIRST 72+

FINANCIAL STATEMENTS

DECEMBER 31, 2019

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The First 72+

Report on the Financial Statements

We have audited the accompanying financial statements of The First 72+ (the "Organization") (a non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the First 72+ as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and Accounting Standards Update No. 2018-08, *Non-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in the current year. Our opinion is not modified with respect to this matter.

As discussed in Note 9 to the financial statements, the Organization is being impacted by disruptions in the economy and business interruptions associated with the coronavirus (COVID-19) pandemic. The Organization expects this matter to negatively impact its operating results and cash flows in the near future. Our opinion is not modified with respect to this matter.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits and other payments to agency head or chief executive officer, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
September 14, 2020

THE FIRST 72+
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

		2019
Current assets:		
Cash	$	198,587
Promises to give, current		337,700
Grant receivable		23,522
Loans receivable, net of allowance		13,246
Note receivable		76,900
Total current assets		649,955
Promises to give, net of current portion		100,000
Total assets	$	749,955

LIABILITIES AND NET ASSETS

Current liabilities:		
Accrued expenses	$	6,608
Total liabilities		6,608
Net assets without donor restrictions		306,347
Net assets with donor restrictions		437,000
Total net assets		743,347
Total liabilities and net assets	$	749,955

The accompanying notes are an integral part of this financial statement.

THE FIRST 72+

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Contributions	$ 996,290	$ 437,000	$ 1,433,290
Grant revenue	274,917	-	274,917
Interest income	1,637	-	1,637
Miscellaneous income	2,352	-	2,352
Total revenues and support	1,275,196	437,000	1,712,196
EXPENSES			
Program services	821,578	-	821,578
Supporting services:			
Fundraising	69,276	-	69,276
Management and general	404,844	-	404,844
Total expenses	1,295,698	-	1,295,698
Change in net assets	(20,502)	437,000	416,498
NET ASSETS AT BEGINNING OF THE YEAR	326,849	-	326,849
NET ASSETS AT END OF THE YEAR	$ 306,347	$ 437,000	$ 743,347

The accompanying notes are an integral part of this financial statement.

THE FIRST 72+
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Supporting Services: Management and General	Supporting Services: Fundraising	Supporting Services: Total Supporting Services	Total
Salaries and wages	$ 347,946	$ 78,745	$ 26,190	$ 104,935	$ 452,881
Employee benefits	21,863	4,948	1,646	6,594	28,457
Payroll taxes	26,376	5,969	1,985	7,954	34,330
Travel	-	12,925	12,925	25,850	25,850
Office operations	-	7,331	26,530	33,861	33,861
Programming	-	113,657	-	113,657	113,657
Contract services		74,941		74,941	74,941
Accounting fees		33,570		33,570	33,570
Professional fees	-	1,375	-	1,375	1,375
Repairs and maintenance	1,039	809	-	809	1,848
Rent expense	26,880	11,520		11,520	38,400
Exoneree assistance	395,601	-	-	-	395,601
Insurance	-	13,172	-	13,172	13,172
Postage and delivery	-	10,255	-	10,255	10,255
Miscellaneous expenses	-	9,475	-	9,475	9,475
Furniture and Equipment	-	1,778	-	1,778	1,778
Telecommunications	-	3,027	-	3,027	3,027
Membership dues	-	242	-	242	242
Service Charges	-	1,164	-	1,164	1,164
Bad debt expense		13,247		13,247	13,247
Meetings/conferences/events	1,873	6,694	-	6,694	8,567
Total expenses	$ 821,578	$ 404,844	$ 69,276	$ 474,120	$ 1,295,698

The accompanying notes are an integral part of this financial statement.

THE FIRST 72+

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	416,498
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Bad debt expense		13,247
Changes in operating assets and liabilities:		
Promises to give, net		(437,700)
Grant receiveable		(23,522)
Loan receivable		(456)
Notes receivable		24,597
Accrued expenses		4,667
Net cash used in operating activities		(2,669)
Net decrease in cash		(2,669)
Cash, beginning of year		201,256
Cash, end of year	$	198,587

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization

The First 72+ ("the Organization") (formerly Rising Foundations) is a 501 (c) (3) non-profit organization and was incorporated September 24, 2014 pursuant to the provision of the Louisiana Nonprofit Law, Louisiana R.S. 12:201 – 12:269 (1950 as amended). Effective January 3, 2019, the Organization's name was changed from Rising Foundations to The First 72+ with the Louisiana Secretary of State. At this time, the Organization assumed the operations of The First 72+ program ("the Program"). The Program was previously operated by the Next Generation of Original Morning Star Full Gospel Baptist Church, Inc. The Organization's mission is to stop the cycle of incarceration by fostering independence and self-sustainability through education, stable and secure housing, and employment. Through the leadership and wisdom of formerly incarcerated people themselves, the Organization transforms the re-entry experience into one that builds on the strengths and abilities of people returning home from prison and ensures that they, their families, and their communities are given the greatest opportunity to grow and thrive.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). US GAAP requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

> *Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.
>
> *Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.
>
> Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had no cash equivalents at December 31, 2019.

1. Summary of Significant Accounting Policies (continued)

Promises to Give

The Organization records unconditional promises to give that are expected to be collected within one year at net realizable value. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. The Organization determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2019, the allowance was $0.

Note Receivable

The note receivable is recorded at its outstanding balance. Management does not have an allowance for doubtful accounts as outstanding amounts are considered collectible.

Loans Receivable

Loans receivable are recorded at their outstanding balance. Loans receivable are written off when the loan is deemed uncollectible. The Organization determines the allowance for uncollectable loans receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. The allowance for loans receivable was $13,247 as of December 31, 2019.

Revenue Recognition

Revenue is recognized when earned.

Contributions are recognized when cash, securities or other assets, or an unconditional promise to give is received. Conditional promises to give – that is, those with measureable performance or other barriers and right of return (or release) – are not recognized until the conditions on which they depend have been substantially met.

Revenues from government grants are recorded when the Organization has a right to reimbursement under the related grant, generally corresponding to the incurring of grant related costs by the Organization, or when otherwise earned under the terms of the grants.

The Organization was awarded cost-reimbursable government grant of $416,868 which is conditioned upon the incurrence of allowable qualifying expenses. In addition, the Organization was awarded $450,000 which is conditioned upon certain performance requirements. Amounts awarded are recognized as revenue when the Organization has met the qualifying conditions and/or incurred expenditures in compliance with specific grant provisions. Revenue recognized in relation to these grants was $399,917 for the year ended December 31, 2019. The revenue is classified as contribution or grant revenue in the statement of activities. Amounts received prior to meeting the qualifying conditions and/or incurring qualifying expenditures are reported as refundable advances in the statement of financial position. As of December 31, 2019, there were no advanced payments made.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

At December 31, 2019, revenues approximating $466,900 have not been recognized in the accompanying statement of activities because the conditions on which they depend on have not yet been met.

The Organization provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of December 31, 2019, the Organization determined no allowance was required for promises to give or grants receivables.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Contributed goods are recorded at fair value at the date of donation. During the year ended June 30, 2020, the Organization recognized $38,400 of donated office space which is included in contributions revenue on the statement of activities.

Concentration of credit risk

The Organization maintains its cash in bank deposit accounts at several financial institutions. The balances, at times, may exceed federally insured limits. The Organization has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and are reconciled to the natural classifications in the statement of functional expenses. The majority of direct costs are charged directly to the appropriate program or functional area. Certain costs which benefit more than one functional area have been allocated among the Organization's programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Legal expenses, office supplies, software, and other expenses have been allocated based on time and effort.

1. Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is exempt from income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), to update its revenue recognition standard to clarify the principles of recognizing revenue and eliminate industry-specific guidance as well as help financial statement users better understand the nature, amount, timing, and uncertainty of revenue that is recognized. Under ASC 606, revenue is recognized when or as the Organization satisfies its respective performance obligation under each contract. The standard may be applied either retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. During fiscal year 2019, the Organization adopted ASU 2014-09. The adoption of ASU No. 2014-09 had no impact on the Organization's beginning net assets.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This standard was implemented for the year ended December 31, 2019. There was no material impact as a result of implementation.

1. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, *Leases*. This accounting standard requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet as well as additional disclosures. In July 2018, the FASB issued ASU 2018-11, Leases (Topic 842): Targeted Improvements, to simplify the lease standard's implementation. The amended guidance relieves businesses and other organizations of the requirement to present prior comparative years' results when they adopt the new lease standard. Instead of recasting prior year results using the new accounting when they adopt the guidance, companies can choose to recognize the cumulative effect of applying the new standard to leased assets and liabilities as an adjustment to the opening balance of retained earnings (net assets). This standard will be effective for the Organization for the year ending December 31, 2022. The Organization believes there will be no material impact on net assets upon adoption of this ASU.

2. Liquidity and Availability

The following represents the Organization's financial assets and those available to meet general expenditures within twelve months as of December 31, 2019.

Financial assets at year end:	
Cash	$ 198,587
Promises to give, net	437,700
Grant receivable	23,522
Loan receivable	13,246
Note receivable	76,900
Total financial assets	749,955
Less amounts not available to be used within twelve months:	
Promises to give, net	100,000
	100,000
Financial assets available to meet general expenditures over the next twelve months	$ 649,955

3. Promises to Give

At December 31, 2019, unconditional promises to give consist of the following:

Promises to give, current	$ 337,700
Promises to give, non-current, due in one to five years	100,000
Total unconditional promises to give	$ 437,700

Management concluded a discount to net present value was not deemed necessary for December 31, 2019, as the amount is not considered significant.

4. Loans Receivable

The Organization loans moneys to eligible recipients to cover costs associated with adjusting to life after incarceration. The term of all loans are forty-eight months and bear zero percent interest. At December 31, 2019, loans receivable of $26,493 are offset by a valuation allowance of $13,247, netting to an ending balance of $13,246 as presented on the statement of financial position.

5. Note Receivable

In conjunction with the sale of Keller Mansion during 2018, the Organization received a note receivable with a face amount of $100,000 bearing interest at 4.5%. The outstanding balance of the note at December 31, 2019 was $76,900. The note was paid in full on January 31, 2020.

6. Net Assets with Donor Restrictions

Total net assets with donor restrictions as of December 31, 2019 is $437,000. These net assets are considered restricted due to time restrictions.

7. Economic Dependency

The primary sources of revenues for the Organization are contributions and grants provided by various donors and funding agencies. Continued operations are dependent upon the renewal of grants and contributions from current funding sources as well as obtaining new funding. In 2019, the Organization had four major donors and grantors that accounted for approximately 55% of revenue.

8. Contingencies

The Organization participates in a federal grant program that is passed through a local government agency which is governed by various rules and regulations. Costs charged to the grant program are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Organization has not complied with the rules and regulations governing the grant, refunds of any money received and the collectability of any related receivable as of December 31, 2019 might be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing this grant; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, September 14, 2020, and determined that the following matters required additional disclosure in the financial statements. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption of financial markets and continues subsequent to March 31, 2020. The extent of the impact of the COVID-19 pandemic on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the Organization's donors, customers, employees and vendors, all of which are uncertain and cannot be predicted.

Subsequent to year-end, the Organization applied for and was approved for a $97,000 loan under the Paycheck Protection Program and administered by the Small Business Administration as part of the relief efforts related to COVID-19. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The loan is uncollateralized.

SUPPLEMENTARY INFORMATION

THE FIRST 72+

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER

YEAR ENDED DECEMBER 31, 2019

Agency Head Name: Kelly Orians, Co-Director

Purpose	Amount
Salary (Contract Payments)	$70,000
Benefits-insurance	$5,311
Reimbursements	$818
Conference travel	$12,925
Continuing professional education fees	$435

See Independent Auditors' Report.

Postlethwaite & Netterville

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INDEPENDENT AUDITORS' 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*

To the Board of Directors
The First 72+

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 First 72+ (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2019-001 that we consider to be a significant deficiency.

Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from 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 or other matters that are required to be reported under *Government Auditing Standards*.

The Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Organization's 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.

Postlethwaite & Netterville

Metairie, Louisiana
September 14, 2020

THE FIRST 72+
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

Finding 2019-001 Revenues and Receivables

Criteria:

The Organization should have systems of internal accounting controls which ensure that revenues and receivables are presented in accordance with U.S. generally accepted accounting principles (US GAAP).

Condition:

The Organization did not properly account for contributions and grants revenues on the accrual basis of accounting which resulted in audit adjustments to record receivables and related revenues for revenue earned but not received as of year-end.

In addition, the Organization did not properly record cash and revenue for payments received in 2019 that were deposited in the bank in 2020 resulting in audit adjustments to increase cash and revenue.

Cause:

The Organization did not have a process in place to ensure that all contributions and grants revenue earned during the year was recorded in accordance with US GAAP.

Effect:

As noted, audit adjustments were required to present the current year financial statements in accordance with generally accepted accounting principles.

Recommendation:

We recommend that the Organization implement internal controls and procedures to ensure that all unconditional promises to give, grants receivable for unreimbursed expenses, and related contributions and grants revenues are properly recorded.

Management's Response:

We agree with the auditors' comments, and the following action will be taken to improve the situation and ensure proper cutoff:

1. Management will have each copy of the grant agreement/contribution documents support forwarded to the accountant as they are executed.
2. The accountant will post the accounts receivable ledger from a copy of the agreement and supporting documents mentioned above, this will allow compliance with the accrual basis accounting for revenues.
3. The accountant will then file supporting documents in date order to ensure that subsequent cash receipts are matched to previously filed supporting documents (if applicable) and funds are recorded in the correct period, this will remedy the deficiency related to the completeness assertion.
4. The accountant will finally produce an aged accounts receivable report on a monthly basis and review the balances with management, particularly on large and overdue accounts. A cutoff review meeting will be held at the end of the first quarter of the following year with management to go over the first quarter deposits.