

CITY OF COACHELLA

**REPORT ON THE 2017 – 2018 FINANCIAL AUDIT OF
COACHELLA YOUTH SPORTS ASSOCIATION SOCCER
PROVIDED NOVEMBER 2019**

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EXECUTIVE SUMMARY

We were engaged to perform a financial audit of CYSAS to assist the City in meeting its responsibilities under the MOU. This financial audit was based on agreed-upon procedures noted in our contract agreement dated August 6, 2019. 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 substantial effort on the part of the league to comply with the MOU. Grade below is judgmental as requested by the City.

Coachella Youth Sports Association Soccer (CYSAS)

Grade: A- Excellent with noted exceptions. We observed strong organizational formation, tax compliance efforts, and financial records preparation with exceptions. As noted in our procedures performed and findings, significant items to address include catching up on 2017 and 2018 California Attorney General Registration and Annual Renewal Form filings not showing at Attorney General Website (resulting in delinquent status) and recommended bylaws amendment.

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 2017 and 2018 QuickBooks general ledgers provided, other financial documents, and responses to inquiries.</p>	<p>Utilization of QuickBooks allows up-to-date financial reporting.</p> <p>The Treasurer prepares a monthly bank reconciliation, which the President reviews.</p> <p>All cash, including snack bar, is indicated as deposited.</p> <p>No exceptions noted.</p>
<p>2. Determined that fundraising activities were in line with the League's bylaws and properly monitored.</p> <p>We inquired about fundraising practices and reviewed sample donation documentation.</p>	<p>No Internal Revenue Code violations were observed in fundraising activities.</p>
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 2017-2018 general ledgers of financial activity and inquired on reporting.</p>	<p>The League's QuickBooks accounting system allows for regular reporting. The President reports that the Board is regularly informed on finances.</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, transaction support, registration records, and inquired about procedures.</p>	<p>The League reports that its practice is to deposit all cash and pay all expenses via the checking account.</p> <p>The League tracks player collections through receipts activity.</p> <p>No exception noted.</p>

PROCEDURES PERFORMED

FINDINGS

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| 5. | Tested how income was recorded and vouched a sample of expenses.

We reviewed transaction supporting documentation for the period. | The League provided supporting documentation labeled by month for its checking activity.

No exception noted. |
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QUALIFIED AMATEUR SPORTS ORGANIZATION UNDER IRC 501(c)(3)

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| 6. | Determined the League met the IRS requirements of a Qualified Amateur Sports Organization and tax-exempt charitable organization as discussed in our Letter of Agreement. | The League is a tax exempt non-profit 501(c)(3) charitable organization eligible to receive tax exempt donations in addition to fees for services. No exception noted. |
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REGISTRATIONS AND TAX FILINGS

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| 7. | If applicable, determined that the League had filed the appropriate tax compliance documents. Obtained a copy of the returns.

We obtained a copy of the League's signed Federal Form 990-EZ and prepared California Form 199. (2018 Form not required to be filed at time of financial audit requests when on extension). | No exceptions noted for Internal Revenue Service and California Franchise Tax Board tax exempt recognition.

See Procedure 10 regarding California Attorney General registration. |
| 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). | 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 and a California tax exempt reinstatement notice in June 2018.

We verified that the League is listed on the Internal Revenue Service and California Franchise Tax Board's lists of tax-exempt organizations. |

PROCEDURES PERFORMED

FINDINGS

REVIEW OF BYLAWS AND MINUTES

9. Obtained a copy of the League's bylaws and determined that the League was operating substantially within them.

We noted the League 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.

We obtained CYSA Bylaws and League Rules and Guidance

10. Determined that the recorded league registration was documented with the State.

Per California Attorney General website, the League caught up through 2016 on its RRF-1 Registration Renewal filings in April 2018 but remains in delinquent status.

We recommend that the League file 2017 and 2018 renewals if not already done.

11. Reviewed the League's board minutes for the last twelve months.

The League has prepared 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 League provided us with Certificates of Insurance with \$1 million liability coverage, (\$5 million aggregate) latest expiring April 2020, also covering the City of Coachella as an additional insured.

ADDITIONAL

13. Traced payments for use of city facilities to League documents. Payments were identified in League documents.

APPENDIX A – MOU REFERENCE

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

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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