

CITY OF COACHELLA

**REPORT ON THE AUGUST 2017 – JULY 2018 FINANCIAL AUDIT OF
COACHELLA VALLEY SOCCER LEAGUE
PROVIDED NOVEMBER 2019**

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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 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 Valley Soccer League (CVSL)

Grade: A- Excellent with noted exceptions. We observed evidence of strong average organizational formation, tax compliance efforts, and financial records preparation. As noted in our procedures performed and findings, significant items to address include consideration of more frequent than annual accounting and reporting (Procedure 3) and recommended bylaws amendment (Procedure 9).

PROCEDURES PERFORMED AND FINDINGS – CVSL

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

PROCEDURES PERFORMED

INTERNAL CONTROLS

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.

We reviewed, summarized and analyzed financial records provided. Key records were:

- Rabobank bank statements for August 2017 to July 2018 and transaction documents for the period
- QuickBooks financial statements covering August 2017 to July 2018

2. Determined that fundraising activities were in line with the League's bylaws and properly monitored.

We inquired about fundraising practices and a sample transaction.

FINANCIAL REPORTING

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.

We reviewed the balance sheet (net position) and income and expense statement for fiscal year ending July 2018.

FINDINGS

We found the QuickBooks annual financial reporting to be sound. Financial transactions appeared well classified and reported in an organized fashion as prepared *annually* by the League's outside tax preparer from spreadsheet activity recorded by the Treasurer. The League reported that its tax preparer also reconciles the bank account.

While good, this does not meet the full requirements of Treasurer duties per the League bylaws. The bylaws require documenting expenses jointly with the President and monthly financial reporting to the Board of Directors.

Also, the bylaws require the Treasurer to jointly sign checks with the President, which was not done during the period.

We recommend the League consult with its tax preparer for assistance with implementing Treasurer duties per its bylaws. Treasurer implementation of directly using QuickBooks at the League can assist with this.

No Internal Revenue Code violations were observed in fundraising activities.

Monthly / quarterly financial reports are not prepared. Please see Procedure 1 on financial recording and annual reporting.

PROCEDURES PERFORMED

FINDINGS

4. Tested the income statement items on a test basis to determine that transactions were recorded properly.
We reviewed financial statements, bank records, deposit slips, and registration records and inquired about procedures.

The League reports that its practice is to deposit all cash and pay all expenses by check or debit card.

The League reports that the Treasurer tracks unpaid dues to ensure payment.
No exception noted.

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

The League provided supporting documentation for its checking activity.
No exception noted.

The League has transaction support in its scanned files. We recommend naming these files by month and systematically retaining for the document retention period as required by MOU, including any backup procedures for reliably storing data.

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

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.

REGISTRATIONS AND TAX FILINGS

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

No exception noted.

We obtained a copy of the League's prepared 2017 Form 990-EZ (for fiscal year ending July 2018) and the prepared California electronic filing authorization form.

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).

The League 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).

We verified that the League is listed on the California Franchise Tax Board's list of tax-exempt organizations.

PROCEDURES PERFORMED

FINDINGS

REVIEW OF BYLAWS AND MINUTES

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

If not implemented already, we recommend implementing these prior financial audit findings regarding bylaws:

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.

We also recommend adding a conflict of interest section to its bylaws as appropriate for a nonprofit organization.

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

At the California Attorney General Website, we determined that the League is in current status through 2018 RRF-1 Registration Renewal filing.

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

The League 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 League provided us with Certificates of Insurance with \$1 million liability coverage, (\$2 million aggregate) latest expiring October 2019, also covering the City of Coachella as an additional insured.

ADDITIONAL

13. Traced payments for use of city facilities to League records.

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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