

**CITY OF COACHELLA**

**REPORT ON THE 2018 FINANCIAL AUDIT OF  
COACHELLA LITTLE ARABS YOUTH FOOTBALL  
PROVIDED NOVEMBER 2019**

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EXECUTIVE SUMMARY

We were engaged to perform a financial audit of CLAYF (legally Coachella Youth Football, Inc.) 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 key recommendations appropriate to small volunteer organizations and the status of the League's current financial reporting system that assist them in complying with their agreements and bylaws as well as any government requirements.

Grade below is judgmental as requested by the City.

**Coachella Little Arabs Youth Football (CLAYF)**

CLAYF provided very limited information. As described in our report, CLAYF provided limited financial reporting and operational information.

**Grade: D (Poor)** – While CLAYF provided certain bank statements and transaction information for 2018 in the biennial audit period, it did not provide the following key items (plus others as described in the procedures and findings): minutes, financial statements, most responses to our inquiries, and nonbank cash and noncash activity.

**PROCEDURES PERFORMED AND FINDINGS – CLAYF**

Results of the steps taken for the financial audit of CLAYF 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 the April-December 2018 U.S. Bank statements provided, related manual transaction journal and some expense and receipts support provided. (CLAYF prior financial audit covered 2015 and earlier when a Chase Bank account was used.) No response from our inquiries was received.

**FINDINGS**

- Beginning and ending cash for the period per April and December 2018 bank statements agreed with manual journal. Ending cash agreed with prepared Federal tax form. No support was provided for beginning cash per tax form of \$1,365 compared to beginning cash at approximately April of \$244, recorded as from car wash proceeds.  
No information was provided on who prepares and reviews cash activity and Board reporting.  
We recommend the League provide sufficient information on its financial activity and operations to the City for its biennial financial audit, including information on any Board reporting and who is recording and reviewing.

2. Determined that fundraising activities were in line with the League's bylaws and properly monitored.  
We reviewed a sample donation documentation provided.

The League operates under the umbrella of American Youth Football, Inc. for its fundraising activities.

**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 received no documents beyond those reviewed at Procedure 1 for this procedure.

The League provided no financial reporting beyond the informal transaction listing and tax form discussed at Procedure 1.  
We recommend the League implement QuickBooks accounting to enable professional financial 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, transaction support, registration records, and inquired about procedures.

It is unknown if the League deposits all cash and pays all expenses via the checking account or collects all registration fees due.

We recommend the League adopt a policy to deposit all cash, including any cash donations and concession revenue. We recommend implementing a system that ensures collection of any receipts due. Non-cash donations should also be recorded, by which the League's tax preparer can assist.

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

We reviewed transaction supporting documentation provided for the period.

We were unable to assess the completeness of recorded transactions.

We recommend implementation of above recommendations to assist with this.

**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.

The League operates under the umbrella of American Youth Football, Inc. for its tax exempt functions.

**REGISTRATIONS AND TAX FILINGS**

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

Federal and California filings for 2018 were prepared.

See Procedure 10 regarding California Attorney General registration.

We obtained a copy of the League's 2018 prepared Federal Form 990-EZ and California electronic filing authorization form for Form 199 filing.

8. Determined the League had both tax-exempt determination letters from the Federal government as a 501(c)(3) and the Franchise Tax Board (23701d).

We did not receive correspondent tax exempt letter.

**REVIEW OF BYLAWS AND MINUTES**

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

The League's bylaws lacked a conflict of interest policy and the formal duties of officers, including Secretary duties regarding minutes and Treasurer duties regarding accounting and financial reporting to ensure compliance with its MOU with the City. We recommend adding these items to its bylaws.

We obtained CLAYF Bylaws from prior financial audit and California Attorney General filing.

**PROCEDURES PERFORMED**

**FINDINGS**

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

Per California Attorney General website, the League filed its initial charitable registration in 2013; however, it has failed to comply with requirements since then and is in delinquent status.

We recommend the League file the required RRF-1 renewal forms from 2014 along with other documentation required by the California Attorney General.

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

No minutes were supplied.

We recommend the League conduct required meetings that are to be documented in the board minutes.

**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 expiring June 2020, also covering the City of Coachella as an additional insured.

**ADDITIONAL**

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

No payments to the City were noted in the League's April-December 2018 transaction journal.

## 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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