



03/22/2021

Schutte & Hilgendorf, PLLC

2086 Willow Creek Road

Prescott, Arizona 86301

This representation letter is provided in connection with your audit of the financial statements of Yavapai Big Brothers Big Sisters, which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date above, the following representations made to you during your audit.

#### **Financial Statements**

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 15, 2020, including our responsibility for the preparation and fair presentation of the financial statements.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.



- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related-party relationships and transactions have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- 8) We are in agreement with the adjusting journal entries you have proposed, and they will be posted to the Organization's accounts
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Significant estimates and material concentrations have been appropriately disclosed in accordance with U.S. GAAP.
- 11) Guarantees, whether written or oral, under which the organization is contingently liable, have been properly recorded or disclosed in accordance with U.S. GAAP.

#### **Information Provided**

- 12) We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
  - b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the governing board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 13) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 14) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



- 15) We have no knowledge of any fraud or suspected fraud that affects the organization and involves:
- a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
- 16) We have no knowledge of any allegations of fraud or suspected fraud affecting the organization's financial statements communicated by employees, former employees, grantors, regulators, or others.
- 17) We have no knowledge of any instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
- 18) We have disclosed to you all known actual or possible litigation, claims, and assessment whose effects should be considered when preparing the financial statements.
- 19) We have disclosed to you the identity of the Organization's related parties and all the related-party relationships and transactions of which we are aware.
- 20) The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 21) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 22) We have implemented the following Accounting Standards Updates (ASUs) during the audit period:
- a) ASU No. 2014-09 – Revenue from Contracts with Customers (Topic 606), which amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, as well as other disclosures.



- b) ASU No. 2018-08 - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made, was issued by the FASB in June 2018. The purpose of the ASU is to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

We have implemented the new accounting standard(s) in accordance with the transition guidance prescribed in the ASUs. We have sufficient and appropriate documentation supporting all estimates and judgments underlying the amounts recorded and disclosed in the financial statements.

23) Yavapai Big Brothers Big Sisters is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the Organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up-to-date.

24) As part of your audit, you assisted with preparation of the financial statements and related notes. In regard to this non-attest service performed by you, we have—

- Assumed all management responsibilities.
- Designated individuals who have suitable skills, knowledge, or experience to oversee the services.
- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_



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**WE ARE DEFENDERS OF POTENTIAL. Visit us at [azbigs.org](http://azbigs.org).**  
3208 Lakeside Village Drive, Prescott 928.778.5135 | 830 S. Main St. #1H, Cottonwood 928.634.9789



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- Designated individuals who have suitable skills, knowledge, or experience to oversee the services.
- Evaluated the adequacy and results of the services performed.
- Accepted responsibility for the results of the services.

Signed:  Date: 03/22/2021

Title: Executive Director



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Client: **Yavapai Big Brothers Big Sisters**  
Engagement: **FY2020 Audit**  
Period Ending: **06/30/2020**  
Workpaper: **Adjusting Journal Entries Report**

Account	Description	Debit	Credit
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#### Adjusting Journal Entries JE # 1

To reconcile beginning net asset balances to the audited financials as of 06/30/2019.

1670	Software	2,695.00	
3000	Opening Balance Equity	5,509.29	
7625	Bad Debt Expense	1,800.00	
1200	Accounts Receivable		7,309.29
1640	Accum Deprec - Building		573.00
3010	Unrestricted Net Assets		1,941.00
7620	General/Misc.		181.00
<b>Total</b>		<b>10,004.29</b>	<b>10,004.29</b>

#### Adjusting Journal Entries JE # 2

To adjust the present value discount on long-term pledges.

1270	Discounts - Long-Term Pledges	1,437.00	
4010	Individual Contributions		1,437.00
<b>Total</b>		<b>1,437.00</b>	<b>1,437.00</b>

#### Adjusting Journal Entries JE # 3

Record ACF activity for the year ended June 30, 2020.

4040	Foundation	4,900.00	
7270	Investment Fees	1,053.00	
7630	Unrealized Gain (Loss)	3,629.00	
1460	ACF BOD Endowment		7,160.00
7650	Dividends & Interest		2,422.00
<b>Total</b>		<b>9,582.00</b>	<b>9,582.00</b>

#### Adjusting Journal Entries JE # 4

Adjust inventory to amounts held at 06/30/2020.

4210	Gala	3,193.00	
1410	Inventories from Auction		3,193.00
<b>Total</b>		<b>3,193.00</b>	<b>3,193.00</b>

#### Adjusting Journal Entries JE # 5

To record accrued payroll as of 06/30/2020 (for the 06/14/20120 - 06/30/2020 payroll that was paid on 07/03/2020).  
REVERSE 07/01/2020.

6650	ER Payroll Taxes	2,514.00	
6680	Accrued Payroll Expense	33,697.00	
2610	Accrued Payroll		36,211.00
<b>Total</b>		<b>36,211.00</b>	<b>36,211.00</b>

#### Adjusting Journal Entries JE # 6

Adjust accrued paid leave to actual as of 06/30/20.

2620	Accrued Paid Leave	2,472.00	
6680	Accrued Payroll Expense		2,472.00
<b>Total</b>		<b>2,472.00</b>	<b>2,472.00</b>

**Adjusting Journal Entries JE # 7**

To adjust the allowance for doubtful accounts to reserve for accounts written off in FY2021 as of 06/30/2020.

1215	Doubtful Accounts Allowance	4,109.00	
7625	Bad Debt Expense	14,681.00	
1260	Doubtful Pledges Allowance		18,790.00
<b>Total</b>		<b>18,790.00</b>	<b>18,790.00</b>

**Adjusting Journal Entries JE # 8**

To record prepaid insurance. REVERSE 07/01/2020

1450	Prepaid Expenses	6,555.00	
6030	Insurance (Non-EE Related)		6,555.00
<b>Total</b>		<b>6,555.00</b>	<b>6,555.00</b>

**Adjusting Journal Entries JE # 9**

To correct reversal of prior year prepaid workers comp accrual.

6660	Workers' Comp	2,245.50	
1450	Prepaid Expenses		2,245.50
<b>Total</b>		<b>2,245.50</b>	<b>2,245.50</b>

**Adjusting Journal Entries JE # 10**

To record prepaid workers' comp insurance. REVERSE 07/01/2020

1450	Prepaid Expenses	1,187.00	
6660	Workers' Comp		1,187.00
<b>Total</b>		<b>1,187.00</b>	<b>1,187.00</b>

**Adjusting Journal Entries JE # 11**

To reverse the prior year retirement plan accrual.

2740	IRA Retirement Payable	2,597.00	
6630	ER Pension Plan Contributions		2,597.00
<b>Total</b>		<b>2,597.00</b>	<b>2,597.00</b>

**Adjusting Journal Entries JE # 12**

To record current year depreciation expense.

6210	Depreciation/Amortization	21,724.00	
1640	Accum Deprec - Building		21,724.00
<b>Total</b>		<b>21,724.00</b>	<b>21,724.00</b>

**Adjusting Journal Entries JE # 13**

To record employee contributions to YBBBS as contribution revenue.

2770	Charitable Contribution Payable	840.40	
4010	Individual Contributions		840.40
<b>Total</b>		<b>840.40</b>	<b>840.40</b>

**Adjusting Journal Entries JE # 14**

To remove July 2020 bill for EMI Insurance. REVERSE 07/01/2020.

2000	Accounts Payable	6,985.47	
2730	Health Insurance Payable		6,985.47
<b>Total</b>		<b>6,985.47</b>	<b>6,985.47</b>

**Adjusting Journal Entries JE # 15**

To remove payroll-related liabilities that were not valid as of 06/30/2020

2600	Payroll Liabilities	7,593.42	
2700	Life Insurance Payable	488.80	
2710	Dental Benefit Payable	1,731.00	
6640	EE Benefits (Not Pension)	9,951.96	
2730	Health Insurance Payable		19,765.18
<b>Total</b>		<b>19,765.18</b>	<b>19,765.18</b>

**Adjusting Journal Entries JE # 16**

To record in-kind expenses

5010	BFKS Indirect Expense	2,906.50	
6050	Misc. Program Expense	2,803.00	
7510	Gala Expense	81,827.60	
4110	Gifts in Kind - Goods		87,537.10
<b>Total</b>		<b>87,537.10</b>	<b>87,537.10</b>

**Adjusting Journal Entries JE # 17**

To accrue payments due on TIAA lease through June 30, 2020.

7260	Equipment Rental & Maintenance	3,885.60	
2000	Accounts Payable		3,885.60
<b>Total</b>		<b>3,885.60</b>	<b>3,885.60</b>

**Adjusting Journal Entries JE # 18**

To move revenue associated with outstanding event receivables to deferred revenue (as events were rescheduled to FY2021). REVERSE 07/01/2020.

4230	BFKS	6,500.00	
2050	Deferred Revenue		6,500.00
<b>Total</b>		<b>6,500.00</b>	<b>6,500.00</b>

**Adjusting Journal Entries JE # 19**

To recognize prior year deferred revenue.

2050	Deferred Revenue	10,000.00	
4210	Gala		10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>10,000.00</b>

**Adjusting Journal Entries JE # 20**

To record loan fees and adjust loan balance to actual for disclosure purposes.

6870	Bank, Credit & Interest Fees	100.00	
2820	EIDL Loan		100.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>

We approve of the above journal entries and agree to record them to our financial system as of 06/30/2020.



Erin Mabery, Executive Director

March 22, 2021

Date

Steve Beals, Bookkeeper

Date

## GOVERNANCE LETTER

March 22, 2021

To the Board of Directors of  
Yavapai Big Brothers Big Sisters, Inc.

We have audited the financial statements of Yavapai Big Brothers Big Sisters, Inc. for the year ended June 30, 2020, and we have issued our report thereon dated March 22, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 15, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Yavapai Big Brothers Big Sisters, Inc. are described in Note 1 to the financial statements.

As described in Note 1, the Organization adopted ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2014-09 is intended to clarify the principles for recognizing revenue from contracts with customers. ASU 2018-08 is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. All ASUs have been applied retroactively to all periods presented.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the unconditional promises to give is based on a discount rate of 4%, determined by current borrowing rates and market condition. We evaluated the key factors and assumptions used to develop the discount rate and allowance in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciable lives of assets is based upon typical service lives of similar assets. We evaluated the key factors and assumptions used to develop the depreciable lives of assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of **Endowments in Note 6** to the financial statements describes both the Organization's interpretation of relevant laws, investment strategies, and the actual balances and return on Endowments for the current and prior year. In fiscal year 2013 the Organization transferred \$338,733 in endowment funds to the Yavapai Big Brothers Big Sisters Foundation ("The Foundation"). The Organization still has ownership of \$99,210 of permanent endowment funds held by the Arizona Community Foundation.
- The disclosure of **Current Vulnerability Due to Certain Concentrations in Note 18** to the financial statements calls attention to the fact that the Organization relies heavily on support from key donors, board members, and grants from affiliated organizations.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. A summary of recorded adjustments is attached to this letter.

The most notable adjustments made during the audit were:

- |   |          |
|---|----------|
| • To adjust beginning fund balances to 2019 issued financial statements | \$10,004 |
| • To record ACF activity for the fiscal year ended June 30, 2020        | \$ 9,582 |
| • To record accrued payroll   | \$36,211 |
| • To adjust the allowance for doubtful accounts                         | \$18,790 |
| • To record current year depreciation expense                           | \$21,724 |
| • To remove payroll related liabilities that are not valid at 06/30/20  | \$19,765 |
| • To record in-kind contributions and expenses                          | \$87,537 |
| • To adjust the balance of time and purpose donor-restricted net assets | \$39,758 |

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated March 22, 2021.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Organization’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

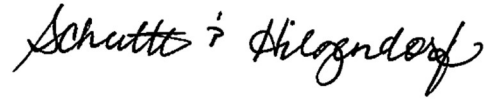
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

This information is intended solely for the use of the Board of Directors and management of Yavapai Big Brothers Big Sisters, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Schutte & Hilgendorf", written in a cursive style.

Schutte & Hilgendorf, PLLC



Client: **Yavapai Big Brothers Big Sisters**  
Engagement: **FY2020 Audit**  
Period Ending: **06/30/2020**  
Workpaper: **Adjusting Journal Entries Report**

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1260	Doubtful Pledges Allowance		18,790.00
<b>Total</b>		<b>18,790.00</b>	<b>18,790.00</b>

**Adjusting Journal Entries JE # 8**

To record prepaid insurance. REVERSE 07/01/2020

1450	Prepaid Expenses	6,555.00	
6030	Insurance (Non-EE Related)		6,555.00
<b>Total</b>		<b>6,555.00</b>	<b>6,555.00</b>

**Adjusting Journal Entries JE # 9**

To correct reversal of prior year prepaid workers comp accrual.

6660	Workers' Comp	2,245.50	
1450	Prepaid Expenses		2,245.50
<b>Total</b>		<b>2,245.50</b>	<b>2,245.50</b>

**Adjusting Journal Entries JE # 10**

To record prepaid workers' comp insurance. REVERSE 07/01/2020

1450	Prepaid Expenses	1,187.00	
6660	Workers' Comp		1,187.00
<b>Total</b>		<b>1,187.00</b>	<b>1,187.00</b>

**Adjusting Journal Entries JE # 11**

To reverse the prior year retirement plan accrual.

2740	IRA Retirement Payable	2,597.00	
6630	ER Pension Plan Contributions		2,597.00
<b>Total</b>		<b>2,597.00</b>	<b>2,597.00</b>

**Adjusting Journal Entries JE # 12**

To record current year depreciation expense.

6210	Depreciation/Amortization	21,724.00	
1640	Accum Deprec - Building		21,724.00
<b>Total</b>		<b>21,724.00</b>	<b>21,724.00</b>

**Adjusting Journal Entries JE # 13**

To record employee contributions to YBBBS as contribution revenue.

2770	Charitable Contribution Payable	840.40	
4010	Individual Contributions		840.40
<b>Total</b>		<b>840.40</b>	<b>840.40</b>

**Adjusting Journal Entries JE # 14**

To remove July 2020 bill for EMI Insurance. REVERSE 07/01/2020.

2000	Accounts Payable	6,985.47	
2730	Health Insurance Payable		6,985.47
<b>Total</b>		<b>6,985.47</b>	<b>6,985.47</b>

**Adjusting Journal Entries JE # 15**

To remove payroll-related liabilities that were not valid as of 06/30/2020

2600	Payroll Liabilities	7,593.42	
2700	Life Insurance Payable	488.80	
2710	Dental Benefit Payable	1,731.00	
6640	EE Benefits (Not Pension)	9,951.96	
2730	Health Insurance Payable		19,765.18
<b>Total</b>		<b>19,765.18</b>	<b>19,765.18</b>

**Adjusting Journal Entries JE # 16**

To record in-kind expenses

5010	BFKS Indirect Expense	2,906.50	
6050	Misc. Program Expense	2,803.00	
7510	Gala Expense	81,827.60	
4110	Gifts in Kind - Goods		87,537.10
<b>Total</b>		<b>87,537.10</b>	<b>87,537.10</b>

**Adjusting Journal Entries JE # 17**

To accrue payments due on TIAA lease through June 30, 2020.

7260	Equipment Rental & Maintenance	3,885.60	
2000	Accounts Payable		3,885.60
<b>Total</b>		<b>3,885.60</b>	<b>3,885.60</b>

**Adjusting Journal Entries JE # 18**

To move revenue associated with outstanding event receivables to deferred revenue (as events were rescheduled to FY2021). REVERSE 07/01/2020.

4230	BFKS	6,500.00	
2050	Deferred Revenue		6,500.00
<b>Total</b>		<b>6,500.00</b>	<b>6,500.00</b>

**Adjusting Journal Entries JE # 19**

To recognize prior year deferred revenue.

2050	Deferred Revenue	10,000.00	
4210	Gala		10,000.00
<b>Total</b>		<b>10,000.00</b>	<b>10,000.00</b>

**Adjusting Journal Entries JE # 20**

To record loan fees and adjust loan balance to actual for disclosure purposes.

6870	Bank, Credit & Interest Fees	100.00	
2820	EIDL Loan		100.00
<b>Total</b>		<b>100.00</b>	<b>100.00</b>

Client: **Yavapai Big Brothers Big Sisters, Inc.**  
Engagement: **FY2020 Audit**  
Period Ending: **06/30/2020**  
Workpaper: **Reclassifying Journal Entries Report**

Account	Description	Debit	Credit
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#### Reclassifying Journal Entries JE # 201

To reclassify receivable balances for presentation purposes.  
DO NOT NEED TO BOOK. PRESENTATION ONLY.

1210	Pledges Receivable	32,940.00	
1275	Events and Other Receivables	6,500.00	
1280	Grants Receivable	55,428.23	
1200	Accounts Receivable		94,868.23
<b>Total</b>		<b>94,868.23</b>	<b>94,868.23</b>

#### Reclassifying Journal Entries JE # 202

To reclassify prepaid payroll taxes for presentation purposes.  
DO NOT NEED TO BOOK. PRESENTATION ONLY.

1200	Accounts Receivable	6,210.15	
2610	Accrued Payroll	2,514.00	
2630	Fed W/H Payable		2,798.00
2640	FICA Payable		4,058.10
2650	Medicare Payable		949.14
2660	State Withholding Payable		918.91
<b>Total</b>		<b>8,724.15</b>	<b>8,724.15</b>

#### Reclassifying Journal Entries JE # 203

To reclassify interest expense on the line of credit to the note interest account.  
DO NOT NEED TO BOOK. PRESENTATION ONLY.

7240	Mortgage/Note Interest	4,597.46	
6870	Bank, Credit & Interest Fees		4,597.46
<b>Total</b>		<b>4,597.46</b>	<b>4,597.46</b>

#### Reclassifying Journal Entries JE # 204

To adjust the balance of temporarily restricted net assets as of 06/30/2020.

3020	Temp. Restricted Net Asset	39,758.00	
3010	Unrestricted Net Assets		39,758.00
<b>Total</b>		<b>39,758.00</b>	<b>39,758.00</b>



## INTERNAL CONTROL RELATED MATTERS

March 22, 2021

To the Board of Directors and Management of  
Yavapai Big Brothers Big Sisters, Inc.  
Prescott, Arizona

In planning and performing our audit of the financial statements of Yavapai Big Brothers Big Sisters, Inc. as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Yavapai Big Brothers Big Sisters, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in Yavapai Big Brothers Big Sisters, Inc.'s internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Yavapai Big Brothers Big Sisters, Inc.'s internal control to be significant deficiencies:

**2020\_1 Adjustments to Net Asset Accounts.** During the course of the audit, we noted several adjustments to net asset accounts that caused net asset balances to be incorrect. It is important that net asset balances only be adjusted by net income or loss, and are not manually adjusted, unless required by an audit adjustment. Manually adjusting net asset balances results in what are, in effect, prior period adjustments to previously audited balances. If management believes that an adjustment to previously audited balances is required, we request that management bring that to our attention so that we can investigate it further. But, apart from audit adjustments, we recommend that manual adjustments not be made to net asset accounts.

**2020\_2 Health Insurance Payable.** During the audit, we noted a debit balance in the Health Insurance Payable liability account. To help mitigate misstatements, it is important to reconcile payroll accounts, specifically amounts actually paid and entries recorded in the financial system to ensure proper recording of amounts due and amounts expensed for payroll and payroll related purposes. We recommend reconciling payroll related transactions recorded in the financial system to those physically paid on a periodic basis to ensure correct recording of payroll and payroll related balances.

**2020\_3 Accounts Receivable Accounts.** In 2019 we recommended that the Organization consolidate receivable accounts for internal purposes. We noted during audit procedures that the Organization followed that recommendation and consolidated many receivable accounts within QuickBooks for internal reporting. The account Grants Receivable did carry a credit balance at June 30, 2020, which was reclassified during the audit. We recommend eliminating use of the Grants Receivable account for internal purposes as well going forward in order to simplify things.

**2020\_4 Tracking restricted funds.** Outside of grants, which are tracked separately, it does not appear that donor-restricted donations are being tracked. This increases the risk that restricted funds may be inadvertently spent outside the scope of the restriction. It is imperative that donor wishes be followed, and tracking donor-restricted donations helps to ensure that this requirement is met. We therefore recommend that all donor-restricted funds be tracked, and that such tracking contains the donation date, amount, donor, and the nature of the restriction. We also recommend that documentation be maintained for all donor-restricted donations to support the nature of the donation. When the restricted funds are spent, we recommend that the expenses be tracked in the same way. This will help to ensure that donor-restricted funds are spent in accordance with donor wishes.

**2020\_5 Reconciliation between Donor Perfect and QuickBooks.** In the prior year, we recommended that periodic reconciliations of outstanding pledges and receivables be performed between the Donor Perfect database and QuickBooks. We are pleased to report that this recommendation was also followed. As a result, no material adjustments to receivables were required during the current year audit. We would like to further recommend that periodic revenue reconciliation be performed between the Donor Perfect database and QuickBooks. We expect there to be reconciling items – such as cash received at an event that is below a threshold to be individually tracked. However, performing periodic reconciliations, documenting the reconciling items noted, and maintaining this documentation will not only ensure that items are being properly and consistently reported in both databases but will also simplify some of the work required for the audit as a reconciliation between the two systems will already exist.

We have summarized other internal control recommendations that have not been identified as significant deficiencies or material weaknesses in the attachment to this letter.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

**Nice To Haves**

1. During our audit of Bowl for Kid's Sake receivables, we requested a report showing pledges outstanding as of June 30, 2020, including the original pledge amount and any payments against the pledge as of year-end. The report we received appeared to pull data as of the date the report was run, rather than as of June 30, 2020. We recommend running the report on June 30 and retaining the report for the audit, and for the records of the Organization.
2. During our audit of investments, we discovered that changes in the ACF account balance, such as gains and losses, investment income, and withdrawals, were not recorded in the financial system of the Organization. To ensure accuracy in the reporting of financial records of the Organization, we recommend recording changes in account value on at least a quarterly basis and reconciling account balances to ACF provided statements.

Client: **Yavapai Big Brothers Big Sisters, Inc.**  
Engagement: **FY2020 Audit**  
Period Ending: **06/30/2020**  
Workpaper: **Reclassifying Journal Entries Report**

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We approve of the above journal entries and agree to record them to our financial system, if needed, as of June 30, 2020.

  
Erin Mabery, Executive Director

3/22/2021

Date

Steve Beals, Bookkeeper

Date