

South Central CASA of Oklahoma, Inc.

Financial Statements

For the Year Ended June 30, 2020

With Report of Certified Public Accountants



PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Founded in 1954

INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Central CASA of Oklahoma, Inc.

We have audited the accompanying financial statements of South Central CASA of Oklahoma, Inc. (an Oklahoma nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, the related statement of activities and changes in net assets, statement of 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.

Auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of South Central CASA of Oklahoma, Inc. as of June 30, 2020, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2020, on our consideration of South Central CASA of Oklahoma, Inc.'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 South Central CASA of Oklahoma, Inc.'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 South Central CASA of Oklahoma, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Peters & Chandler".

CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
October 12, 2020

South Central CASA of Oklahoma, Inc.**Statement of Financial Position
For the Fiscal Year Ended June 30, 2020**

	2020
<hr/>	
ASSETS	
Current Assets	
Cash	\$ 112,288
Contributions Receivable	74,243
Prepaid Expenses	3,185
	<hr/>
Total Current Assets	189,716
Property and Equipment - Net	12,474
Certificates of Deposit	112,039
Beneficial Interest in Assets Held by Others	9,329
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Total Assets	<u>\$ 323,558</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	372
Accrued Payroll Expenses and Liabilities	28,595
PPP Loan	64,400
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Total Current Liabilities	93,367
Net Assets	
Without Donor Restrictions	164,344
With Donor Restrictions	65,847
	<hr/>
Total Net Assets	230,191
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Total Liabilities and Net Assets	<u>\$ 323,558</u>

The accompanying notes are an integral part of these financial statements.

South Central CASA of Oklahoma, Inc.

Statement of Activities

For the Fiscal Year Ended June 30, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
Support and Revenue			
Contributions			
United Way	\$ 67	\$ 5,847	\$ 5,914
Government	190,542	60,000	250,542
Oklahoma CASA Association	65,534	-	65,534
Individuals	36,535	-	36,535
Organizations/Foundation	14,733	-	14,733
Interest Income	3,094	-	3,094
Change in Value of Beneficial Interest in Assets Held by Others	311	-	311
Miscellaneous Income	2,101	-	2,101
Net Assets Released from Restrictions	68,397	(68,397)	-
Total Support and Revenue	381,314	(2,550)	378,764
Program and Supporting Expenses			
Program	344,283	-	344,283
Supporting	62,507	-	62,507
Fundraising	15,902	-	15,902
Total Program and Supporting Expenses	422,692	-	422,692
Change in Net Assets	(41,378)	(2,550)	(43,928)
Net Assets - Beginning of Year	205,722	68,397	274,119
Net Assets - End of Year	\$ 164,344	\$ 65,847	\$ 230,191

The accompanying notes are an integral part of these financial statements.

South Central CASA of Oklahoma, Inc.
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2020

	PROGRAM EXPENSE	SUPPORTING EXPENSE	FUNDRAISING EXPENSE	TOTAL EXPENSE
Salaries	\$ 223,451	\$ 43,754	\$ 11,482	\$ 278,687
Payroll Taxes	17,984	3,521	924	22,429
Employee Benefits	29,949	5,864	1,539	37,352
Total Salaries and Related Expenses	271,384	53,139	13,945	338,468
Appreciation & Support	7,612	1,050	87	8,749
Depreciation	2,451	338	28	2,817
Dues & Subscriptions	7,102	980	82	8,164
Equipment & Furniture	520	72	6	598
Fundraising	-	-	1,177	1,177
Insurance	6,254	863	72	7,189
Operational Expenses	8,921	1,230	103	10,254
Professional Services	16,767	2,313	193	19,273
Payroll Fees	3,603	497	41	4,141
Public Relations: Advertisement	717	99	8	824
Rent	11,254	1,552	129	12,935
Training & Travel	1,409	194	16	1,619
Volunteer Training	4,984	-	-	4,984
Website	1,305	180	15	-
	72,899	9,368	1,957	84,224
Total Expenses Included in the Expense Section on the Statement of Activities	\$ 344,283	\$ 62,507	\$ 15,902	\$ 422,692

The accompanying notes are an integral part of these financial statements.

South Central CASA of Oklahoma, Inc.**Statement of Cash Flows
For Fiscal Year Ended June 30, 2020**

	<u>2020</u>
Cash Flows From Operating Activities:	
Change in Net Assets	\$ (43,928)
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by (Used for) Operating Activities:	
Depreciation Expense	2,817
Change in Beneficial Interest in Assets Held by Others	163
Changes in Operating Assets and Liabilities:	
Contributions and Grants Receivable	28,505
Prepaid Expenses and Other Assets	(822)
Accounts Payable	(11,969)
Accrued Payroll	<u>(1,267)</u>
Net Cash Used for Operating Activities	<u>17,427</u>
Cash Flows From Investing Activities:	
Change in Value of CD	<u>(3,095)</u>
Net Cash Provided by (Used for) Investing Activities	<u>(3,095)</u>
Cash Flows from Financing Activities	
Proceeds from PPP Loan	<u>64,400</u>
Net Cash Used in Financing Activities	<u>64,400</u>
Net Change in Cash and Cash Equivalents	34,804
Cash and Cash Equivalents, Beginning of Year	<u>77,484</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 112,288</u></u>

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Cleveland County CASA, Inc. was incorporated on October 31, 1984 as a nonprofit service organization. In December 2017, Cleveland County CASA, Inc. amended their certificate of incorporation changing their name to South Central CASA of Oklahoma, Inc. (the Organization). The Organization was formed to recruit, screen and train members of the local community to serve as court-appointed special advocates for victims of child abuse and neglect in Cleveland, McClain, and Garvin Counties. The children served are wards of the District Court and are placed in the custody of the Oklahoma Department of Human Services for placement and treatment services. The organization receives revenue and support from federal, State of Oklahoma and local government funding sources, United Way funding and miscellaneous other contributions.

CASH AND CASH EQUIVALENTS

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

CONTRIBUTIONS RECEIVABLE

Contributions and grants receivable, including unconditional promises to give, are recognized as revenues in the period received by the Organization. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. The allowance for uncollectable contributions receivable is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Contributions receivable are written off when deemed uncollectible.

PROPERTY AND EQUIPMENT

Property and equipment additions with a useful life of one year or greater with a cost of \$5,000 or greater are recorded at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of the assets ranging from three to ten years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2020.

CERTIFICATES OF DEPOSIT

Certificates of deposit are recorded at cost plus interest earned. The Organization has a certificate of deposit that matures on July 1, 2026 and earns an interest rate of 2.8%. The Organization evaluates interest rates as well as financial stability in determining the most appropriate financial institutions in which to purchase certificates of deposit.

BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

During 2006, the Organization established an endowment fund that is perpetual in nature (the fund) under Communities Foundation of Oklahoma (CFO) and named South Central CASA of Oklahoma, Inc. as beneficiary. The Organization granted variance power to the CFO, which allows the CFO to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgment of the CFO's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The fund is held and invested by the CFO for the benefit of the Organization and is reported at fair value in the statement of financial position, with changes in fair value and management fees recognized in the statement of activities. Distributions received are reflected as reductions to the beneficial interest in assets held. For the year ended June 30, 2020, the Organization received \$474 as a distribution from the Organization's funds held at CFO.

In addition to the funds discussed above, the CFO maintains other assets that have been contributed by various donors to the CFO for the benefit of the Organization. Annually, distributions from these funds are paid to the Organization according to CFO's spending policies. For the year ended June 30, 2020, the Organization received \$241 which is included in contribution revenue in the statement of activities.

NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are available for use in general operations and not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor

restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

REVENUE RECOGNITION

Unconditional promises to give are recognized as revenue in the period received and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. All contributions are available for use without donor restriction unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as an increase in net assets with donor restriction by the nature of the restriction.

IN-KIND CONTRIBUTIONS

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

ADVERTISING EXPENSE

Advertising costs are expensed as incurred, and approximated \$824 during the year ended June 30, 2020.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain categories of expenses are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include Appreciation & Support, Depreciation, Dues & Subscriptions, Equipment & Furniture, Insurance, Operational Expense, Professional Services, Payroll Fees, Public Relations, Rent, Training & Travel, and Website which are allocated on a square footage basis, as well as Salaries and Related Payroll Expenses which are allocated on the basis of estimated payroll hours.

INCOME TAXES

The Organization is organized as an Oklahoma nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3). The Organization is required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS annually. In addition, the Organization is subject to income tax on net income that is derived from business activities that is unrelated to its exempt purpose. The Organization has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

FINANCIAL INSTRUMENTS AND CREDIT RISK

The Organization manages deposit concentration risk by placing cash and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Organization's mission.

RECLASSIFICATIONS

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported total net assets.

RECENT ACCOUNTING PRONOUNCEMENTS

Adopted

In May 2014, the FASB issued an accounting standard classified under FASB ASC Topic 606, *Revenue from Contracts with Customers*. This accounting standard generally replaces existing guidance by requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This accounting standard applies to all contracts with customers, except those that are within the scope of other Topics in the FASB ASC. Subsequently, the FASB issued amendments to this accounting standard that provided further clarification. These standards amending FASB ASC Topic 606 were effective for annual reporting periods beginning after December 15, 2018. The Organization adopted these accounting standard updates on July 1, 2019 using the modified retrospective approach. The Organization's revenues are generated from contributions, which is outside the scope of Topic 606.

South Central CASA of Oklahoma, Inc.
Notes to Financial Statements

In June 2018, the FASB issued an accounting standard classified under FASB ASC Topic 958, “*Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*”. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. This standard was effective for the Organization for the year ending June 30, 2020. The Organization has implemented the provisions of ASU 2018-08 under the modified prospective basis. Accordingly, there is no effect on net assets in connection with the implementation.

Not Yet Adopted

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*. ASU 2018-13 removes, modifies and adds disclosure requirements on fair value measurements. ASU 2018-13 will be effective for the Organization for the year ended June 30, 2021. Management is evaluating the impact this will have on the Organization’s financial statements.

In February 2016, the FASB issued amended guidance for the treatment of leases. The guidance requires lessees to recognize a right-of-use asset and a corresponding lease liability for all operating and finance leases with lease terms greater than one year. The guidance also requires both qualitative and quantitative disclosures regarding the nature of the Organization’s leasing activities. The guidance will initially be applied using a modified retrospective approach. The amendments in the guidance will be effective for the year ending June 30, 2023. Early adoption is permitted. Management is evaluating the impact of the amended lease guidance on the Organization’s financial statements.

SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 12, 2020, the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following:

Cash	\$ 112,288
Contributions Receivable without Donor Restriction	8,396
Distributions from beneficial interests in assets held by others	474
	<u>\$ 121,158</u>

The organization also has a Certificate of Deposit classified as a long-term asset. These funds are not donor restricted but are set aside by the Board as a reserve to cover expenses in the event the organization experiences a short-term decrease in contributions.

NOTE 3 – FAIR VALUE MEASUREMENTS

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

The fair values of beneficial interests in charitable and perpetual trusts are determined by us using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. The fair value of our beneficial interest in assets held by the community foundation is based on the fair value of fund investments as reported by the community foundation. These are considered to be Level 3 measurements.

The following table presents assets measured at fair value on a recurring basis at June 30:

	2020		
	LEVEL 1	LEVEL 2	LEVEL 3
	INPUTS	INPUTS	INPUTS
Beneficial Interest in Assets Held by Others	\$ -	\$ -	\$ 9,329
	\$ -	\$ -	\$ 9,329

South Central CASA of Oklahoma, Inc.
Notes to Financial Statements

Below is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30:

	<u>2020</u>
Beginning Balance	\$ 9,492
Change in Value of Beneficial Interest Held by Others	311
Distributions	<u>(474)</u>
Ending Balance	<u><u>\$ 9,329</u></u>

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows at June 30:

	<u>2020</u>
Less Than One Year	\$ 74,243
One Year to Five Years	<u>-</u>
	<u><u>\$ 74,243</u></u>

For the year ended June 30, 2020, \$65,847 of total contributions receivable are comprised of donor restricted funds; \$60,000 is restricted for the use of salaries and \$5,847 is time restricted for the 2021 fiscal year.

NOTE 5 – PROPERTY AND EQUIPMENT – NET

Property and equipment consist of the following at June 30:

	<u>2020</u>
Office Furniture and Equipment	\$ 26,380
Less: Accumulated Depreciation	<u>(13,906)</u>
Property and Equipment - Net	<u><u>\$ 12,474</u></u>

South Central CASA of Oklahoma, Inc.
Notes to Financial Statements

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2020</u>
Subject to expenditure for specified purpose:	
Salary Expense	\$ 60,000
	<u>60,000</u>
Subject to the passage of time:	
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	5,847
	<u>5,847</u>
	<u>\$ 65,847</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors as follows for the year ended June 30:

	<u>2020</u>
Expiration of time restrictions	\$ 8,397
Satisfaction of purpose restrictions	
Salary Expense	60,000
	<u>\$ 68,397</u>

NOTE 7 – EMPLOYEE RETIREMENT BENEFIT PLAN

The Organization sponsors a modified SIMPLE IRA Plan (the Plan) qualified under IRC 403(b) covering substantially all full-time employees. The Plan provides that all employees are eligible to participate in the Plan upon the later of the Plan's effective date or the employee's date of hire and may voluntarily make salary reduction contributions to the Plan up to the maximum contribution allowed by the IRS. For each calendar year, the employer will contribute a matching contribution, as defined by the Plan, to each eligible employee's SIMPLE IRA. During the year end June 30, 2020, the Organization matched employee voluntary contributions up to 3%, resulting in employer matching contributions to the plan of \$8,552.

NOTE 8 – PPP LOAN

On April 20, 2020, the Organization obtained a loan pursuant to the Paycheck Protection Program under the CARES Act in an aggregate principal amount of \$64,400 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with certain months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration ("SBA"). The Organization intends to apply to the

lender for forgiveness of the PPP Loan, with the amount which may be forgiven equal to the sum of payroll costs, covered rent or mortgage obligations, and covered utility payments incurred by the Organization during the permitted period beginning on April 10, 2020, calculated in accordance with the terms of the CARES Act. The Organization's eligibility for the PPP Loan, expenditures that qualify toward forgiveness, and the final balance of the PPP Loan that may be forgiven are subject to audit and final approval by the SBA. To the extent that all or part of the PPP Loan is not forgiven, the Organization will be required to pay interest at 1.0% and, commencing in late 2020, interest payments will be required through the maturity date in April 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default, including if the SBA subsequently reaches an audit determination that the Organization does not meet the eligibility criteria.

NOTE 9 – RELATED PARTIES

Substantially all cash and loans are held at a local bank. An officer of the financial institution is also a member of the Organization's Board of Directors. The banking relationship predated the officer's membership on the board.

NOTE 10 – CONTINGENCIES

In early 2020, the COVID-19 pandemic resulted in federal stimulus to the economy, new regulatory mandatory paid leave, record unemployment filings, and losses in financial markets. The impact to the Organization's operations and future financial statements is not yet determinable.



PETERS & CHANDLER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Founded in 1954

**INDEPENDENT AUDITOR'S 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**

Board of Directors
South Central CASA of Oklahoma, Inc.

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 South Central CASA of Oklahoma, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statement of activities and changes in net assets, statement of 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 October 12, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Central CASA of Oklahoma, Inc.'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 South Central CASA of Oklahoma, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of South Central CASA of Oklahoma, Inc.'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 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify a deficiency in internal control that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central CASA of Oklahoma, Inc.'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*.

South Central CASA of Oklahoma, Inc.'s Response to Findings

South Central CASA of Oklahoma, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. South Central CASA of Oklahoma, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Oklahoma City, Oklahoma
October 12, 2020

South Central CASA of Oklahoma, Inc.
Schedule of Findings and Responses

<u>Finding:</u>	2020-1 (Repeat of Prior Year Finding 2019-1)
<u>Condition:</u>	The Organization does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with U.S. generally accepted accounting principles (GAAP). We noted that the organization had no monthly or annual financial statement close process, nor had management developed and communicated a standardized format and instructions for the financial reporting activities to be performed by the accounting personnel. We also noted that the organization's year-end financial statements contained a number of errors, inconsistencies, and omissions. Therefore, as a result, we proposed several material adjustments that were subsequently made by the organization, including recording interest income, accruals for payroll related liabilities, and revenues in the correct period. We believe that the cause of the errors, inconsistencies and omissions was inadequately designed control policies and procedures related to the preparation of the financial statements, including the recording of regularly occurring transactions and nonstandard transactions.
<u>Criteria:</u>	Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flows and disclosures in the financial statements, in conformity with GAAP. A key element of financial reporting is the ability of management to select and apply the appropriate accounting principles to prepare the financial statements in accordance with generally accepted accounting principles.
<u>Cause:</u>	The internal controls over financial reporting used by the Organization during fiscal year 2020 were not adequate to ensure that all transactions were recorded in accordance with GAAP.
<u>Effects:</u>	The financial statements and footnotes generated by management may be materially misstated and/or may be missing required disclosures. If the separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.
<u>Recommendations:</u>	We recommend that management assess its internal control system and implement additional financial reporting controls appropriate to the size and needs of the organization. We recommend that management hire a qualified accountant to develop and implement a monthly and annual financial statement close process and to prepare the financial statements. This accountant could also ensure all standard and nonstandard journal entries are properly recorded and ensure revenues and expenses are recorded in the proper periods.
<u>Response:</u>	Management will continue to develop and follow the procedures outlined in the Financial Operations Manual as recommended. Management has hired a qualified in-house employee who will be assuming responsibilities for recording transactions and creating monthly and annual financial statements. Management will also be looking to engage an outside accountant or CPA to assist with the closing of the monthly financials.