



SECOND STORY

**FINANCIAL STATEMENTS, SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS AND
INDEPENDENT AUDITORS' REPORTS**

For the Years Ended June 30, 2022 and 2021

**Second Story
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INDEPENDENT AUDITORS' REPORT

**To the Board of Directors
Second Story
Dunn Loring, Virginia**

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of **Second Story** (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Second Story** as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of **Second Story** and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of **Second Story** as of June 30, 2021 were audited by other auditors whose report dated January 25, 2022 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **Second Story's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **Second Story's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about **Second Story's** ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023 on our consideration of **Second Story's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the **Second Story'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 **Second Story's** internal control over financial reporting and compliance.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
January 20, 2023

SECOND STORY
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	2022	2021
Assets		
Cash	\$ 1,383,894	\$ 1,094,695
Cash, restricted funds held for others	541,473	461,390
Grants receivable	363,261	306,665
Pledges Receivable, net	445,675	368,493
Investments	2,624	7,859
Prepaid expenses	26,432	29,987
Property and equipment, net	599,706	644,580
Deposits	15,963	11,589
Total Assets	\$ 3,379,028	\$ 2,925,258
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 179,274	\$ 226,458
Funds held for others	11,024	11,072
Supplemental funding liability	230,940	258,031
Deferred Revenue	100,000	-
Notes payable	210,324	636,728
Accrued Leave	85,337	96,977
Total Liabilities	816,899	1,229,266
Net Assets:		
Without donor restrictions	1,993,464	1,235,759
Without donor restrictions, board designated	75,000	75,000
Total without donor restrictions	2,068,464	1,310,759
With donor restrictions	493,665	385,233
Total Net Assets	2,562,129	1,695,992
Total Liabilities and Net Assets	\$ 3,379,028	\$ 2,925,258

SECOND STORY
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Federal, state, and local grants	\$ 2,254,051	\$ -	\$ 2,254,051	\$ 2,207,371	\$ -	\$ 2,207,371
Contributions	1,337,474	277,203	1,614,677	1,144,036	87,100	1,231,136
In-kind contributions	489,959	-	489,959	507,355	-	507,355
Program service fees	3,456	-	3,456	20,764	-	20,764
Other income	397,603	-	397,603	11,331	-	11,331
Interest income and other income	560	-	560	1,979	-	1,979
Net assets released from restrictions:						
Satisfaction of donor restrictions	168,771	(168,771)	-	286,373	(286,373)	-
Total revenue and support	4,651,874	108,432	4,760,306	4,179,209	(199,273)	3,979,936
Expenses:						
Program services:						
Community Based Services	1,486,446	-	1,486,446	1,515,345	-	1,515,345
Second Story for Teens in Crisis	679,301	-	679,301	711,395	-	711,395
Second Story for Homeless Youth	698,085	-	698,085	706,492	-	706,492
Second Story for Young Mothers	368,324	-	368,324	378,930	-	378,930
Total program services	3,232,156	-	3,232,156	3,312,162	-	3,312,162
Supporting services:						
Fundraising	318,753	-	318,753	289,479	-	289,479
Management and general	343,260	-	343,260	272,479	-	272,479
Total supporting services	662,013	-	662,013	561,958	-	561,958
Total expenses	3,894,169	-	3,894,169	3,874,120	-	3,874,120
Change in net assets	757,705	108,432	866,137	305,089	(199,273)	105,816
Net assets, beginning of year	1,310,759	385,233	1,695,992	1,005,670	584,506	1,590,176
Net assets, end of year	\$ 2,068,464	\$ 493,665	\$ 2,562,129	\$ 1,310,759	\$ 385,233	\$ 1,695,992

See Accompanying Notes to Financial Statements
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SECOND STORY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	Community Based Services	Second Story for Teens in Crisis	Second Story for Homeless Youth	Second Story for Young Mothers	Total Program	Fundraising	Management and general	Total support	Total expenses
Bad debt expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,721	\$ -	\$ 34,721	\$ 34,721
Communications	24,343	3,619	9,850	7,907	45,719	4,449	11,676	16,125	61,844
Depreciation and amortization	-	-	-	-	-	-	44,874	44,874	44,874
Donated food, clothing and supplies	173,357	47,415	23,126	24,293	268,191	3,499	-	3,499	271,690
Donated professional services	32,805	21,560	-	5,187	59,552	105	20,405	20,510	80,062
Donated rent	138,192	15	-	-	138,207	-	-	-	138,207
Employee benefits	164,484	94,208	81,532	34,657	374,881	31,062	24,926	55,988	430,869
Food	15,764	3,823	-	-	19,587	332	705	1,037	20,624
Insurance	6,763	3,697	3,221	1,645	15,326	1,532	5,176	6,708	22,034
Interest	-	2,559	-	10,140	12,699	-	34	34	12,733
Memberships, licenses and permits	1,619	304	237	152	2,312	865	1,005	1,870	4,182
Occupancy	19,161	6,727	157,723	62,088	245,699	-	43,902	43,902	289,601
Payroll taxes	59,537	31,810	27,889	14,145	133,381	13,245	328	13,573	146,954
Professional fees	102,617	56,392	44,049	24,436	227,494	58,006	46,605	104,611	332,105
Publications	483	844	29	-	1,356	5,440	4,571	10,011	11,367
Salaries	725,195	395,602	344,914	176,387	1,642,098	164,571	120,664	285,235	1,927,333
Supplies	17,209	802	1,858	190	20,059	654	14,528	15,182	35,241
Travel	-	7,791	2,559	6,893	17,243	-	1,083	1,083	18,326
Utilities	4,917	2,133	1,098	204	8,352	272	2,778	3,050	11,402
Total expenses	\$ 1,486,446	\$ 679,301	\$ 698,085	\$ 368,324	\$ 3,232,156	\$ 318,753	\$ 343,260	\$ 662,013	\$ 3,894,169

SECOND STORY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	Community Based Services	Story for Teens in Crisis	Story for Homeless Youth	Second Story for Young Mothers	Total Program	Fundraising	Management and general	Total support	Total expenses
Bad debt expense	\$ -	\$ 49,997	\$ -	\$ -	\$ 49,997	\$ 69,586	\$ -	\$ 69,586	\$ 119,583
Communications	14,377	5,462	9,563	7,798	37,200	6,037	14,496	20,533	57,733
Depreciation and amortization	6,605	4,480	3,759	2,195	17,039	3,446	25,061	28,507	45,546
Donated food, clothing and supplies	256,926	5,531	19,826	15,357	297,640	-	250	250	297,890
Donated professional services	14,432	4,997	33,100	14,629	67,158	2,790	1,327	4,117	71,275
Donated rent	138,190	-	-	-	138,190	-	-	-	138,190
Employee benefits	185,904	66,471	41,169	38,658	332,202	2,527	3,003	5,530	337,732
Food	7,679	2,251	803	-	10,733	706	143	849	11,582
Insurance	6,913	4,460	3,687	2,393	17,453	3,318	2,383	5,701	23,154
Interest	-	2,733	-	551	3,284	2	10,034	10,036	13,320
Memberships, licenses and permits	1,104	517	163	149	1,933	1,044	637	1,681	3,614
Occupancy	14,370	9,010	221,032	57,838	302,250	5,895	2,947	8,842	311,092
Payroll taxes	62,245	38,558	23,049	14,203	138,055	6,756	8,028	14,784	152,839
Professional fees	56,809	24,326	25,094	9,124	115,353	52,690	43,379	96,069	211,422
Publications	573	1,402	45	38	2,058	4,417	4,533	8,950	11,008
Salaries	729,636	461,910	307,734	174,955	1,674,235	125,906	149,583	275,489	1,949,724
Space rental and other event expenses	-	-	-	-	-	1,569	-	1,569	1,569
Supplies	11,878	21,590	9,937	32,299	75,704	2,552	5,889	8,441	84,145
Travel	7,704	468	2,145	230	10,547	238	786	1,024	11,571
Utilities	-	7,232	5,386	8,513	21,131	-	-	-	21,131
Total expenses	\$ 1,515,345	\$ 711,395	\$ 706,492	\$ 378,930	\$ 3,312,162	\$ 289,479	\$ 272,479	\$ 561,958	\$ 3,874,120

SECOND STORY
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	2022	2021
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ 866,137	\$ 105,816
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	44,874	45,546
Bad debt expense	34,221	119,583
Forgiveness of PPP loan	(397,400)	-
Unrealized gain on investments	-	(441)
Realized gain on investment	-	(79)
Loss on disposal of assets	-	3,500
Decrease (increase) in assets:		
Grants receivable	(56,596)	(31,357)
Pledges receivable	(111,403)	121,427
Prepaid expenses	3,555	(22,532)
Deposits	(4,374)	(100)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(47,184)	158,490
Funds held for others	(48)	(7,990)
Accrued leave	(11,640)	3,771
Deferred Revenue	100,000	-
Supplemental funding liability	(27,091)	174,136
Total adjustments	(473,086)	563,954
Net cash provided by operating activities	393,051	669,770
Cash flows from investing activities:		
Purchases of investments	-	(264,115)
Proceeds from sales of investments	5,235	258,833
Net cash provided by (used in) investing activities	5,235	(5,282)
Cash flows from financing activities:		
Principal payments of notes payable	(29,004)	(28,623)
Net cash used in financing activities	(29,004)	(28,623)
Net increase in cash and restricted cash	369,282	635,865
Cash and restricted cash, beginning of year	1,556,085	920,220
Cash and restricted cash, end of year	\$ 1,925,367	\$ 1,556,085
Cash and restricted cash reconciliation:		
Cash	\$ 1,383,894	\$ 1,094,695
Cash, restricted funds held for others	541,473	461,390
Total cash and restricted cash	\$ 1,925,367	\$ 1,556,085
Supplemental disclosures of cash flow information:		
Cash paid for interest expense	\$ 12,733	\$ 13,217

Second Story
Notes to the Financial Statements
June 30, 2022 and 2021

NOTE 1 ORGANIZATION

Abused & Homeless Children's Refuge (d/b/a Second Story) (the Organization) was organized in 1972 as a nonprofit organization in the Commonwealth of Virginia and provides residential housing and counseling services for runaway, homeless and abused youth and their families. Prior to February 17, 2017, the Organization was doing business as Alternative House. The Organization relies on significant financial support from federal, state and local entities, including the Fairfax County Consolidated Community Funding Pool and the U.S. Department of Health and Human Services. The Organization also receives considerable funding from private foundations, corporations and individuals.

Through the Community Based Services program the Organization provides one-on-one interactions with at-risk teenagers and disadvantaged pre-teens in local neighborhoods. The Organization provides counseling services, tutoring, sports, games and entertainment designed to focus on prevention of sexual abuse, violence, gang membership and drug abuse.

The Organization provides emergency shelter through the Second Story for Teens in Crisis program, on a voluntary basis for up to three weeks for young people between the ages of 13 to 17 years old and provides temporary housing and counseling services that motivate troubled teens to work on resolving their crises.

The Second Story for Homeless Youth program provides housing, counseling, case management and educational support to homeless unaccompanied Fairfax County high school students. The program helps students with the housing and other support they need to be able to complete high school and move on to higher education or employment.

In October 2012, the Organization was awarded federal funding to expand Second Story for Homeless Youth, to provide transitional living services for homeless young people 16 to 21 years old in Northern Virginia. The program provides housing, case management, counseling and other support for up to 18 months to help these young people transition to safe, stable housing and employment.

The program was further expanded in December 2016 with an award of funding from HUD to open a Rapid Rehousing program for homeless youth and young families where all members of the household are under 25. The program provides rental assistance and other support services with the goal of increasing employment and educational levels so that the individual or family can assume full responsibility for their apartment.

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 1 ORGANIZATION (Continued)

The Second Story for Young Mothers program works with young women up to age 21 through an 18 month residential program. Residents receive assistance to improve parenting skills, continue their education, employment training, and learn to save for the day when they will leave the program and establish a home for themselves and their children. The program is designed to help homeless youth achieve their goals of becoming a better parent and attain the skills necessary to become a contributing member of society.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation-

The Organization's financial statements are presented in accordance with generally accepted accounting principles in the United States of America (US GAAP) for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

- Net Assets Without Donor Restrictions represent resources that are not subject to donor imposed restrictions and are available for operations at management's discretion. Included in net assets without donor restrictions are \$75,000 of board-designated funds. These funds are a working capital reserve used for cash flow management or other operational needs as determined by the board of directors. During the years ended June 30, 2022 and 2021, no designated funds were used nor added.
- Net Assets With Donor Restrictions represent resources restricted by donors. Some donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of accounting-

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with US GAAP.

Use of estimates-

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses and their functional allocation during the reporting period. Actual results could differ from those estimates.

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes-

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. The Organization is not classified as a private foundation.

Grants receivable-

Grants receivable principally represent amounts due from government awards and are stated at their net realizable value. All grants receivable outstanding are considered collectible. Accordingly, no allowance for doubtful accounts has been recorded at June 30, 2022 and 2021.

Pledges receivable, net-

Pledges receivable are unconditional promises to give that are recognized as pledges when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at their net realizable value. Amounts that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The cash flows are discounted at a discount rate commensurate with the risk involved. Amortization of the resulting discount is recognized as additional contribution revenue. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management.

Property and equipment, net-

Property and equipment acquisitions are recorded in the financial statements at cost, net of accumulated depreciation and amortization. Donated property and equipment is stated at fair value at the date of donation. Depreciation and amortization expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	27.5 years
Furniture and equipment	5 years
Vehicles	5 years
Leasehold improvements	10 years
Website	12 years

Funds held for others-

The Organization provides a program to assist young mothers in learning to save and be more responsible about spending. The Organization maintains a money market account restricted for the Assisted Young Mothers program into which mothers may deposit part of their earnings. Such funds are reported as an asset and liability in the accompanying statements of financial position.

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition-

Federal, state and local grants: A portion of the Organization's revenue is derived from cost-reimbursable federal, state and local grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are recorded as refundable advances in the accompanying statements of financial position. For the years ended June 30, 2022 and 2021, the Organization received cost-reimbursable federal grants totaling \$100,000 and \$77,508, respectively, that have not been recognized because qualifying expenditures have not yet been incurred.

Contributions: The Organization recognizes contributions and foundation and corporate grants, when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. The Organization reports gifts of cash and other assets as net assets with donor restrictions if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as net assets without donor restrictions if the restriction expires in the same reporting period in which the contribution is recognized.

In-kind contributions: Donated materials, services and use of facilities are recorded at fair value when an unconditional commitment is received and is recognized as an in-kind contribution as revenue and expense in the accompanying financial statements. In-kind services include donated IT, maintenance and volunteer services. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The recognition of these contributed services are not reflected in the accompanying financial statements as these services do not meet the criteria to record contributed services under US GAAP.

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional allocation of expenses-

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs, such as salaries, employee benefits, payroll taxes, depreciation and amortization, insurance, supplies, and travel have been allocated among programs and supporting services based on level of effort.

New accounting pronouncements-

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), to increase transparency and comparability about leases among entities. The new guidance requires lessees to recognize a lease liability and a corresponding lease asset for virtually all lease contracts. It also requires additional disclosure about leasing arrangements. ASU No. 2016-02, as amended by 2020-05, is effective for not-for-profit entities for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022. ASU No. 2016-02 originally specified a modified retrospective transition method which requires the entity to initially apply the new lease standard at the beginning of the earliest period presented in the financial statements.

NOTE 3 LIQUIDITY AND AVAILABILITY

The following represents the Organization's financial assets at June 30:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash	\$ 1,383,894	\$ 1,094,695
Grants receivable	363,261	306,665
Pledges receivable, net	445,675	368,493
Investments	<u>2,624</u>	<u>7,859</u>
Total financial assets	2,195,454	1,777,712
Less amounts not available within one year:		
Net assets with donor restrictions	(493,665)	(385,233)
Add back: Net assets with restrictions to be met in less than a year	146,600	155,165
Board designated net assets	<u>(75,000)</u>	<u>(75,000)</u>
Total	<u>(422,065)</u>	<u>(305,068)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,773,389</u>	<u>\$ 1,472,644</u>

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. The Organization has a \$100,000 line of credit available to meet cash flow needs.

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 4 CONCENTRATIONS OF CREDIT RISK

The Organization maintains bank deposits that, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) limits. At June 30, 2022 and 2021, the Organization had bank deposits in excess of FDIC limits of \$365,956 and \$1,051,492, respectively. The Organization has established a sweep account to minimize the balance exceeding the FDIC insured limit. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 5 PLEDGES RECEIVABLE, NET

Pledges receivable consist of unconditional promises to give and are summarized as follows at June 30:

	<u>2022</u>	<u>2021</u>
Unconditional promises to give expected to be collected in:		
Less than one year	\$ 146,600	\$ 99,585
One to five years	259,533	272,176
More than 5 years	<u>68,750</u>	<u>-</u>
Total	474,883	371,761
Less:		
Discount to present value (average of 1.37% and .87% respectively)	<u>(29,208)</u>	<u>(3,268)</u>
Pledges receivable, net	<u>\$ 445,675</u>	<u>\$ 368,493</u>

NOTE 6 PROPERTY AND EQUIPMENT, NET

The following is a summary of property and equipment held at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 154,947	\$ 154,947
Building	1,228,179	1,228,179
Furniture and equipment	59,868	59,868
Vehicles	77,931	77,931
Leasehold improvements	23,025	23,025
Website	<u>20,000</u>	<u>20,000</u>
Property and equipment	1,563,950	1,563,950
Accumulated depreciation and amortization	<u>(964,244)</u>	<u>(919,370)</u>
Total property and equipment, net	<u>\$ 599,706</u>	<u>\$ 644,580</u>

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 7 SUPPLEMENTAL FUNDING LIABILITY

In April 2020, the Organization became a Community-Based Organization (CBO) for Fairfax County (County) in order to provide CARES Act Coronavirus Relief Funds. The Organization received \$4,022,125 of county funds to distribute to community members who are pre-qualified by the County. This is in line with the services that the Organization provides. The balance of the liability on the accompanying statements of financial position represents the portion of County funds not yet passed out to community members.

NOTE 8 NOTES PAYABLE

On January 10, 2013, the Organization refinanced the note on its property located in Dunn Loring, Virginia, totaling \$112,394. The loan calls for monthly principal and interest payments of \$932. The interest rate is fixed at 5.5% over a term of four years terminating on October 1, 2017. On September 29, 2017, this note was extended through December 31, 2017 and refinanced on November 6, 2017 with a new principal of \$85,698. The refinanced loan calls for monthly principal and interest payments of \$911 with a fixed interest rate of 4.99% and matures on November 1, 2027.

On May 22, 2013, the Organization financed and entered into a promissory note on the acquisition of property located in Fairfax, Virginia, totaling \$328,000. The loan calls for monthly principal and interest payments of \$2,353 based on a 15 year amortization. The interest rate was 3.5% for the first five years and fixed at the LIBOR Swap rate plus 3% (or other agreed upon rate), thereafter, as prescribed in the promissory note agreement. At June 30, 2022 and 2021, the rate was 5.95% and 3.24%. The loan is due on June 17, 2028.

The loans are secured by a first deed of trust from each respective property. The note on the property located in Fairfax, Virginia also has a financial covenant that the Organization believes they were in compliance with for the years ended June 30, 2022 and 2021.

On April 7, 2020, the Organization was granted a loan through the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) in the amount of \$397,400. The loan could be forgiven if used for certain qualifying expenses. Any portion not forgiven bears interest at 1% per annum and matured on April 7, 2022. The Organization elected to account for the loan as a debt obligation and the loan was forgiven in full on August 4, 2021 and is included in other income in the statement of activities for the year ended June 30, 2022.

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 8 NOTES PAYABLE (Continued)

Aggregate future maturities of notes payable are as follows for the years ending June 30:

2023	\$ 31,438
2024	33,275
2025	35,219
2026	37,278
2027	39,458
2028 and after	<u>33,656</u>
Total	<u>\$ 210,324</u>

NOTE 9 LINE OF CREDIT

In May 2013, the Organization opened a \$100,000 revolving line of credit to support short-term cash needs. The credit line is secured with a second deed of trust on the Organization's property. Under the terms of the line of credit, the combined loan-to-value of the property located in Fairfax, Virginia shall not exceed 40%. The funds are available at the discretion of the Organization. Interest is payable monthly on the outstanding principal balance. The interest rate is subject to change based on the Wall Street Journal Prime Rate plus .50%. The credit line is for five years and expires in December 2022. During the years ended June 30, 2022 and 2021, the Organization did not borrow against the credit line.

NOTE 10 NET ASSETS WITH DONOR RESTRICTIONS

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 for the following purposes:

	<u>2022</u>	<u>2021</u>
Time restriction	\$ 168,771	\$ 278,113
Sustainability grant program	-	8,260
Total net assets released from restrictions	<u>\$ 168,771</u>	<u>\$ 286,373</u>

At June 30, 2022 and 2021, net assets with donor restrictions were available for the following purposes:

	<u>2022</u>	<u>2021</u>
Time restriction	\$ 445,675	\$ 368,493
Sustainability grant program	16,740	16,740
Pierce trust fund	31,250	-
Total net assets with donor restrictions	<u>\$ 493,665</u>	<u>\$ 385,233</u>

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 11 IN-KIND CONTRIBUTIONS

During the years ended June 30, 2022 and 2021 the Organization received In-kind contributions of food, clothing and supplies, professional services and rent. All In-kind contributions were utilized by the Organization's programs and supporting services. Donated food, clothing and supplies is valued using the wholesale prices for similar items. In-kind professional services include donated IT, maintenance and volunteer services. The value of in-kind professional services is recorded based on the estimated fair value of the service provided. Donated rent is valued using the prevailing rental rates in the area.

The Organization receives donated space for its Culmore Teen Center in Falls Church, Virginia. In September 2000, the Organization entered into a non-cancelable lease agreement that stipulates that the Organization is only responsible for the telephone line, security and alarm services, and general liability insurance for the center. The lease includes automatic renewals at the end of each year unless either party notifies in writing its desire to terminate the lease. The Organization also receives donated space and utilities for its Culmore Safe Youth Project and Annandale Safe Youth Project, both on a month-to-month basis.

In-kind contributions received without donor restrictions for the years ended June 30, 2022 and 2021 were as follows:

	2022			
	Food		Professional	
	Clothing		Services	Total
	<u>and Supplies</u>	<u>Rent</u>	<u>Services</u>	<u>Total</u>
Program Services:				
Community based services	\$ 173,357	\$ 138,192	\$ 32,805	\$ 344,354
Second Story for Teens in Crisis	47,415	15	21,560	68,990
Second Story for Homeless Youth	23,126	-	-	23,126
Secod Story for Young Mothers	24,293	-	5,187	29,480
Total program services	<u>268,191</u>	<u>138,207</u>	<u>59,552</u>	<u>465,950</u>
Supporting Services:				
Fundraising	3,499	-	105	3,604
Management and general	-	-	20,405	20,405
Total supporting services	<u>3,499</u>	<u>-</u>	<u>20,510</u>	<u>24,009</u>
Total	<u>\$ 271,690</u>	<u>\$ 138,207</u>	<u>\$ 80,062</u>	<u>\$ 489,959</u>

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 11 IN-KIND CONTRIBUTIONS (Continued)

	2021			
	<u>Food Clothing and Supplies</u>	<u>Rent</u>	<u>Professional Services</u>	<u>Total</u>
Program Services:				
Community based services	\$ 256,926	\$ 138,190	\$ 14,432	\$ 409,548
Second Story for Teens in Crisis	5,531	-	4,997	10,528
Second Story for Homeless Youth	19,826	-	33,100	52,926
Secod Story for Young Mothers	<u>15,357</u>	<u>-</u>	<u>14,629</u>	<u>29,986</u>
Total program services	297,640	138,190	67,158	502,988
Supporting Services:				
Fundraising	-	-	2,790	2,790
Management and general	<u>250</u>	<u>-</u>	<u>1,327</u>	<u>1,577</u>
Total supporting services	<u>250</u>	<u>-</u>	<u>4,117</u>	<u>4,367</u>
Total	<u>\$ 297,890</u>	<u>\$ 138,190</u>	<u>\$ 71,275</u>	<u>\$ 507,355</u>

NOTE 12 COMMITMENTS AND CONTINGENCY

On July 1, 2019, the Organization entered into a lease agreement for administrative offices in Vienna, Virginia. This agreement was to replace a previous lease agreement and move office location and space within the same building. The agreement calls for base monthly payments of \$1,569, with an annual increase of 4.5%, through June 30, 2024.

The Organization has also entered into various lease agreements to house homeless individuals in need of shelter. Rent expense, included in occupancy, for the years ended June 30, 2022 and 2021 totaled \$275,224 and \$281,902, respectively.

Aggregate future minimum lease payments are as follows for the years ending June 30:

2023	\$ 31,091
2024	<u>32,058</u>
Total	<u>\$ 63,149</u>

Second Story
Notes to the Financial Statements (Continued)
June 30, 2022 and 2021

NOTE 13 CONCENTRATIONS OF REVENUE AND SUPPORT RISK

The Organization receives a significant portion of its revenues from one federal agency in the form of grant awards. During the years ended June 30, 2022 and 2021, the Organization received \$885,175 and \$913,253, respectively, from this source, which was approximately 19% and 23%, respectively, of its total revenue and support. Any significant reduction in revenue and support may adversely impact the Organization's financial position and operations.

NOTE 14 RETIREMENT PLAN

The Organization maintains a qualified Simple Retirement Plan where qualified employees can make pre-tax contributions up to statutory limits. All regular employees who have earned at least \$5,000 during the previous calendar year are eligible for enrollment in the Organization's Plan. The Organization makes matching contributions up to three percent of the participating employee's salary. Retirement plan expense for the years ended June 30, 2022 and 2021 was \$30,045 and \$43,666, respectively.

NOTE 15 SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 20, 2023, which is the date the financial statements were available to be issued and determined there are no events requiring disclosure except as noted below.

On October 12, 2022, Second Story purchased a property for a sales prices of \$625,000, of which \$415,000 was financed with United Bank and \$216,925 paid with cash upon settlement.

Supplemental Information

Second Story
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing #</u>	<u>Award #</u>	<u>Award Amount</u>	<u>Expenditures</u>
DEPARTMENT OF HEATH AND HUMAN SERVICES				
Direct Awards:				
Basic Center Program	93.623	90CY710802-01	\$ 200,000	\$ 50,000
Basic Center Program	93.623	90CY710803-02	200,000	150,000
COVID 19 Basic Center Program	93.623	90CY710801C3	40,000	<u>25,479</u>
Sub-total CFDA 93.623				225,479
Transitional Living Program and Maternity Group Homes	93.550	90CX7089	194,726	48,682
Transitional Living Program and Maternity Group Homes	93.550	90CX7089	194,726	146,045
Transitional Living Program and Homeless Youth	93.550	90CX7092	194,726	48,682
Transitional Living Program and Homeless Youth	93.550	90CX7092	194,726	146,045
Covid 19 - Transitional Living Program and Homeless Youth	93.550	90CX7092	14,629	14,629
Covid 19 - Transitional Living Program and Maternity Group Homes	93.550	90CX708904	9,853	9,853
Covid 19 - Transitional Living Program and Maternity Group Homes	93.550	90CX709203	6,629	<u>6,629</u>
Sub-total CFDA 93.550				420,563
Pass-through Award - Fairfax County				
Temporary Assistance for Needy Families	93.558	4400009929	68,711	68,711
Temporary Assistance for Needy Families	93.558	4400009930	64,414	64,414
Temporary Assistance for Needy Families	93.558	4400009931	106,009	<u>106,008</u>
Sub-total CFDA 93.558				239,133
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Awards:				
Homeless Prevention and Rapid Rehousing Program Technical Assistance	14.267	VA0277L3G011904	213,776	47,831
Homeless Prevention and Rapid Rehousing Program Technical Assistance	14.267	VA0277L3G012106	223,040	<u>123,644</u>
Sub-total CFDA 14.267				171,475
Total Expenditures of Federal Awards				<u>\$ 1,056,650</u>

The accompanying notes are an integral part of this schedule.

SECOND STORY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Second Story (the Organization) for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustment or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3- INDIRECT COST RATE

The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4- OTHER INFORMATION

The Organization did not receive any federal insurance or federal noncash assistance and had no outstanding loans or loan guarantees with continuing compliance requirements. The Organization did not provide any funds to subrecipients.



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 of
Second Story
Dunn Loring, Virginia

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 Second Story (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Second Story'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 Second Story's internal control. Accordingly, we do not express an opinion on the effectiveness of Second Story'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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Second Story'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*.

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.

DeLeon & Stang

**DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
January 20, 2023**



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors of
Second Story
Dunn Loring, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Second Story's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Second Story's major federal programs for the year ended June 30, 2022. Second Story's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Second Story complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).¹ Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Second Story and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Second Story's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Second Story's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Second Story's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Second Story's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Second Story's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Second Story's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Second Story's internal control over compliance. Accordingly, no such opinion is expressed.
-

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Second Story
Independent Auditors' Report
Page 3

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

DeLeon & Stang

DeLeon & Stang, CPAs and Advisors
Frederick, Maryland
January 20, 2023

SECOND STORY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|----------------------------------------------------------------------------------------|----------------------|
| 1). Type of auditors' report issued | UNMODIFIED |
| 2). Internal control over financial reporting: | |
| Material weaknesses identified? | NO |
| Significant deficiencies identified that are not considered to be material weaknesses? | NONE REPORTED |
| 3). Noncompliance material to the financial statements noted? | NO |

Federal Awards

- | | |
|--------------------------------------------------------------------------------------------------|----------------------|
| 4). Internal control over major programs: | |
| Material weaknesses identified? | NO |
| Significant deficiencies identified that are not considered to be material weaknesses? | NONE REPORTED |
| 5). Type of auditors' report issued on compliance for major programs | UNMODIFIED |
| 6). Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | NO |

<u>Federal Granting Agency and Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
7). Identification of major programs:		
Transitional Living Program	93.550	\$ 420,563
8). Dollar threshold used to distinguish between Type A and B programs:		\$ 750,000
9). Auditee qualified to be low-risk auditee?		NO

**Second Story
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022**

Section II – Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None.

Second Story
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

2021-001 Material adjustment to correct recording of receivables

Criteria: Review of bank reconciliations and uncleared items are important to the proper recording of cash balances. Proper recording and review of receivables schedules are also important to the proper reporting of Organization assets.

Condition: During our testing of cash, we noted a large deposit in transit that was uncleared at year end and dated two months previously. Upon inquiry, it was noted this deposit in transit should have been recognized as a receivable.

Effect: An adjustment was made in the amount of \$87,084 to correct the balances in cash and accounts receivable.

Cause: The Organization went through a transition in accounting firms this year and this was an oversight that was not caught and corrected prior to year end.

Recommendation: We recommend that the Organization ensure there are procedures in place to review and approve the bank reconciliations once completed, with close attention paid to uncleared and outstanding items. We also recommend that the Organization review the receivables schedules at least quarterly to ensure proper recording and reporting of receivables.

Status: Corrective action taken.
