



CITIZEN ADVOCACY OF CHESTER COUNTY

FINANCIAL STATEMENTS

Years Ended September 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Citizen Advocacy of Chester County
Phoenixville, Pennsylvania**

We have audited the accompanying financial statements of Citizen Advocacy of Chester County (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with the auditing standards generally accepted in the United States of America. 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 in the first paragraph present fairly, in all material respects, the financial position of Citizen Advocacy of Chester County as of September 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Herbein + Company, Inc.

Reading, Pennsylvania
March 3, 2022

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FINANCIAL POSITION

September 30

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 309,414	\$ 177,569
Accounts Receivable	11,418	-
Current portion of pledges receivable	25,458	-
Prepaid expenses	2,236	826
	348,526	178,395
TOTAL CURRENT ASSETS		
LONG-TERM PLEDGES RECEIVABLE, NET	23,840	-
LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
Leasehold improvements	-	6,285
Office equipment	5,404	4,258
	5,404	10,543
Less: accumulated depreciation	(4,247)	(10,203)
	1,157	340
NET LEASEHOLD IMPROVEMENTS AND EQUIPMENT		
	\$ 373,523	\$ 178,735
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 6,470	\$ 6,470
Deferred revenue	7,588	16,855
Paycheck Protection Program loan	21,488	28,352
	35,546	51,677
TOTAL CURRENT LIABILITIES		
NET ASSETS		
Without donor restrictions - undesignated	283,977	73,058
Without donor restrictions - board designated operating reserve	54,000	54,000
	337,977	127,058
TOTAL NET ASSETS		
TOTAL LIABILITIES AND NET ASSETS	\$ 373,523	\$ 178,735

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF ACTIVITIES

	Year Ended September 30	
	2021	2020
WITHOUT DONOR RESTRICTIONS:		
SUPPORT AND REVENUES		
Community Coalition	\$ 44,370	\$ 56,057
Contributions from events	81,707	65,381
Foundation awards	26,450	15,864
Contributions	45,246	48,929
Campaign contributions	168,548	58,455
Interest income	192	1,125
Forgiveness of Paycheck Protection Program loan	28,352	-
	<u>394,865</u>	<u>245,811</u>
TOTAL SUPPORT AND REVENUES		
PROGRAM EXPENSES		
Advocacy efforts	158,685	173,418
SUPPORTING SERVICES		
Management and general	8,617	9,162
Fundraising	16,644	22,040
	<u>183,946</u>	<u>204,620</u>
TOTAL EXPENSES		
CHANGE IN NET ASSETS	210,919	41,191
NET ASSETS AT BEGINNING OF YEAR	<u>127,058</u>	<u>85,867</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 337,977</u></u>	<u><u>\$ 127,058</u></u>

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended September 30, 2021				Year Ended September 30, 2020			
	Program Services	Supporting Services			Program Services	Supporting Services		
	Advocacy Efforts	Management and General	Fundraising	Total	Advocacy Efforts	Management and General	Fundraising	Total
Salaries	\$ 98,842	\$ 5,681	\$ 9,089	\$ 113,612	\$ 100,197	\$ 5,758	\$ 9,214	\$ 115,169
Employee benefits	12,322	708	1,133	14,163	16,179	930	1,488	18,597
Payroll taxes	6,711	386	617	7,714	6,978	401	642	8,021
Rent	7,812	411	-	8,223	7,410	390	-	7,800
Professional services	8,490	447	-	8,937	8,312	437	-	8,749
Postage	731	38	-	769	608	32	-	640
Telephone and internet	2,137	113	-	2,250	2,673	141	-	2,814
Utilities	511	27	-	538	2,879	152	-	3,031
Training	2,276	120	-	2,396	2,272	120	-	2,392
Insurance	2,573	135	-	2,708	2,330	123	-	2,453
Event expense	5,805	-	5,805	11,610	10,696	-	10,696	21,392
Depreciation	313	16	-	329	149	8	-	157
Office and supplies	7,586	399	-	7,985	10,213	538	-	10,751
Annual appeal and campaign	2,576	136	-	2,712	2,522	132	-	2,654
TOTAL FUNCTIONAL EXPENSES	\$ 158,685	\$ 8,617	\$ 16,644	\$ 183,946	\$ 173,418	\$ 9,162	\$ 22,040	\$ 204,620

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

STATEMENTS OF CASH FLOWS

	Year Ended September 30	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 210,919	\$ 41,191
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	329	157
Paycheck Protection Program loan forgiveness	(28,352)	-
Changes in:		
Accounts receivable	(11,418)	-
Pledges receivable	(49,298)	-
Prepaid expenses	(1,410)	(826)
Accounts payable and accrued expenses	-	(1,280)
Deferred revenues	(9,267)	16,855
	<u>111,503</u>	<u>56,097</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	111,503	56,097
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of leasehold improvements and equipment	(1,146)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>21,488</u>	<u>28,352</u>
NET INCREASE IN CASH	131,845	84,449
CASH AT BEGINNING OF YEAR	<u>177,569</u>	<u>93,120</u>
CASH AT END OF YEAR	<u><u>\$ 309,414</u></u>	<u><u>\$ 177,569</u></u>
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Repayment of Paycheck Protection Program loan through debt forgiveness	\$ 28,352	\$ -

See accompanying notes.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Citizen Advocacy of Chester County (the "Organization") is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. The purpose of the Organization is promoting, protecting, and defining the welfare and interests of, and justice for, people who are diminished in status or are seriously, physically, or socially isolated through one-to-one unpaid voluntary commitments made to them by people who have the needed skills and resources.

For the year ended September 30, 2021, the Organization received approximately 11% of its total support from one source, the Community Coalition, which is a related party. For the year ended September 30, 2020, the Organization received approximately 39% of its total support from two sources, the Community Coalition and a major donor, both of which are related parties.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Cash

For the purpose of the statements of cash flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash. The Organization places its cash in high credit quality institutions. At times, cash balances may exceed federally insured limits in deposit accounts at banks.

Leasehold Improvements and Equipment

Purchased leasehold improvements and equipment are capitalized at cost. Donations of leasehold improvements and equipment are recorded as contributions at their fair market value. The Organization's policy is to capitalize any assets in excess of \$300 with an estimated useful life of more than one year. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	15 years
Office equipment	5 - 10 years

Maintenance and repairs of leasehold improvements and equipment are charged to operations and major improvements are capitalized. Upon retirement, sale, or other disposition of leasehold improvements and equipment, the cost and accumulated depreciation are eliminated from the accounts and gain or loss is included in operations. Construction in progress is stated at cost and consists primarily of costs incurred in the construction of building improvements. No provision for depreciation is made on construction in progress until the assets are complete and placed into service.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

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 - Net assets without donor restrictions include funds not subject to donor-imposed stipulations. In general, the revenues received, and expenses incurred in conducting the Organization's charitable mission are included in this category.

Net Assets With Donor Restrictions - Net assets with donor restrictions include gifts, grants, and pledges whose use by the Organization has been limited by donors to later periods of time or after specified dates, or to specified purposes.

Revenue Recognition

In accordance with Financial Accounting Standards Board (FASB), Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers* (ASC 606), the Organization recognizes revenue when control of the promised goods or services is transferred to the Organization's outside parties in an amount that reflects the consideration the Organization expects to be entitled to in exchange for those services. The standard outlines a five-step process whereby revenue is recognized as performance obligations within a contract are satisfied. The Organization records the following exchange transaction revenue in its statement of activities:

Special Events

The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event (the exchange component), and a portion represents a contribution to the Organization. The fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The contribution component is the excess of the gross proceeds over the fair value of the direct donor benefit. The direct costs of the special events, which ultimately benefit the donor rather than the Organization, are recorded as costs of direct donor benefits in the statement of activities. The performance obligation is delivery of the event. For special event fees received before year end for an event to occur after year end, the Organization treats the inherent contribution as a condition on the event taking place and is therefore treated as deferred revenue along with the exchange component.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contribution Revenue

The Organization recognizes revenue from contributions in accordance with Accounting Standards Update (ASU) 2018-08, *Not-For-Profit Entities (Topic 958); Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. In accordance with ASU 2018-08, the Organization evaluates whether a transfer of assets is (1) an exchange transaction in which a resource provider is receiving commensurate value in return for the resources transferred or (2) a contribution. If the transfer of assets is determined to be an exchange transaction, the Organization applies guidance under ASC-606. If the transfer of assets is determined to be a contribution, the Organization evaluates whether the contribution is conditional based upon whether the agreement includes both (1) one or more barriers that must be overcome before the Organization is entitled to the assets transferred and promised and (2) a right of return of assets transferred or a right or release of a promisor's obligation to transfer assets.

The Organization records unconditional contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time. When donor restrictions expire, that is when a purpose restriction is fulfilled or a time restriction ends, net assets with donor restrictions are reclassified to net assets without donor restrictions, and reports in the statement of activities as net assets released from restrictions. When donor restrictions are met in the same period of receipt, the contributions are recorded as net assets without donor restrictions.

Donated Services and Materials

Gifts of property and equipment are presented as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Organization's activities).

Donated materials and certain services are reflected as contributions in the accompanying financial statements at their estimated fair value at the date of receipt. There was no donated equipment during the years ended September 30, 2021 and 2020.

A number of unpaid volunteers, which include the directors of the Organization, have made significant contributions of their time toward developing and achieving the Organization's goals and objectives. The value of such contributions of the volunteers is not reflected in these statements since it is not susceptible to objective measurement or valuation.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Functional Expense Allocations

As reported in the statement of functional expenses, expenses of the Organization have been allocated to the following functional reporting classifications: Program Services, Management and General, and Fundraising.

Expenses directly attributable to a specific functional area are reported as expenses of those functions. The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program or supporting service are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

Tax-Exempt Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization annually files federal and state information returns as required. There is no current year provision for federal or state income taxes. In accordance with generally accepted accounting principles, the Organization accounts for uncertain tax positions relative to unrelated business income, if any, as required.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 3, 2022, the date the financial statements were available to be issued.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 2 - PLEDGES RECEIVABLE

In the 2020 fiscal year, the Organization began their 40th Anniversary Campaign to raise funds to support general operations and build an operating reserve. In the 2021 fiscal year, the Organization continued soliciting funds for this campaign and as such, received various unconditional pledges from donors. Contributions (pledges) are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional. Management has evaluated the collectability of the pledges and determined that no allowance is necessary. The discount rate is derived by using the prime rate as quoted by the Wall Street Journal. The pledges are to be collected through the end of December 2023.

Unconditional promises to give (pledges receivable) at September 30, are as follows:

	<u>2021</u>
Receivable in less than one year	\$ 25,458
Receivable in one to three years	<u>25,415</u>
Total unconditional promises to give	50,873
Less: discounts to net present value (3.25%)	<u>(1,575)</u>
Pledges receivable, net	<u><u>\$ 49,298</u></u>

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 3 - PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, the Organization received a Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$28,352. This loan program was implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The PPP Loan was unsecured and guaranteed by the SBA. The principal amount of the PPP Loan was subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the Paycheck Protection Program.

The Organization initially recorded a note payable upon receipt of the PPP Loan and subsequently recorded forgiveness when the loan obligation was legally released upon notification by the SBA in February 2021. The \$28,352 forgiven is recognized as loan forgiveness income in the statements of activities for the year ended September 30, 2021.

In February 2021, the Organization received a second Paycheck Protection Program Loan (the "PPP Loan") from a qualified lender totaling \$21,488. The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA.

The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. The Organization will recognize the forgiven portion of the loan upon notification of forgiveness by the SBA. The second Paycheck Protection Program Loan was forgiven subsequent to year end.

NOTE 4 - LEASE COMMITMENT

The Organization leased office space on a month-to-month basis with monthly lease payments of \$650 through December 2020 when it was terminated.

In September 2020, the Organization entered into a second lease agreement for office space for the period of one year beginning in October 2020 through September 2021. Monthly rental payments are \$400. Subsequent to year-end, the Organization extended this lease for another year with monthly rental payments increasing to \$412.

In November 2020, the Organization entered into a month-to-month lease agreement for a storage unit rental. Monthly payments were \$158 through April 2021 and increased to \$178 in May 2021.

Total rental expense for office leases and storage rentals was \$8,223 and \$7,800 for the year ended September 30, 2021 and 2020, respectively.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 5 - RELATED PARTY TRANSACTIONS

The Organization recognized contributions from Community Coalition of \$44,370 and \$56,057 for the years ended September 30, 2021 and 2020, respectively. Members of the Citizen Advocacy board serve on the board of the Community Coalition.

NOTE 6 - EVENT REVENUES/EXPENSES

Event revenues and expenses are summarized as follows as of September 30:

	2021		2020	
	<u>Revenues</u>	<u>Expenses</u>	<u>Revenues</u>	<u>Expenses</u>
Race	\$ 24,784	\$ 700	\$ 10,168	\$ 10,836
Theater	44,817	7,662	41,525	5,580
Raffle	12,106	3,248	13,688	4,394
Spaghetti dinner	-	-	-	582
	<u>\$ 81,707</u>	<u>\$ 11,610</u>	<u>\$ 65,381</u>	<u>\$ 21,392</u>

NOTE 7 - ENDOWMENT FUNDS

The Organization is the recipient of endowment funds from monies directly deposited to a fund held by the Chester County Community Foundation. The Organization has the ability to use an amount equal to 5% of the June 30 asset value of the endowment held with the Foundation for appropriate charitable use. These monies are deemed to be the Chester County Community Foundation's assets and, as such, are not recorded on these financial statements. The value of this fund as of September 30, 2021 and 2020 was \$52,245 and \$46,536, respectively. The Organization received trust fund income of \$2,729 and \$2,309 (included with contributions) during the years ended September 30, 2021 and 2020, respectively.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 8 - AVAILABILITY OF FINANCIAL RESOURCES

The following reflects the Organization's financial assets available as of September 30, 2021 and 2020, reduced by amounts not for general use within one year because of board designated or donor imposed restrictions due within one year. The Organization's financial assets include cash, accounts receivable, and pledges receivable. The Organization has board designated funds.

	<u>2021</u>	<u>2020</u>
Cash	\$ 309,414	\$ 177,569
Accounts receivable	11,418	-
Pledges receivable	<u>49,298</u>	<u>-</u>
Total financial assets	370,130	177,569
Less amounts not available due to board designated restrictions:		
Pledges receivable collectible in one to three years	(23,840)	-
Board designated funds - operating reserve	<u>(54,000)</u>	<u>(54,000)</u>
Financial assets available to meet cash needs for general expenses within one year	<u>\$ 292,290</u>	<u>\$ 123,569</u>

The Organization adopted a liquidity policy to ensure the stability of the mission, programs, employment, and ongoing operations of the Organization. The board designated operating reserve will provide a source of internal funds for Organization priorities such as program opportunity and capacity building.

CITIZEN ADVOCACY OF CHESTER COUNTY

NOTES TO FINANCIAL STATEMENTS

September 30, 2021 and 2020

NOTE 9 - NEW ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of 12 months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted. The Organization is evaluating the impact this standard will have on the financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update would require an organization to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statements of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, with early adoption permitted.



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March 3, 2022

To the Senior Management and the Members of the Board
Citizen Advocacy of Chester County
Phoenixville, Pennsylvania

In planning and performing our audit of the financial statements of Citizen Advocacy of Chester County (the "Organization") for the year ended September 30, 2021, we considered Citizen Advocacy of Chester County's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we noted the following matter that is presented for your consideration. This letter does not affect our report dated March 3, 2022, on the financial statements of the Citizen Advocacy of Chester County.

Internal Controls

The design, implementation, and maintenance of internal controls should be a key focal point of any organization as they serve as the primary means of preventing and detecting fraud or errors and safeguarding the Organization's assets. The most important components of an effective system of internal controls include segregation of duties, review and approval processes, and maintaining documentation and records. We recommend that management and the board of directors continue their involvement including the oversight and review of monthly bank statements, cash receipts, disbursements, and financial reports, with the sign-off of documents after the review process.

General Recommendations and Information for Nonprofit Organizations

COVID-19

As you continue to face the business implications of COVID-19, you can stay informed and prepared with the Herbein + Company, Inc. Coronavirus Resource Center (www.herbein.com/covid-19-updates). This hub provides the latest news and developments related to COVID-19, offering key insights and practical advice with a cross-industry perspective on a wide range of topics.

FASB Update - Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). Under this guidance, lessees will need to recognize the following for all leases (with the exception of leases with a term of twelve months or less) at the commencement date: (a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (b) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. The guidance requires a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expire before the earliest comparative period presented. A full retrospective transition approach is not permitted. This standard is effective for fiscal years beginning after December 15, 2021, with early application permitted.

FASB Update - Contributed Nonfinancial Assets

In September 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This update requires the Organization to present contributed nonfinancial assets, including fixed assets (such as land, buildings, and equipment), use of fixed assets or utilities, materials and supplies, intangible assets, services, and unconditional promises of those assets, as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. It also requires disclosures of a disaggregation by category of nonfinancial assets, including whether used or monetized, policies and/or a description of the programs or other activities in which those assets were used, a description of any donor restrictions associated with nonfinancial assets, a description of the valuation techniques and inputs used to arrive at the fair value measure for initial recognition, and the principal market used to arrive at the fair value measure if it is a market in which the Organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, with early adoption permitted.

We wish to take this opportunity to express our appreciation for the cooperation we received during the course of our engagement from the staff at Citizen Advocacy.

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

Sincerely,

Herbein + Company, Inc.

Herbein + Company, Inc.