

THE POVERELLO CENTER, INC.

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

May 31, 2019

Charles A. Krblich, P.A.  
*Certified Public Accountants*

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# Charles A. Krblich, P.A.

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
The Poverello Center, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Poverello Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2019, and the related statements of activities, 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 The Poverello Center, Inc. as of May 31, 2019, 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 Matters***

#### ***Other 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 7, 2020, on our consideration of The Poverello Center, 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 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 Poverello Center, 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 The Poverello Center, Inc.'s internal control over financial reporting and compliance.



Fort Lauderdale, Florida  
January 7, 2020

The Poverello Center, Inc.

STATEMENT OF FINANCIAL POSITION

May 31, 2019

ASSETS

Cash and cash equivalents	\$ 364,732
Investments	18,921
Grants receivable	166,568
Donations receivable	292,835
Prepaid coupons and vouchers	113,085
Inventories	48,262
Property and equipment, net	4,656,849
Other assets, deposits, etc.	<u>93,080</u>
Total Assets	\$ <u>5,754,332</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 221,256
Sales tax payable	10,345
Mortgage payable net of unamortized debt issuance costs	<u>2,050,361</u>
Total Liabilities	2,281,962

COMMITMENTS AND CONTINGENCIES

-

NET ASSETS

Without donor restriction	3,170,051
With donor restriction	<u>302,319</u>
Total Net Assets	<u>3,472,370</u>
Total Liabilities and Net Assets	\$ <u>5,754,332</u>

See accompanying notes to the financial statements.

The Poverello Center, Inc.

STATEMENT OF ACTIVITIES

For the year ended May 31, 2019

	Without Donor Restriction	With Donor Restriction	Total
<b>PUBLIC SUPPORT AND REVENUES</b>			
<b>PUBLIC SUPPORT</b>			
Thrift Store	\$ 906,070	\$ -	\$ 906,070
Contributions	194,264	-	194,264
Non-cash Contributions	754,430	-	754,430
Miscellaneous	11,027	-	11,027
Grant Support			
Governmental	685,205	282,645	967,850
Private	316,510	189,950	506,460
Net assets released from restrictions	<u>386,625</u>	<u>(386,625)</u>	<u>-</u>
<b>Total Public Support</b>	<u>3,254,131</u>	<u>85,970</u>	<u>3,340,101</u>
<b>REVENUES</b>			
Interest and Dividend Income, net	1,849	-	1,849
Gain (loss) on investments	<u>175</u>	<u>-</u>	<u>175</u>
<b>Total Revenues</b>	<u>2,024</u>	<u>-</u>	<u>2,024</u>
<b>TOTAL PUBLIC SUPPORT AND REVENUES</b>	<b>3,256,155</b>	<b>85,970</b>	<b>3,342,125</b>
<b>EXPENSES</b>			
<b>PROGRAM SERVICES</b>			
Food Bank	2,254,834	-	2,254,834
Fitness Center	<u>155,234</u>	<u>-</u>	<u>155,234</u>
<b>Total Program Services</b>	<u>2,410,068</u>	<u>-</u>	<u>2,410,068</u>
<b>SUPPORTING ACTIVITIES</b>			
Management and General	286,941	-	286,941
Fundraising	65,938	-	65,938
Thrift Store	<u>871,781</u>	<u>-</u>	<u>871,781</u>
<b>Total Supporting Activities</b>	<u>1,224,660</u>	<u>-</u>	<u>1,224,660</u>
<b>TOTAL EXPENSES</b>	<u>3,634,728</u>	<u>-</u>	<u>3,634,728</u>
<b>CHANGE IN NET ASSETS</b>	<b>(378,573)</b>	<b>85,970</b>	<b>(292,603)</b>
<b>NET ASSETS, beginning of year</b>	<u>3,548,624</u>	<u>216,349</u>	<u>3,764,973</u>
<b>NET ASSETS, end of year</b>	<u>\$ 3,170,051</u>	<u>\$ 302,319</u>	<u>\$ 3,472,370</u>

See accompanying notes to the financial statements.

The Poverello Center, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended May 31, 2019

	Program Services		Supporting Activities		Total
	Food Pantry	Fitness Center	Management and General	Fund- raising	Thrift Store
	\$	\$	\$	\$	\$
Advertising/printing	3,617	189	2,304	4,307	17,894
Bank charges	-	-	458	-	189
Client assistance	8,752	-	-	-	-
Credit card fees	-	-	906	40	20,563
EBay transaction charges	-	-	-	-	8,199
Dues and subscriptions	3,740	-	-	-	8,199
Equipment and repairs	2,723	867	10,763	1,414	667
Fire alarm monitoring	1,308	582	530	-	4,959
Food	1,110,197	-	1,040	-	2,535
Food vouchers and coupons	189,705	-	-	-	-
Fundraising, direct expenses	-	-	-	-	-
Insurance	16,057	-	-	9,874	-
Interest	21,810	3,689	6,523	-	9,874
Internet	740	-	13,205	-	15,849
Legal and accounting	20,699	528	1,503	370	52,521
Licenses and fees	15,765	2,229	79,621	2,189	853
Miscellaneous	-	425	1,338	350	10,163
Office expense	4,307	-	644	-	35
Outside service	4,026	808	2,140	72	941
Pest control	2,135	2,739	-	-	2,856
Postage	211	-	117	-	1,070
Printing	4,130	350	2,789	1,233	134
Property taxes	-	-	-	-	251
Rents and leases	4,317	34,231	1,070	-	1,342
Repairs and maintenance	25,698	1,515	5,252	-	7,850
Safety supplies and equipment	509	65	250	-	45,838
Salaries, taxes and benefits	587,907	89,261	94,286	43,546	22,451
Seminars and meetings	734	-	7,697	-	3,199
Shipping and freight	550	-	-	-	538,705
Software	4,971	735	1,426	-	7,697
Supplies	34,294	4,358	4,743	64	1,018
Telephone	1,950	652	4,114	1,070	1,510
Trash removal	5,833	1,965	4,088	818	2,936
Transportation expenses	11,750	1,442	2,473	531	16,289
Travel and meals	12,408	127	11,053	60	3,663
Volunteer relations	4,588	-	-	-	8,518
Utilities	62,884	7,790	11,631	-	16,531
					2,776
					878
					27,088
Total expenses before depreciation	2,168,315	154,547	271,964	65,938	837,084
Depreciation of property and equipment	86,519	687	14,977	-	34,697
Total expenses	\$ 2,254,834	\$ 155,234	\$ 286,941	\$ 65,938	\$ 871,781

See accompanying notes to the financial statements.



The Poverello Center, Inc.

STATEMENT OF CASH FLOWS

For the year ended May 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (292,603)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	136,880
Amortization of debt issuance costs	4,619
Unrealized gain on investments	(175)
(Increase) decrease in:	
Grants receivable	4,635
Donations receivable	(157,835)
Prepaid coupons and vouchers	15,700
Inventories	44,789
Other assets, deposits, etc.	(12,844)
(Decrease) increase in:	
Accounts payable and accrued expenses	84,686
Sales tax payable	6,312
Net cash used in operating activities	<u>(165,836)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(45,650)</u>
Net cash used in investing activities	<u>(45,650)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of mortgage payable	<u>(64,204)</u>
Net cash used in financing activities	<u>(64,204)</u>
Net decrease in cash and cash equivalents	(275,690)

Cash and cash equivalents at beginning of year	<u>640,422</u>
Cash and cash equivalents at end of year	\$ <u><u>364,732</u></u>

Supplemental disclosures of cash flow information

Interest expense paid in cash	\$ <u><u>83,000</u></u>
Income taxes paid in cash	\$ <u><u>-</u></u>

See accompanying notes to the financial statements.



The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE A – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Poverello Center, Inc. ("Poverello", "Center", or "Organization") is a Florida non-profit organization whose purpose is to service the nutritional needs of persons with critical and chronic diseases, including HIV and/or Acquired Immune Deficiency Syndrome, and their dependents, as well as to provide financial assistance for basic living requirements in emergency situations.

The significant accounting policies are as follows:

Basis of Accounting and Reporting

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Classification of Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restriction – Amounts that are not subject to usage restrictions based on donor-imposed requirements. This class also includes assets previously restricted where restrictions have expired or been met.

Net Assets with Donor Restriction – Assets subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by actions of the Organization. Certain restrictions may need to be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restriction. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments or other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE A – CONTINUED

Contributions

Contributions and support received are recorded as increases in net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Public Support, Revenue, and Operations

Agencies and organizations, volunteers, businesses, the general community, and others contribute substantial amounts of materials and services toward the fulfilling of the programs administered by Poverello. To the extent that contributions of materials are made under the control of Poverello, are objectively measurable, and represent program or support expenditures which would otherwise be incurred by Poverello personnel, they are reflected in both public support and program expense in the accompanying financial statements at their fair market value. Contributions received in the form of cash are primarily used for the purchase of food, while donations of furniture, clothes, and other goods are used to raise funds by selling them in the thrift store.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Those marketable securities and investments received as gifts or donations are recorded at their fair market value on the date received.

Property and Equipment and Depreciation

Property and equipment are recorded at cost or at estimated fair market value at the date of the gift, if donated. Depreciation is provided for, using the straight-line method over the estimated useful life of the related asset. Management has a policy to capitalize items in excess of \$1,000.

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE A – CONTINUED

Property and Equipment and Depreciation – continued

Long-lived assets held and used by the Organization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

The following useful lives are used in determining depreciation:

	<u>Estimated Useful Life</u>
Furniture	7 years
Equipment	5 years
Vehicles	5 years
Leasehold improvements	27.5 years
Real property	39 years

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on deposit, cash on hand, money market funds and certificates of deposit with original maturities of less than three months, if any, to be cash equivalents.

Fair value of financial instruments

Financial instruments are composed of cash, cash equivalents, certificates of deposit, investments, pledges receivable, accounts receivable, accounts payable and other accrued expenses. Cash, cash equivalents, certificates of deposit, pledges receivable, accounts receivable, accounts payable and other accrued expenses are carried at cost which approximates fair value due to their short-term nature.

Amortization of Debt Issuance Costs

Amortization is computed for financial statement purposes on a straight-line basis and is included in interest expense on the statement of functional expenses. Accounting principles generally accepted in the United States of America require that the effective

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE A – CONTINUED

Amortization of Debt Issuance Costs – continued

yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Loan origination fees are being amortized over the 10-year term of the mortgage loan.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Income Taxes

Income taxes are not provided for in the financial statements since The Poverello Center, Inc. is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. Poverello is not classified as a private foundation.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2016-2018. The Organization evaluates all significant tax positions as required by generally accepted accounting principles in the United States. The Organization believes their estimates are appropriate based on current facts and circumstances. The Organization's policy on statement of activities classification of interest and penalties related to income tax obligations, if any, is to include such items as part of interest expense and miscellaneous expense, respectively. The Organization has no taxable unrelated business income for the year ended May 31, 2019. Accordingly, a provision for income taxes has not been established in the accompanying financial statements.

Presentation of Sales Tax

The Organization collects sales tax on its thrift store sales and remits these amounts to the applicable taxing authority. The Organization's accounting policy is to exclude these taxes from revenues and expenses.

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE A – CONTINUED

Advertising Costs

The Organization expenses the costs of advertising as incurred. For the year ended May 31, 2019, advertising expense was \$28,311.

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two – net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Date of Management Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through January 7, 2020. That date is the date the financial statements were available to be issued.

NOTE B – INVENTORIES

Inventories are stated at the lower of cost or market, except donated inventory items, which are stated at market value. At May 31, 2019, inventories were composed of the following:

Food	\$ 12,818
Thrift Store – Fort Lauderdale	11,356
Thrift Store – on-line	7,942
Thrift Store – Pompano	15,418
Supplies	728
Total inventories	\$ <u>48,262</u>

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE C – INVESTMENTS

At May 31, 2019, the value of the Center's investments was as follows:

U.S. Equities, at fair value	\$ 16,984
Fixed Income, at fair value	<u>1,937</u>
	\$ <u>18,921</u>

The following schedule summarizes the Center's investment return for the year ended May 31, 2019:

Interest and dividends	\$ 1,916
Unrealized gains	175
Investment expense	<u>(67)</u>
Total investment return	\$ <u>2,024</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2019 consisted of the following:

Land, buildings and improvements	\$ 5,600,020
Furniture, fixtures and equipment	219,737
Vehicles	<u>127,949</u>
	5,947,706
Less accumulated depreciation	<u>1,290,857</u>
Property and equipment, net	\$ <u>4,656,849</u>

Depreciation expense for the year ended May 31, 2019 was \$136,880.

NOTE E – OTHER ASSETS

At May 31, 2019 other assets, deposits, etc. consisted of the following:

Prepaid expenses, principally insurance	\$ 59,348
Prepaid rent	7,206
Deposits on leased space, utilities, and others	<u>26,526</u>
Total other assets, deposits, etc.	\$ <u>93,080</u>

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE F – DONATED SERVICES AND GOODS

The Organization receives a significant amount of donated services from unpaid volunteers who assist in the food bank, thrift store, office, fundraising, and special projects. No amounts have been recognized in the Statement of Activities because the criteria for recognition have not been satisfied. The Poverello Center, Inc. estimates that it receives in excess of 62,000 volunteer hours per year. Included in the Statement of Activities are non-cash contributions for donated food, totaling \$754,430 which was valued at the estimated fair value at the date of contribution.

NOTE G – MORTGAGE PAYABLE

The Center has a mortgage note payable to a bank collateralized by the building. The mortgage is payable in monthly installments \$12,267, including principal and interest, at 3.87 percent, until December 19, 2019. Commencing on January 20, 2020 until and including the maturity date, December 19, 2024, the interest rate will be a fixed per annum rate equal to the bank choice of index plus two hundred twenty-five basis points. Any outstanding balance is due on the maturity date.

The scheduled principal payments under arrangements existing at May 31, 2019 are:

2020	\$	68,078
2021		70,760
2022		73,547
2023		76,444
2024		79,456
Thereafter		<u>1,707,864</u>
Total		<u>2,076,149</u>
Less unamortized debt issuance costs		<u>25,788</u>
	\$	<u>2,050,361</u>

Interest expense incurred for the year ended May 31, 2019 is \$87,536. Interest expense includes amortization of debt issuance costs of \$4,619. At May 31, 2019, the Center had violated the debt service coverage ratio covenant. The Center has received a waiver of this event for the current year. The financial statements do not include any adjustments related to the event of default or that would result from the Center's inability to cure such default in the future.

NOTE H – GRANTS FROM GOVERNMENT AGENCIES

The Organization receives approximately twenty-eight percent of its support from the federal government. The funds are received through Broward County, Human Services



The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE H – CONTINUED

Department which administers programs under Part A of the Ryan White HIV/AIDS Treatment Modernization Act, as amended and re-authorized in 2006 and a grant from AIDS United. In addition, the Organization received non-federal funding from Broward County Emergency Food Assistance.

Program Title	Accrued Revenue 6/1/2018	Cash Receipts	Accrued Revenue 5/31/19	Total Revenue
Federal Grants				
Broward County				
Ryan White Part A				
2018-19 Funding	\$ (140,402)	\$ 797,275	\$ -	\$ 656,873
2019-20 Funding	-	-	108,320	108,320
AIDS United	(24,541)	143,659	37,344	156,462
FEMA	-	22,205	5,365	27,570
Total Federal Grants	(164,943)	963,139	151,029	949,225
Local Grants				
Broward County				
Emergency Food	-	3,875	14,750	18,625
Total Local Grants	-	3,875	14,750	18,625
Total Government	\$ (164,943)	\$ 967,014	\$ 165,779	\$ 967,850

NOTE I – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The following table reflects the Organization's financial assets (cash and cash-equivalents and investments) as of May 31, 2019, reduced by amounts not available for general expenditures within one year.

Total financial assets	\$843,056
Less those unavailable for general expenditure within one year due to purpose restriction	<u>302,319</u>
Financial assets to meet cash needs for general expenditures within one year	<u>\$540,737</u>

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE J – PENSION PLAN

The Organization provides a 401(k) defined contribution pension plan to employees who successfully complete ninety days of employment. The Organization contributes a matching amount equaling up to four percent of the employee's salary, matching the employee's elective contribution. Included in compensation and related expenses is the employer's matching contribution expense for the year ending May 31, 2019, of \$27,570.

NOTE K – NET ASSETS WITH DONOR RESTRICTIONS

As of May 31, 2019, the Center had net assets with donor restrictions of \$302,319. Of this amount \$166,428 is restricted for the purchase of food vouchers for the Ryan White Part A program, \$50,00 is to create a demonstration kitchen, \$46,911 is for food pantry supplies and \$38,980 is for the purchase and distribution of food.

NOTE L – FAIR VALUE MEASUREMENTS

U.S. GAAP defines fair value as the price that would be received upon the sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. U.S. GAAP specifies a hierarchy of inputs to valuation techniques, which categorizes inputs to fair value measurements that reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

- Level 1 – Unadjusted quoted market prices for identical assets and liabilities in an active market.
- Level 2 – Inputs other than quoted prices in active markets that are directly or indirectly observable.
- Level 3 – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurement.

U.S. GAAP requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level with which the fair value measurement is categorized is based on the lowest input that is significant to the fair value measurement.

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE L – CONTINUED

The carrying values of cash and cash equivalents, accounts receivable, prepaid expenses, accounts payable and accrued liabilities approximate their fair values due to the short maturity of these financial instruments. The fair values of equity securities and fixed income securities totaling \$18,921 are calculated at quoted market prices in active markets as of May 31, 2019, which is a Level 1 measurement. There are no changes in methods or assumptions during the year ended May 31, 2019, and there are no transfers between Levels.

NOTE M – COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk are primarily cash and cash equivalents. The Organization invests its excess cash in deposits with major financial institutions and the carrying value approximates fair value. Deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At May 31, 2019, the Organization had approximately \$80,000 in excess of federally insured amounts (FDIC). The Poverello Center, Inc. has not experienced losses related to these investments.

Receivables are primarily from governmental institutions arising from cost reimbursement contracts. The Organization believes it is not exposed to any significant credit risk related to these receivables.

During the year ended May 31, 2019, four food vendors accounted for seventy-one percent of all food purchases and eleven percent of total expenditures.

Lease agreements

The Poverello Center leases its gym facility located in Wilton Manors, Florida, its second thrift store location in Pompano as well as certain equipment. Rent expense for the year ended May 31, 2019 was \$85,456. Future minimum equipment rental payments for the years ended May 31, are as follows:

2020	\$ 112,752
2021	\$ 91,403
2022	\$ 95,011
2023	\$ 98,619
2024	\$ 101,024
Thereafter	\$ 168,373

The Poverello Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

May 31, 2019

NOTE M – CONTINUED

Legal Matters

The Center is engaged in legal proceedings incidental to its normal business activities. In the opinion of management, none of these proceedings are material in relation to the Center's financial position.

## SUPPLEMENTAL INFORMATION

The Poverello Center, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended May 31, 2019

<u>Federal Grantor/Pass Through Grantor/ Program Title or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identification Number</u>	<u>Total Federal Expenditures</u>
<u>Department of Health and Human Services</u>			
Passed through Broward County, Florida Human Services Department			
HIV Emergency Relief Project Grants - Ryan White Part A	93.914	17-CP-HCS-8120-RW-01	\$ 598,766
Passed through AIDS United			
HIV Emergency Relief Project Grants	93.914	U69HA310670100	<u>156,462</u>
Total HIV Emergency Relief Project Grants and Total Department of Health and Human Services			755,228
<u>Department of Homeland Security</u>			
Passed through Florida Division of Emergency Management			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	97.036	Z0579	<u>27,570</u>
Total Disaster Grants - Public Assistance and Total Department of Homeland Security			<u>27,570</u>
Total Expenditures of Federal Awards			\$ <u><u>782,798</u></u>

The accompanying notes are an integral part of this schedule.

The Poverello Center, Inc.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended May 31, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Poverello Center, Inc. under programs of the federal government for the year ended May 31, 2019. 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 Poverello Center, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Poverello Center, Inc.

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, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

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



## OTHER AUDITOR'S REPORTS

# Charles A. Krblich, P.A.

*Certified Public Accountants*

## 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  
The Poverello Center, 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 The Poverello Center, Inc. (a nonprofit organization), which comprise the statement of financial position as May 31, 2019, and the related statements of activities, 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 January 7, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Poverello Center, 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 The Poverello Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The Poverello Center, 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Poverello Center, 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*.

### **The Poverello Center, Inc.'s Response to Findings**

The Poverello Center, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Poverello Center, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **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.



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Fort Lauderdale, Florida  
January 7, 2020

# Charles A. Krblich, P.A.

*Certified Public Accountants*

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

Board of Directors  
The Poverello Center, Inc.

### **Report on Compliance for Each Major Federal Program**

We have audited The Poverello Center, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Poverello Center, Inc. major federal programs for the year ended May 31, 2019. The Poverello Center, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of The Poverello Center, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Poverello Center, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of The Poverello Center, Inc.'s compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, The Poverello Center, Inc. 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 programs for the year ended May 31, 2019.

### **Report on Internal Control Over Compliance**

Management of The Poverello Center, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered The Poverello Center, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Poverello Center, Inc.'s 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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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.

 PACPA

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Fort Lauderdale, Florida  
January 7, 2020

The Poverello Center, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended May 31, 2019

SECTION I – SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP, unmodified:

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major federal programs, unmodified:

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

☐ yes ☒ no

Identification of Major Federal Programs

Name of Federal Program or Cluster

CFDA  
Number

HIV Emergency Relief Project Grants -  
Ryan White Part A

93.914

Dollar threshold used to distinguish Types A and Type B programs: \$750,000.

Auditee qualified as low-risk auditee?

☐ yes ☒ no



The Poverello Center, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended May 31, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2019-01 Financial Closing and Reporting

- Criteria: Financial statements should be prepared in accordance with generally accepted accounting principles.
- Condition: A number of adjustments were required in order for the financial statements to be in accordance with generally accepted accounting principles. The errors appear to be the result of a failure to reconcile certain accounts on a periodic basis and investigate uncleared transactions. There were duplicate entries in cash and errors in the accounts receivable subsidiary ledger.
- Context: The Poverello Center, Inc. has hired two different outside contractors to assist with bookkeeping and accounting. It appears that responsibility for reconciliations and financial closing procedures were not clearly established.
- Effect: The financial statements as presented were not in accordance with generally accepted accounting principles and required a significant number of material adjustments.
- Cause: During the year the Center added an outside firm to perform bookkeeping and some reconciliation procedures while retaining the former contractor to review the work, perform some closing adjustments and prepare financial statements. It appears that the responsibilities are not clearly defined regarding performance of reconciliations and review of work performed allowing errors to occur and not be identified.
- Recommendation: Responsibility for performance of all reconciliations and review of such should be clearly defined. A period closing procedure should be established, such as a check list, detailing all subsidiary ledgers or schedules that need to be prepared, who is responsible for the preparation and who is responsible for reviewing and approving. The procedures should address identifying, capturing and communicating the information and data required to perform these reconciliations. They should include procedures for identifying non-routine transactions.
- Views of responsible officials and planned corrective actions: See management's response and corrective action plan, attached.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

The Poverello Center, Inc.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year ended May 31, 2019

PRIOR-YEAR FINDINGS – FINANCIAL STATEMENTS

Finding 2018-01 Financial Closing and Reporting

- Condition: A number of adjustments were required in order for the financial statements to be in accordance with generally accepted accounting principles. The prior year accruals were not reversed, there were duplicate entries in cash and payroll expenses were not recorded in the proper expense accounts.
- Recommendation: The Center should develop period closing procedures, such as a check list, detailing all subsidiary ledgers or schedules that need to be prepared. The procedures should address identifying, capturing and communicating the information and data required to perform these reconciliations. They should include procedures for identifying non-routine transactions. They should communicate their expectations to the outside bookkeeping firm and work with them to accomplish these goals.
- Current Status: To address this issue the Center made some changes in staff and added an outside contractor to perform bookkeeping services while retaining the current contractor to review and prepare financial statements. Similar errors were noted this year. See current year finding 2019-01.



**Father William F. Collins, OFM**  
Founder (1931-2017)

Board of Directors:

**Jodi Reichman**  
Chair

**Mitch Bloom**  
Vice Chair

**Dr. Réquel Lopes**  
Treasurer

**Clark Wycoff**  
Director

**Dr. Precious Skinner-Osei**  
Director

**Alisha D. Hurwood, Esq., M.S.**  
Director

Chief Executive Officer:  
**Thomas S Pietrogallo**

Chief Administrative Officer  
**Tania Taveras**

December 30, 2019.

The organization contracted out bookkeeping and accounting functions with two organizations in the 2018-2019 Fiscal year, Say Bookkeeping and Malik and Co. accountancy.

The Say Bookkeeping Contract signed 2/7/19 was constructed with 2017-2018 audit results in mind and after the principle reviewed the findings and our financials via QuickBooks, including the following wording into the contract:

## **Clean-up/Set-up work**

- (a) QuickBooks Online account review;
- (b) Chart of accounts revision/customization;
- (c) Class revision for non-profit best practice;
- (d) Reconcile bank accounts to current (last reconciled 10/31/18);
- (e) Reconcile investment accounts to current (last reconciled 04/27/17);
- (f) Reconcile American Express account to current (never reconciled);
- (g) Clean-up receivables report showing negative balance;
- (h) Clean-up payables report showing negative balance;
- (i) Reclass unspecified transactions on statement of activity;
- (j) Document base accounting procedures to support audits;
- (k) Payroll setup of employees and employee information, and;
- (l) Entry of YTD employee paid balances for W2 reporting.

## **On-going work**

- (m) Entry and reconciliation of accounts weekly;
- (n) Issuance of monthly financial statements;
- (o) Work with internal staff to provide guidance, support and oversight of accounting processes;
- (p) Payment entry and reconciliation;
- (q) Bill entry and cash disbursement initiation upon approval;
- (r) Maintenance of payables files in the cloud;
- (s) Bi-weekly payroll processing through intuit online payroll;
- (t) Payroll tax filings according to appropriate schedule;
- (u) Coordinate audit activities as needed;
- (v) Liaise with CPAs/tax preparers as needed;
- (w) Meet with client management as needed.

The goal was to address long standing accounting issues that were raised by the auditors and to ensure books were in order in anticipation of the 2018-2019 fiscal year audit.

Longstanding ADP payroll errors were corrected in 2019 with the assistance of Say Bookkeeping and the Department of Labor.



The organization previously contracted with and retained Malik & Co. accountancy to manage our accounting needs following the 2016-2017 audit results and retained them throughout 2018-2019 fiscal year.

Since this audit finds the books were not kept according to GAAP throughout the 2018-2019 fiscal year, the CEO asked that the two accounting organizations formulate a plan to remedy the practices that led to the findings.

Say Bookkeeping disclosed after a CEO initiated meeting between the three organizations, "After the last meeting, responsibilities were clearly defined between Say Bookkeeping, Shaban and Jose. Additionally, we have documented an SOP for the month end close of Poverello's books, clearly defined our responsibilities according to what was discussed at the last meeting and have implemented internal control procedures to ensure higher standards in the financial reporting." See attached SOP developed as remedy.

Regarding Malik & Co. Accountancy, the following checklists were implemented in 2018:

**"Post JE's for Prepaid exp for month**

Prepaid Rent

Prepaid Insurance

Loan Closing Cost - BankUnited

**Reconcile to Fixed Assets Schedule**

Building 2056 N Dixie Hwy

Equipment-Thrift Store

Equipment - Fitness Center

Equipment - Kitchen

Truck - Thrift Store

Furniture-Thrift

Land- 2056 N Dixie Hwy

Accumulated depreciation

Building Improvements

**Must reconcile to schedule created each month and JE posted**

Salaries

Taxes-Payroll

Employee benefits - Auto

Employee Benefits - Insurance

Employee Benefits-pension

Employee benefits-401(k)

Insurance Workers Comp



**Accrue monthly for expenses such as:**

- Interest expense
- Accounting fees
- Taxes-Real Estate
- Rent & Leases
- Legal & Attorney's fees
- Sales not received in bank/not posted to QB
- Online store sales not received in bank/not posted to QB

**Post monthly inventory (as per reports provided by various departments) for:**

- Food bank
- PO Supplements
- Supplies
- Online store inventory
- Thrift store
- Prepaid vouchers
- Prepaid coupons
- Income from investments

**Closing procedures include the following:**

- To accurately post receivables, grants, bequests in the period received
- Ensure correct and regular posting of pledges/AR in QuickBooks in period received (mirroring any excel invoices sent to donors)
- To review file of new assets for any additions to assets/equipment to fixed asset schedules maintained on the cloud
- To record donated food accurately
- Post expenses in period per bill, not when received (accruals)
- Review bank reconciliations and schedules before issuing financial statements."

As a result of coordination and planning with the entities through face to face meetings, emails and coordination calls, the attached workflow plan was agreed upon and implemented incorporating each of the organizations checklists and standard operating procedures.

Thomas S. Pietrogallo, MSW/LCSW, MBA  
Chief Executive Officer



## **Standard Operating Procedures (SOP)**

### **The Poverello Center Inc.**

**Overview:** The Poverello Center is a 501c organization devoted to providing nutritious food, services, and basic living essentials with the highest degree of understanding, respect and love for individuals living with critical and chronic illnesses including HIV in South Florida. Say Bookkeeping is contracted to provide bookkeeping and accounting services to The Poverello Center on an ongoing basis.

The following services are included in the contract for service:

#### General Ledger

1. Import, classification and entry of transactions monthly;
2. Preparation and issuance of monthly financial statements;
3. Working with internal staff to provide support for accounting processes;

#### Accounts Receivable

1. Funder payment entry and reconciliation;
2. Support to funder reporting requirements as needed;

#### Accounts Payable

1. Enter bills through BillPay interface;
2. Compile and send approval reports for cash disbursements;
3. Initiate cash disbursements for approved payables;
4. Maintain bill payment records in QuickBooks Online;

#### Payroll Administration

1. Bi-weekly payroll processing through QuickBooks Online payroll;
2. Support to T-Sheets administration for employee time tracking;
3. File and pay payroll tax filings according to requirements;

#### Audit and Support

1. Coordinate audit activities as needed;
2. Liaise with CPAs/tax preparers as needed, and;
3. Meet with client management as needed.



## Standard Operating Procedures (SOP)

### The Poverello Center Inc.

#### Month End Close

Say Bookkeeping takes a phased approach to the month end close process.

Phase	Completed
1: Planning	25 <sup>th</sup> -1 <sup>st</sup>
2: Reconciliation	1 <sup>st</sup> -5 <sup>th</sup>
3: Work Papers	5 <sup>th</sup> -7 <sup>th</sup>
4: Review	8 <sup>th</sup> -9 <sup>th</sup>
5: Reporting	10 <sup>th</sup>

#### Close Checklist

1. Complete reconciliation for all bank accounts and credit cards
2. Clear all uncleared transactions, request additional information for uncleared items
3. Confirm uncategorized accounts, request additional information for uncategorized items
4. Reconcile payroll liabilities
5. Reconcile sales tax liabilities
6. Review and verify accounts payable aging report
7. Review and verify accounts receivable aging report
8. Review P&L by month and investigate large variances and changes
9. Review Balance Sheet by month and investigate large variances and changes
10. Senior Account Manager final review of close
11. Lock financial statements to prevent changes to prior periods
12. Notify client and CPA that financial reports are ready for review via email

The CPA is responsible for the following items:

1. Allocation of expenses by class
2. Monthly review of financial statements
3. Monthly sales tax filings
4. Support to funder reporting per program requirements
5. Yearend reporting and support to annual audit
6. Adjusting entries resulting from audit or tax preparation

<<End Process>>



Management Letter

<b>WorkFlow</b>	<b>Internal Staff</b>	<b>SayBookkeeping</b>	<b>Malik &amp; Company</b>
Journal Entries	D: Staff Punch in/punch out		Mo: PrePaid Rent
	W: Supervisory Review of Timesheets		Mo: Prepaid Insurance
	BW: Staff sign timesheets		Mo: Loan Closing Cost - BU
	BW: CAO/CEO Approve Payroll		Mo: Reconcile to Fixed Asset Schedule
	D: Enter Data that will result in Invoices in PE/Spreadsheets		Mo: Building 2056 N Dixie Hwy
	M: Create Invoices for Programs/Services		Mo: Equip. Thrift Stores
			Mo: Equip. Fitness Center
			Mo: Equip. Kitchen
			Mo: Truck Thrift
			Mo: Furniture Thrift
			Mo: Land 2056 N Dixie Hwy
			Mo: Accumulated Depreciation
Reconciliations	D: Scan bills daily to BillPay	D: Enter Data from incoming bills QB	Mo: Building Improvements
	Appropriate Accounts (Thrift/Restricted/General)		
		Mo: all bank accounts and credit card statements	
		Mo: payroll liabilities	Mo: Salaries
Accruals			Mo: Taxes - Payroll
			Mo: Empl Benefit Auto
			Mo: Empl Benefit Insurance
			Mo: Empl Benefit Pension
			Mo: Empl Benefit 401K
			Mo: Insurance Workman's Comp
		Mo: Sales Tax Liabilities	Mo: Sales Tax Filings
			Mo: Interest Expense
			Mo: Accounting Fees
			Mo: Taxes Real Estate
			Mo: Rent & Leases
			Mo: Legal & Attorney's fees
			Mo: Sales not Received/not posted to QB

**WorkFlow**

**Internal Staff**

**SayBookkeeping**

**Malik & Company**

**Posting**

Mo: Online store sales not received/not posted to QB  
 Mo: Inventory Online  
 Mo: Inventory Thrift  
 Mo: Inventory Food Pantry  
 Mo: Inventory Food Vouchers  
 Mo: PO Suppliments  
 Mo: Supplies

Mo: Prepaid Coupons/Vouchers  
 Mo: Income from Investments

**Closing**

Mo: Review and verify accounts payable aging report

Mo: Review and verify accounts receivable aging report

Mo: Review Recievables, grants bequests in the period received

Mo: Review Pledges/AR in Quickbooks in Period Received (including invoices sent to donors/funders)

Mo: Review file of new assets for any additions to assets / equipment to fixed asset schedules maintained in the cloud

Mo: Review recording of donated food for accuracy

Mo: Review of expense posting in period per bill, not when received (accruals)

D: Attach Class Designation to all incoming Expenses

Mo: clear all uncleared transactions, request additional information on uncleared items

Mo: confirm uncategorized accounts, request additional information for uncategorized items

Mo: Review P&L and investigate large variances and changes

Mo: Review bank reconciliations / Schedules before issuing financial statements

Mo: Review Balance Sheet by month and investigate large variances and changes

**Workflow**

**Internal Staff**

**SayBookkeeping**

**Malik & Company**

Mo: Lock financial statements  
to prevent changes to prior  
periods

Mo: Notify client and CPA  
that financial reports are  
ready for review via email

Mo: Reviews  
Reports/Reconciliations/  
Expenses for Errors

**Reporting**

Mo/Qtr/A: Funder  
Reporting Preparation  
A: Support/reporting for  
Audit

Mo/Qtr/A: Funder Reporting  
Review

A: Support/Reporting for Audit  
A: Adjusting entries from audit or  
tax preparation