

# **THE POVERELLO CENTER, INC.**

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## **FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT**

May 31, 2020

**Sullivan & Fengler Certified Public Accountants**

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**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 statements of financial position as of May 31, 2020, 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 audits 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 of 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, 2020 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

## **Other Matters**

### *Supplementary and 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* (CFR) 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 a report dated December 29, 2020 on our consideration of The Poverello Center, Inc., internal control over financial reporting and 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 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.

*Sullivan & Fengler*

Sullivan & Fengler  
Fort Lauderdale, Florida  
December 29, 2020

## **FINANCIAL STATEMENTS**

**THE POVERELLO CENTER, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**As of May 31, 2020**

<b>ASSETS</b>	
Cash and cash equivalents (Note B)	\$ 294,327
Grants and accounts receivable	532,863
Investments (Note K )	16,595
Prepaid vouchers	130,005
Prepaid expenses	84,653
Inventory (Note A,I)	40,428
Property and equipment (less accumulated depreciation of \$1,424,519 (Note C)	4,533,111
Loan cost net of amortization (Note B)	21,169
Deposits	26,640
<b>TOTAL ASSETS</b>	<b>\$ 5,679,791</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities</b>	
Accounts payable and accrued expenses	\$ 260,528
Refundable deposits (Note B)	330,221
Refundable advance Paycheck Protection Program (Note F)	239,400
Mortgage payable (Note F)	2,015,155
<b>TOTAL LIABILITIES</b>	<b>2,845,304</b>
<b>Net Assets</b>	
<b>Without donor restrictions:</b>	
Undesignated	2,708,762
With donor restrictions (Note J )	125,725
<b>TOTAL NET ASSETS</b>	<b>2,834,487</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,679,791</b>

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

**THE POVERELLO CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended May 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and Support:</b>			
<b>Grant/ Contribution Support:</b>			
Governmental	\$ 960,760	\$ -	\$ 960,760
Private	591,200	136,398	727,598
In-kind revenue (Note G)	<u>772,369</u>		<u>772,369</u>
	<u>2,324,329</u>	<u>136,398</u>	<u>2,460,727</u>
 Thrift Shop	 898,379		 898,379
Other Income	<u>16,040</u>		<u>16,040</u>
	<u>914,419</u>	<u>-</u>	<u>914,419</u>
	<u>3,238,748</u>	<u>136,398</u>	<u>3,375,146</u>
Net Assets released from restriction	<u>136,739</u>	<u>(136,739)</u>	<u>-</u>
<b>Total Revenue and Support</b>	<b><u>3,375,487</u></b>	<b><u>(341)</u></b>	<b><u>3,375,146</u></b>
 <b>Expenses:</b>			
<b>Program services expense:</b>			
Food Bank	2,265,197		2,265,197
Fitness Center	<u>171,202</u>		<u>171,202</u>
Total program expenses	<u>2,436,399</u>	<u>-</u>	<u>2,436,399</u>
<b>Supporting services expense:</b>			
Management and general	286,613		286,613
Thrift Stores	1,029,640		1,029,640
Fund raising and development	<u>82,662</u>		<u>82,662</u>
Total supporting services expenses	<u>1,398,915</u>	<u>-</u>	<u>1,398,915</u>
<b>Total Expenses</b>	<b><u>3,835,314</u></b>	<b><u>-</u></b>	<b><u>3,835,314</u></b>
Change in net assets from operations	<u>(459,827)</u>	<u>(341)</u>	<u>(460,168)</u>
 <b>Nonoperating activities</b>			
Net investment return (loss)	<u>(1,462)</u>	<u>-</u>	<u>(1,462)</u>
<b>Total nonoperating activities</b>	<u>(1,462)</u>	<u>-</u>	<u>(1,462)</u>
 Change in Net Assets	<u>(461,289)</u>	<u>(341)</u>	<u>(461,630)</u>
Net Assets, Beginning of Year	<u>3,170,051</u>	<u>126,066</u>	<u>3,296,117</u>
Net Assets, End of Year	<u><u>\$ 2,708,762</u></u>	<u><u>\$ 125,725</u></u>	<u><u>\$ 2,834,487</u></u>

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

**THE POVERELLO CENTER, INC.**  
**Statement of Functional Expenses**  
**May 31, 2020**

	Food Pantry	Fitness Center	Program Services Total	Management and General	Fund Raising and Development	Thrift Shops	Supporting Services Total	Total Expenses
Salaries, taxes and benefits	\$ 629,060	\$ 95,509	\$ 724,569	\$ 100,886	\$ 46,594	\$ 576,413	\$ 723,893	\$1,448,462
Independent contractors	4,338	-	4,338	2,920	-	7,203	10,123	14,461
Food vouchers	170,516	-	170,516	-	-	-	-	170,516
Food and food supplies	1,127,854	-	1,127,854	-	-	-	-	1,127,854
Occupancy	45,102	42,981	88,083	7,533	-	152,799	160,332	248,415
Repairs and maintenance	52,018	1,052	53,070	5,327	-	15,707	21,034	74,104
IT/software/internet/telephone	14,480	3,344	17,824	7,803	-	5,573	13,376	31,200
Insurance	21,700	4,986	26,686	8,816	-	21,422	30,238	56,924
Interest on mortgage	21,565	-	21,565	13,057	-	51,931	64,988	86,553
Travel/transportation/meetings	14,962	3,976	18,938	4,837	364	13,762	18,963	37,901
Dues/subscriptions/licenses	13,342	291	13,633	8,278	1,207	480	9,965	23,598
Equipment/supplies/repairs	1,997	-	1,997	998	-	1,997	2,995	4,992
Printing/supplies /office/other	34,567	4,053	38,620	7,989	1,040	15,437	24,466	63,086
Banking/Ebay/credit card fees	-	-	-	901	-	19,167	20,068	20,068
Professional fees	14,339	14,339	28,678	68,463	14,339	-	82,802	111,480
Taxes/sales	-	-	-	-	-	54,700	54,700	54,700
Real estate taxes	-	-	-	-	-	30,932	30,932	30,932
Liquidated damages	-	-	-	34,180	-	-	34,180	34,180
Fundraising direct expense	-	-	-	-	11,708	-	11,708	11,708
Specific assistance clients	6,860	-	6,860	-	-	-	-	6,860
Community awareness	8,012	-	8,012	-	7,410	28,236	35,646	43,658
Total Expense Before	2,180,712	170,531	2,351,243	271,988	82,662	995,759	1,350,409	3,701,652
Depreciation/Amortization	84,485	671	85,156	14,625	-	33,881	48,506	133,662
<b>TOTAL EXPENSES</b>	<b>\$2,265,197</b>	<b>\$ 171,202</b>	<b>\$2,436,399</b>	<b>\$ 286,613</b>	<b>\$ 82,662</b>	<b>\$ 1,029,640</b>	<b>\$ 1,398,915</b>	<b>\$3,835,314</b>

The accompanying notes are an integral part of this financial statement.



**THE POVERELLO CENTER, INC.**  
**STATEMENT OF CASH FLOWS**  
**Year Ended May 31, 2020**

<b>CASH FLOWS FROM &lt;TO&gt; OPERATING ACTIVITIES</b>	
Change in net assets	\$ (461,630)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Unrealized (gain) loss on investments	2,326
Amortization of debt issuance costs	4,619
Depreciation	133,662
<Increase> decrease in operating assets:	
Grants/accounts receivable	(73,460)
Prepaid vouchers	(16,920)
Inventory	7,834
Prepaid expenses	(18,213)
Increase <decrease> in operating liabilities:	
Accounts payable and accrued expenses	39,272
Contract liabilities	153,968
Sales tax	(10,345)
Net cash provided <used> by operating activities	<u>(238,887)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Refundable advance Payroll Protection Program	239,400
Principal payments on mortgage	(60,994)
Net cash provided <used> by financing activities	<u>178,406</u>
<b>CASH FLOWS (TO) FROM INVESTING ACTIVITIES</b>	
Purchase of equipment	(9,924)
Net cash provided <used> by investing activities	<u>(9,924)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(70,405)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>364,732</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ <u>294,327</u></b>
<b>SUPPLEMENTAL DATA</b>	
Interest paid	\$ 86,553
Taxes paid	<u>\$ -</u>

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

**NOTES TO FINANCIAL STATEMENTS**  
**AND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE A – PRINCIPAL ACTIVITIES**

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 or chronic diseases, including HIV and/or Acquiree Immune Deficiency Syndrome, and their dependents, as well as to provide financial assistance for basic living requirements in emergency situations.

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

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

**Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards presents the activity of federal awards of The Poverello Center, Inc., under programs of the federal government for the year ended May 31, 2020, in accordance with the requirements of Title 2 U.S. code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Poverello Center, Inc.

Expenditures reported on the schedule of expenditures of federal awards 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 allowed or are limited as to reimbursement. The Poverello Center, Inc. has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the Organization's financial reporting system.

No amounts were provided to subrecipients. There were no loans or loan guarantees outstanding at year-end.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with a maturity of three months or less to be cash equivalents.

**Investments**

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at fair values in the statement of financial position. Net investment return/loss is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

**Accounts and Grants Receivable**

Accounts and grants receivable are carried at face amounts less an allowance for doubtful accounts. On a periodic basis, they are evaluated and an allowance for doubtful accounts is established based on a combination of specific customer circumstances, credit conditions and a review of subsequent collections. No allowance was deemed necessary as of May 31, 2020.

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued**

**Inventory**

Inventory consists of food donated or purchased and recorded at fair value or cost at the date of receipt, which approximates the lower of cost or net realizable value, on a first in first out basis. Inventory for the thrift shop is valued at estimated market value.

**Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. It is the Organizations policy to capitalize new additions to property and equipment in excess of \$1,000.

**Net Assets**

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

*Net Assets Without Donor Restrictions*

Net assets without donor restrictions are available for use in general operating operations and are not subject to donor or grantor restrictions.

*Net Assets With Donor Restrictions*

Net assets with donor restrictions consist of assets whose use is limited by donor/grantor imposed, time and/or purpose restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES - continued**

**Revenue Recognition**

The Organization accounts for contributions, including unconditional promises to give, as revenues in the period when the conditions on which they depend are substantially met. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are substantially met.

A portion of the Organization's revenue is derived from federal contracts, which are conditional upon certain performance requirements such as supplying food or food vouchers to eligible clients. As of May 31, 2020 funds were received in advance of \$330,221 and are recorded as refundable deposits on the statement of financial position. Poverello has adopted for the year ending May 31, 2020 Accounting Standard Update (ASU) No. 2014-09 revenue from contracts with customers (Topic 606), as amended with the cumulative effect recorded as a decrease in net asset without donor restriction in the amount of \$176,253 for refundable deposit received in the prior fiscal year previously recorded as income with donor restriction.

A portion of the Organization's revenue is derived from cost-reimbursement federal and state contracts and grants, which are conditional upon certain performance requirements and/or the incurrence of allowable qualifying expense. Amounts received are recognized as revenue when the Organization has incurred expenditure in compliance with specific contract or grant provisions.

Donated services (in-kind donations) are recognized as contributions if the services create or enhance non-financial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

The Organization receives a substantial amount of support from volunteers. Such contributed services do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States of America, and accordingly, are not reflected in the financial statements.

**Income Taxes**

The Organization qualified as a tax-exempt organization under section 501 (c)(3) of the Internal Revenue Code and, therefore has no provision for federal income tax. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private organization under Section 509(a)(2). Income from certain Organization activities not directly related to its tax-exempt purpose may be subject to income tax. The current and previous three years information returns remain subject to examination by the IRS. There was no unrelated business income or deferred taxes for the year ended May 31, 2020.

**Functional Allocation of Expenses**

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. The statements of functional expenses presents the natural classification detail of expenses by function. Where possible expenses are charged to the program or services of direct use. Certain other costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries and related	Time and effort
Maintenance repairs	Square footage usage
Printing/supplies/office	Time and effort
Insurance/interest/depreciation	Time and effort
Professional fees	Time and effort
Occupancy/interest/utilities	Square footage usage

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE B - SIGNIFICANT ACCOUNTING POLICIES – continued**

**Advertising/Community Awareness**

Poverello expenses the costs of advertising as incurred. For the year ended May 31, 2020, advertising expense was \$43,658.

**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 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.

**Date of Management Review**

The Organization has evaluated subsequent events through December 29, 2020, the date which the financial statements were available to be issued.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment at May 31, 2020 consists of:

Land, buildings and improvements	\$5,600,020
Furniture and equipment	229,661
Vehicles	127,949
	<u>5,957,630</u>
Accumulated depreciation	<u>&lt;1,424,519&gt;</u>
	<u>\$4,533,111</u>

Depreciation is provided on a straight-line basis, over five to thirty-nine years. Depreciation expense amounted to \$133,662 for the year ended May 31, 2020. The following estimated useful lives are used in determining depreciation:

Furniture	7 years
Equipment and vehicles	5 years
Leasehold improvements	27.5 years
Real property	39 years

**NOTE D – UNCERTAINTIES**

**Pandemic:** The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the World Health Organization designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the Organization's financial position, operations and cash flows. The full impact of COVID-19 is unknown at this time. The Poverello Center, Inc., closed its fitness center and thrift shops for a period of months due to the pandemic. No adjustments have been made to the accompanying financial statements as a result of the current events.

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE E – COMMITMENTS AND CONTINGENCIES**

Amounts received from grantor agencies are subject to additional audit and adjustment. As a result of such audits, the grantor may require that amounts be returned.

Funding agreements for services to be provided are entered into on an annual basis. The release of funds is subject to monies being made available by the government.

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash. The Organization maintains cash with financial institutions that, from time to time, may include balances which exceed federally insured limits. These balances are maintained with high quality institutions, which management feels limits those risks. As of May 31, 2020, the balance exceeded the federally insured limits by approximately \$44,000.

Insurance has been financed at 7.1 percent for ten months with monthly payments of \$3,461.93 there are six payments remaining as of May 31, 2020.

**Leases**

The Organization leases its' gym facility located in Wilton Manors, Florida, and its' second thrift store location in Pompano Beach, Florida, as well as certain equipment. Rent expense for the year ended May 31, 2020 was \$108,558. Future minimum equipment rental payments for the years ended May 31, are as follows:

2021	\$112,725
2022	95,011
2023	98,619
2024	101,024
2025	101,024
2026	75,767
	<u>\$584,170</u>

**NOTE F – DEBT**

**Mortgage**

The Organization has a mortgage note payable to a bank collateralized by the building. The mortgage was payable in monthly installments of \$12,267, including principal and interest, at 3.87 percent until January 19, 2020 when the interest rate became adjustable annually at a rate equal to the bank choice of index plus two hundred twenty-five basis points until maturity date December 19, 2024. Any outstanding balance is due on the maturity date, estimated amount due December 19, 2024 is \$1,672,221. The interest rate as of May 31, 2020 was 4 percent. The schedule of principal payments under arrangements existing as of May 31, 2020 are:

2021	\$ 69,563
2022	72,398
2023	75,346
2024	78,417
Through December 2024	<u>1,719,431</u>
	<u>\$2,015,155</u>

Interest expense incurred for the year ended May 31, 2020 was \$86,553. Interest expense included amortization of det cost of \$4,619. At May 31, 2020, 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 adjustment related to the event of default or that would result from the Organization's inability to cure such default in the future.

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE F – DEBT - continued**

**Paycheck Protection Program:**

Poverello received funding under the Paycheck Protection Program through a local financial institution. The Organization received \$239,400 from the U.S. Small Business Administration ("SBA") in April of 2020, as part of the *Paycheck Protection Program* ("PPP"), which is designed to provide a direct incentive for small businesses to keep their employees on the payroll during the pandemic. The Organization has elected to account for the PPP funds in accordance with FASB's ASC 958-605, *Not-for-Profit Entities - Revenue Recognition*. Under this method the PPP funds were recorded as a refundable advance in the statement of financial position when it was received in April 2020. The Organization will recognize in revenue (grants and contributions) as the related conditions are deemed substantially met by management. No amounts were recognized as of May 31, 2020 and the total of \$239,400 remains as a refundable advance at May 31, 2020. It is expected that the Organization will apply for full forgiveness by the end of the calendar year 2020, in accordance with the terms of this program.

**Subsequent events Debt:**

In July of 2020, Poverello received a loan from the U.S. Small Business Administration in the amount of \$150,000 payable \$641 per month beginning twelve months from the date of the Note, July 1, 2020. The balance of principal and interest will be payable over thirty years at an interest rate is 2.75 percent. The agreement requires collateral and has other restricting covenants. The loan is for working capital to alleviate economic injury casted by the pandemic.

**NOTE G – FOOD DONATIONS**

The Organization received \$772,369 in food donations, valued at estimated fair value at the date of donation for the year ending May 31, 2020 this is recorded in the statement of functional expenses as food cost and on the statement of activities as in-kind revenue.

**NOTE H – EMPLOYEE RETIREMENT PLAN 403 (B)**

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 employees elective contribution. Included in compensation and related expenses is the employer's matching contribution expense for the year ended May 31, 2020 of \$27,821.

**NOTE I – INVENTORIES**

Inventories as of May 31, 2020 were composed of the following:

Food	\$ 15,659
Thrift store	23,322
Supplies	<u>1,447</u>
	<u>\$ 40,428</u>

**NOTE J – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are as follows as of May 31, 2020:

Demonstration kitchen	\$ 49,862
Food	<u>75,863</u>
	<u>\$125,725</u>



**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE K – INVESTMENTS FAIR VALUE MEASURES**

The Financial Accounting Standards Board (FASB) establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2: Inputs to the valuation methodology include 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical assets or liabilities in active markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs in the valuation methodology are unobservable and significant to the fair value measurement.

The assets or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of May 31, 2020.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other markets, the use of different methodologies to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of:

**May 31, 2020:**

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. equities	\$10,431	\$ -	\$ -	\$10,431
Fixed income	-	1,694	-	1,694
Non U.S. equities	2,078	-	-	2,078
Real estate & tangibles	-	2,392	-	2,392
	<u>\$12,509</u>	<u>\$ 4,086</u>	<u>\$ -</u>	<u>\$16,595</u>

**NOTE L – FAIR VALUE MEASUREMENT**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. The Organization has determined that there were no material differences between the carrying value and fair value of its financial assets and liabilities at May 31, 2020 therefore, no adjustment was made to the Organization's financial statements.

**THE POVERELLO CENTER, INC.**  
**NOTES TO FINANCIAL STATEMENTS AND**  
**SCHEDULE OF EXPENDITURES OF**  
**FEDERAL AWARDS**  
May 31, 2020

**NOTE M - LIQUIDITY AND AVAILABILITY OF RESOURCES**

The Poverello Center maintains a policy of operating within a prudent range of financial soundness and stability, structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due and operating within the annual approved budget. The financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and cash equivalents	\$294,327
Investments	16,595
Grants receivable	532,863
Prepaid vouchers	<u>130,005</u>
Total financial assets available within one year	973,790
Less:	
Amount unavailable for general expenditures within one year:	
Restricted by donors with purpose restrictions	<u>125,725</u>
Total financial assets available to management within one year	<u>\$848,065</u>

**THE POVERELLO CENTER, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED May 31, 2020**

	Pass-through Identifying Number	Federal CFDA Number	Federal Expenditure
<u><b>U.S. Department of Health and Human Services:</b></u>			
Passed through Broward County, Florida Human Services Department HIV Emergency Relief Project Grants - Ryan White Part A	17-CP-HCS-8120-RW 01	93.914	\$ 697,916.00
Passed Through AIDS United HIV Emergency Relief Project Grants - Ryan White	U69HA310670100	93.914	<u>189,138</u>
<b>Total U.S. Department of Health and Human Services</b>			<u><b>887,054</b></u>
<u><b>U.S. Department of Homeland Security</b></u>			
Pass through Florida Division Emergency Management Disaster Grants - Public Assistance (Presidentially Declared Disaster)	Z0579	97.036	<u>1,856</u>
<b>Total Expenditure of Federal Awards</b>			<u><b>\$ 888,910</b></u>

The accompanying notes are an integral part of this financial statement.

**THE POVERELLO CENTER, INC.**  
**Summary Schedule of Prior Audit Findings**  
**May 31, 2020**

Finding 2019-01 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 Poverello Center, Inc., hired an outside contractor to perform bookkeeping and reconciliation procedures. The Center also retained the services of a Certified Public Accountant to prepare closing entries and prepare the financial statements on a monthly basis.

**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 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.

**Current Status:** Check list were created but were not followed. The Certified Public Accountant did not perform the procedures as designed. There appears to be a lack of non-profit accounting knowledge or it was not reviewed by an individual with the needed knowledge. Similar errors were noted this year. See current finding 2020-001.



**CERTIFIED PUBLIC ACCOUNTANTS**

3031 North East 22nd Street Fort Lauderdale, Florida 33305-1825

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OF CERTIFIED PUBLIC ACCOUNTANTS  
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**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**

To the Board of Directors of  
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 of May 31, 2020, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 29, 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 Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses, these are described in the accompanying schedule of findings and questioned costs as item 2020-1. Other material weaknesses may exist that have not been identified

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

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether The Poverello Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of the 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.

*Sullivan & Fengler*

Sullivan & Fengler  
Fort Lauderdale, Florida  
December 29, 2020



**CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Board of Directors of  
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.'s major federal programs for the year ended May 31, 2020. 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.

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

### ***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 federal programs for the year ended May 31, 2020.

### **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 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.

*Sullivan & Fengler*

Sullivan & Fengler  
Fort Lauderdale, Florida  
December 29, 2020



**THE POVERELLO CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**Year Ended May 31, 2020**

**Section I-Summary of Auditor's Results**

**Financial Statements**

Type of Financial Statement Opinion	Unmodified
-------------------------------------	------------

Internal control over financial reporting:

Material weakness (es) identified?	Yes
------------------------------------	-----

Significant deficiency (ies) identified?	No
--	----

Noncompliance material to the financial statements noted?	No
---	----

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?	No
-----------------------------------	----

Significant deficiencies identified?	No
--------------------------------------	----

Type of auditor's opinion issued on compliance for the major federal program	Unmodified
---	------------

Any audit findings disclosed that are required to be reported in accordance under 2 CFR 200.516(a)	No
---	----

Identification of major programs:

U.S. Department of Health and Human Services:

HIV Emergency Relief Project Grants

Ryan White	CFDA 93.914
------------	-------------

The dollar threshold used to distinguish Type A and Type B programs was	\$ 750,000
--	------------

Auditee qualified as low risk?	No
--------------------------------	----

**THE POVERELLO CENTER, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COST**  
**Year Ended May 31, 2020**

**Section II – Financial Statement Findings**

(A) Internal Control Findings  
**2020-001**

(B) Compliance Findings  
No matters were reported

**Internal Control Findings**  
**2020-001**

**Condition and Criteria:** The Poverello Center, Inc., hired an outside contractor to perform bookkeeping and reconciliation procedures. The Center also retained the services of a Certified Public Accountant to prepare closing entries and prepare the financial statements on a monthly basis.

**Effect:** Although the Poverello Center made the correct decision to hire professionals it does not appear the Certified Public Accountant hired to close and review the month end financial statements had the required knowledge to fulfill the need.

**Cause:** The Certified Public Accountant was hired in November of 2017; checklists were created for preparing and closing the financial statements to ensure they are prepared in accordance with generally accepted accounting principles. The Certified Public Accountant did not perform the function as intended.

**Context:** 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 a result of failure by the Certified Public Accountant hired to review and reconcile the accounts.

The accounts receivable had a material credit posted as a result of the audit ending May 31, 2019. This remained uncleared for the entire year.

Proper cutoffs were not used at the end of year.

Reconciliations of the bank had numerous items that should have been corrected, or researched, the reconciliations were not always prepared on a timely basis.

Donor restricted grants were not properly tracked and released.

**Auditors Recommendation:** We recommend an employee with the proper skills be hired to take on all accounting functions. Having one individual responsible for oversight of the Organizations' financial reporting would allow the employee to concentrate on the areas needing improvement and set up proper checks and balances. The responsibilities should include reconciling, reporting to the board and management, preparation of monthly reporting for grants, tracking of donor restricted grants.

**Views of Responsible Official and Planned Corrective Action:** A letter from The Poverello Center, Inc. accompanies this report

**Section III - Federal Awards Findings and Questioned Costs**  
No matters were reported.

**Section IV - Prior Year**  
See page 20



November 24, 2020

**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

**Allsha Hurwood, Esq., M.S.**  
Director

Chief Executive Officer:  
**Thomas S Pietrogallo**

To Whom it May Concern:

This letter is provided in response to the annual audit findings of The Poverello Center, Inc., as of May 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing management's response.

The organization is recruiting for hire a company accountant whose function it will be to address the "Internal Control Findings 2020-01" as expressed in the Financial Statement Findings.

The guiding Controls for this position are outlined in "Internal Control Implementation & Maintenance at Poverello" attached to this letter.

Sincerely,

Thomas S. Pietrogallo, MSW/LCSW, MBA  
CEO

## INTERNAL CONTROL IMPLEMENTATION & MAINTANANCE AT POVERELLO

### GENERAL

1. Duties for key employees of the organization are defined.
2. An organization chart sets forth the actual lines of responsibility.
3. Written procedures are maintained covering the recording of transactions, an accounting manual and a chart of accounts.
4. The procedures, chart of accounts, etc., provide for identifying receipts and expenditures of program funds separately for each grant.
5. The accounting system provides for accumulating and recording expenditures by grant and cost category shown in the approved budget.
6. The organization maintains a policy manual covering the following:
  - a. approval authority for financial transactions,
  - b. guidelines for controlling expenditures, such as purchasing requirements and travel authorizations.
7. Procedures govern the maintenance of accounting records.
  - a. Subsidiary records for accounts payable, accounts receivable, etc., are balanced with control accounts on a monthly basis;
  - b. Journal entries are approved, explained and supported;
  - c. Accrual accounts provide adequate control over income and expense.
  - d. Accounting records and valuables are secured in limited access areas.
8. Duties are separated so that no one individual has complete authority over an entire financial transaction.
9. The organization uses an operating budget to control funds by activity.
10. Controls prevent expenditure of funds in excess of approved, budgeted amounts. For example, purchase requisitions are reviewed against remaining amount in budget category;
11. Audits occur by another governmental agency or independent public accountant at least once every two years.
12. The organization maintains Directors and Officers coverage for responsible officials.
13. The organization Maintains Directors and Officers coverage in the amounts required by funders at a minimum.
14. Grant financial reports are prepared for required accounting periods within the time imposed by the grantors.
15. The organization will pursue a negotiated indirect cost rate while maintaining an indirect cost allocation plan.

## CASH RECEIPTS

1. When advance payments have been made to the organization:
  - a. All funds maintained in a bank with sufficient federal deposit insurance;
  - b. An understanding of the terms of the advance (i.e. to be used before costs can be submitted for reimbursement) are fully documented.

## PURCHASING, RECEIVING, AND ACCOUNTS PAYABLE

The following conditions are indicative of satisfactory control over purchasing, receiving, and accounts payable.

1. Prenumbered purchase orders are used for all items of cost and expense.
2. There are procedures to ensure procurement at competitive prices.
3. Receiving reports are used to control the receipt of merchandise.
4. There is effective review by a responsible official following prescribed procedures for program coding, pricing and extending vendors' invoices.
5. Invoices are matched with purchase orders and receiving reports.
6. Costs are reviewed for charges to direct and indirect cost centers in accordance with applicable grant agreements and applicable Federal Management circulars pertaining to cost principles.
7. When accrual accounting is required, the organization has adequate controls such as checklists for statement closing procedures to ensure that open invoices and uninvoiced amounts for goods and services received are properly accrued or recorded in the books or controlled through worksheet entries.
8. There is adequate segregation of duties in that different individuals are responsible for (a) purchase (b) receipt of merchandise or services, and (c) voucher approval.

## PURCHASING

1. The purchasing function is separate from accounting and receiving.
2. The organization obtains competitive bids for items, such as rental or service agreements, over specified amounts.
3. The purchasing staff is required to obtain additional approval on purchase orders above a stated amount.
4. There procedures to obtain the best possible price for items not subject to competitive bidding requirements, such as approved vendor lists and supply item catalogs.
5. Purchase orders are required for purchasing all equipment and services.
6. Purchase orders are controlled and accounted for by prenumbering and logging.
7. The agency's normal policies such as competitive bid requirements are the same as grant agreements and related regulations.

8. The purchasing department is required to maintain control over items or dollar amounts requiring advance approval.
9. Under the terms of 2 CFR 200, certain costs and expenditures incurred by units of State and local governments are allowable only upon specific prior approval of the grantor Federal agency. Poverello's established policies and procedures govern the prior approval of expenditures in the following categories.
  - a. Automatic data processing costs.
  - b. Building space rental costs.
  - c. Costs related to the maintenance and operation of the Costs related to the rearrangement and alteration of the Allowances for depreciation and use of publicly owned buildings.
  - d. The cost of space procured under a rental-purchase or a lease-with-option-to-purchase agreement.
  - e. Capital expenditures.
  - f. Insurance and indemnification expenses.
  - g. The cost of management studies.
  - h. Preagreement costs.
  - i. Professional services costs.
  - j. Proposal costs.
10. Under the terms of 2 CFR 200 certain costs incurred by units of State and local governments are not allowable as charges to Federal grants. Poverello has established policies and procedures to preclude charging Federal grant programs with the following types of costs.
  - a. Bad debt expenses.
  - b. Contingencies.
  - c. Contribution and donation expenditures
  - d. Entertainment expenses.
  - e. Fines and penalties.
  - f. Interest and other financial costs.
  - g. Legislative expenses.
  - h. Charges representing the nonrecovery of costs under grant agreements.

#### RECEIVING

1. The organization has a receiving function to handle receipt of all materials and equipment.
2. Supplies and equipment are inspected and counted before acceptance for use.
3. Quantities and descriptions of supplies and equipment are checked by the receiving department against a copy of the purchase order or some other form of notification.
4. A logbook or permanent copy of the receiving ticket is kept by the receiving department.

#### ACCOUNTS PAYABLE

1. Control is established over incoming vendor invoices.
2. Receiving reports are matched to the vendor invoices and purchase orders, and are all of these documents are kept in accessible files.
3. Charges for services are required to be supported by evidence of performance by individuals other than the ones who incurred the obligations.

4. Extensions on invoices and applicable freight charges are checked by accounts payable personnel.
5. the program to be charged is entered on the invoice and checked against the purchase order and approved budget.
6. There is an auditor of disbursements who reviews each voucher to see that proper procedures have been followed.
7. Checks are adequately cross referenced to vouchers.
8. Individuals responsible for accounts payable are other than those responsible for cash receipts.
9. Accrual accounts are kept for items which are not invoiced or paid on a regular basis.
10. Unpaid vouchers are totaled and compared with the general ledger on a monthly basis.

#### CASH DISBURSEMENTS

The following conditions are indicative of satisfactory controls over cash disbursements.

1. Duties are adequately separated; different persons prepare checks, sign checks, reconcile bank accounts, and have access to cash receipts.
  2. All disbursements are properly supported by evidence of receipt and approval of the related goods and services.
  3. Blank checks are not signed.
  4. Unissued checks are kept in a secure area.
  5. Bank accounts are reconciled monthly.
  6. Bank accounts and check signers are authorized by the board of directors or trustees.
  7. Petty cash vouchers are required for each fund disbursement.
  8. The petty cash fund is kept on an imprest basis.
- 
1. Checks are controlled and accounted for with safeguards over unused, returned, and voided checks
  2. The drawing of checks to cash or bearer is prohibited.
  3. Supporting documents, such as invoices, purchase orders, and receiving reports, accompany checks for the check signers' review.  
signers' review?
  4. Vouchers and supporting documents are appropriately cancelled (stamped or perforated) to prevent duplicate payments.

5. No check signing plates are used,
6. Two signatures are required on checks over stated amounts.
7. Check signers are responsible officials or employees of the organization.
8. The person who prepares the check or initiates the voucher is someone other than the person who mails the check.
9. Bank accounts are reconciled monthly and any differences are resolved.
10. Concerning petty cash disbursements:
  - a. petty cash is reimbursed by check and disbursements are reviewed at that time.
  - b. There is a maximum amount, reasonable in the circumstances, for payments made in cash.
  - c. Petty cash vouchers are written in ink to prevent alteration.
  - d. Petty cash vouchers are canceled upon reimbursement of the fund to prevent their reuse.

#### PAYROLL

The following conditions are indicative of satisfactory controls of payroll.

1. Written authorizations are on file for all employees covering rates of pay, withholdings and deductions.
2. The organization has written personnel policies covering job descriptions, hiring procedures, promotions, and dismissals.
3. Distribution of payroll charges is based on documentation prepared outside the payroll department.
4. Payroll charges are reviewed against program budgets and deviations are reported to management for follow-up action.
5. Adequate timekeeping procedures, including the use of timeclock or attendance sheets and supervisory review and approval, are employed for controlling paid time.
6. Payroll checks are prepared and distributed by individuals independent of each other.
7. Other key payroll and personnel duties such as timekeeping, salary authorization and personnel administration are adequately separated.
8. Payroll and personnel policies governing compensation are in accordance with the requirements of grant agreements.
9. There are procedures to ensure that employees are paid in accordance with approved wage and salary rates.
10. The distribution of payroll charges are checked by a second person and aggregate amounts are compared to the approved budget.
11. All wages are paid at or above the Federal minimum wage.
12. Procedures are adequate for controlling: (a) overtime wages, (b) overtime work authorization, and (c) supervisory approval of overtime?



## PROPERTY AND EQUIPMENT

The following conditions are indicative of satisfactory control over property and equipment.

1. There is an effective system of authorization and approval of capital equipment expenditures.
2. Accounting practices for recording capital assets are reduced to writing.
3. Detailed records of individual capital assets are kept and periodically balanced with the general ledger accounts.
4. There are effective procedures for authorizing and accounting for disposals.
5. Property and equipment is stored in a secure place.
6. Executive authorizations and approvals are required for originating expenditures for capital items.
7. Expenditures for capital items are reviewed for board approval before funds are committed.
9. The organization has established policies covering capitalization and depreciation.
10. The organization charges depreciation or use allowances on property and equipment against any grant programs which it administers.
11. Historical cost is the basis for computing depreciation or use allowances.
13. The agency's method for computing use allowances is in accordance with the standards outlined in Federal circulars or agency regulations.
14. There detailed records showing the asset values of individual units of property and equipment.
15. Detailed property records are periodically balanced to the general ledger.
16. Detailed property records are periodically checked by physical inventory.
17. Differences between book records and physical counts are reconciled and the records adjusted to reflect shortages.
18. There are procedures governing the use of property and equipment.

## INDIRECT COSTS

1. The organization has an indirect cost allocation plan or a negotiated indirect cost rate.
2. The indirect cost allocation plan is prepared in accordance with the provisions of 2 CFR 200.
3. Audit cognizance for the plan has been established and the rates are accepted by all participating Federal and State agencies.
2. The organization has procedures which provide assurance that consistent treatment is applied in the distribution of charges as direct or indirect costs to all grants.