



Audit Committee Meeting

April 3, 2023 at 12:00 p.m.

Fresno EOC Board Room

1920 Mariposa Street, Suite 310

Fresno, CA, 93721

Zoom Link:

https://fresnoeoc.zoom.us/meeting/register/tZ0ocOmorzosGNGTxPJDFp5ADUj_jU4xU9Vw



AUDIT COMMITTEE MEETING AGENDA

APRIL 3, 2023 AT 12:00 P.M.

1. CALL TO ORDER

2. ROLL CALL

A. Monthly Attendance Record		3
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3. APPROVAL OF JUNE 1, 2022 MINUTES

A. June 1, 2022 Audit Committee Meeting Minutes	Approve	4
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4. FINANCIAL AUDIT REPORTS

Accept

A. Agency Financial Statements – December 2021		5
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B. School of Unlimited Learning Financial Statements – 2021-2022		52
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5. AUDIT COMMITTEE CHARTER

A. Audit Committee Charter	Approve	87
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6. OTHER BUSINESS

The next meeting is scheduled on Thursday, August 17, 2023 at 12:00 p.m.

7. PUBLIC COMMENTS

(This portion of the meeting is reserved for persons wishing to address the Committee on items within jurisdiction but not on the agenda. Comments are limited to three minutes).

8. ADJOURNMENT



Audit Committee Meeting Monthly Attendance Record 2023

Daniel Martinez
 David Ruiz
 Ruben Zarate
 Brian King
 Lupe Jaime-Mileham
 Daniel Parrra

January	1-Feb	22-Mar	3-Apr	May	June	July	17-Aug	Sept.	Oct.	2-Nov	Dec.	Attended
	Postpone	Postpone										0/11
												0/11
												0/11
												0/11
												0/11

O-Present X-Absent T-Teleconference



AUDIT COMMITTEE MEETING

June 1, 2022

12:00 PM

MINUTES

1. **CALL TO ORDER**

Daniel Martinez, Audit Committee Chair, called the meeting to order at 12:05 P.M.

2. **ROLL CALL**

Present: Daniel Martinez, Ed Avila, Linda Hayes, Rey Leon, and Brian King

3. **APPROVAL OF FEBRUARY 17, 2022 MINUTES**

Public Comment: None heard.

Motion by: Martinez **Second by:** Leon

Ayes: Daniel Martinez, Ed Avila, Linda Hayes, Rey Leon, and Brian King

Nays: None heard

4. **AUDITED FINANCIAL STATEMENTS**

Peter Mersino, CPA, of Kaku & Mersino, LLP provided an overview of the Audit Finance Statements of the four Fresno EOC program-specific audits:

- A. State Child Care Program 2020-2021 Audit
- B. Urban CTSA 2020-2021 Audit
- C. Rural CTSA 2020-2021 Audit
- D. 401(a) Pension Plan 2020 Audit
- E. 403(b) Retirement Plan 2020 Audit

Public Comment: None heard.

Motion by: Hayes **Second by:** King

Ayes: Daniel Martinez, Ed Avila, Linda Hayes, Rey Leon, and Brian King

Nays: None heard

5. **OTHER BUSINESS**

Next meeting: Wednesday November 2, 2022 at 12:00 p.m.

6. **PUBLIC COMMENTS**

Public Comment: None heard.

No action required.

7. **ADJOURNMENT**

Martinez adjourned the meeting at 12:55P.M.

Respectfully submitted,

Daniel Martinez, Chair



AUDIT COMMITTEE MEETING

Date: April 3, 2023	Program: Internal Audit
Agenda Item #: 4	Director: N/A
Subject: Financial Audit Reports	Officer: Emilia, CEO

Recommended Action

Staff recommends acceptance of Fresno EOC's Consolidated Financial Statements for the year-end December 31, 2021 as well as acceptance of the 2021-22 School of Unlimited Learning Financial Statements as prepared by Hudson Henderson & Company, Inc.

Background

The Single Audit Act requires audits to be conducted by independent auditors. Single audits are relied upon by federal agencies as part of their administrative responsibilities for determining compliance with the requirements of federal awards by non-federal entities. Any non-Federal entity that expends \$750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single audit conducted in accordance with 2 CFR 200 Uniform Guidance.

Fiscal Impact

If a non-Federal entity fails to comply with the U.S. Constitution, Federal statutes, regulations or the terms and conditions of a Federal award, the Federal awarding agency or pass-through entity may temporarily withhold cash payments, disallow all or part of the action not in compliance, terminate or suspend the Federal award.

The continued success of Fresno EOC in fulfilling its mission and vision is dependent upon receiving necessary funding. In 2021, Fresno EOC received approximately 69% of its funding from Federal granting agencies. The discontinuance of funding from these Federal sources would have an adverse effect on the ability of Fresno EOC to carry out its vision and mission, "Helping People, Changing Lives".

Conclusion

If accepted by the Committee, this item will move forward for full Board consideration at the April 6, 2023 Board of Commissioners Meeting.



FRESNO ECONOMIC OPPORTUNITIES COMMISSION

**CONSOLIDATED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Fresno Economic Opportunities Commission

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying consolidated financial statements of the Fresno Economic Opportunities Commission (the Organization), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidate Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the consolidated financial statements as a whole. The schedule of grant revenues and expenditures – Local Conservation Corps Grant Program is presented for the purposes of additional analysis and is not a required part of the financial statements. The 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of grant revenues and expenditures – Local Conservation Corps Grant Program and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated 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 April 3, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
April 3, 2023

DRAFT

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Current Assets

Cash and cash equivalents	\$ 17,541,103
Cash and cash equivalents - restricted	526,962
Investments	294,594
Grants receivable	17,358,000
Other receivables	17,665
Prepaid expenses and deposits	384,422
Loans receivable, current portion	<u>2,174,071</u>

Total current assets 38,296,817

Noncurrent Assets

Investments in trust	954,203
Inventories	148,201
Loans receivable, net	14,620,916
Fixed assets, net	<u>13,450,955</u>

Total noncurrent assets 29,174,275

Total Assets \$ 67,471,092

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable and accrued expenses	\$ 4,567,963
Salaries and benefits payable	3,749,406
Refundable advances	4,973,964
Health insurance reserve	3,924,890
Other liabilities	1,254,907
Line of credit	1,941,814
Capital leases, current portion	175,328
Notes payable, current portion	<u>2,500,924</u>

Total current liabilities 23,089,196

Long-Term Liabilities

Capital leases, net of current portion	734,473
Notes payable, net of current portion	<u>13,201,260</u>

Total long-term liabilities 13,935,733

Total liabilities 37,024,929

Net Assets

With donor restrictions	4,648,392
Without donor restrictions	<u>25,797,771</u>

Total net assets 30,446,163

Total Liabilities and Net Assets \$ 67,471,092

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUES			
Grant revenue	\$ 94,429,350	\$ 5,256,250	\$ 99,685,600
Fee for services	14,661,503	-	14,661,503
Contributions	610,773	-	610,773
Investment income	3,229,636	-	3,229,636
Other income	2,950,488	-	2,950,488
In-kind matching contributions	6,554,868	-	6,554,868
Net assets released from restrictions:			
Satisfaction of program requirements	2,147,297	(2,147,297)	-
Total Support and Revenues	124,583,915	3,108,953	127,692,868
EXPENSES			
Program Services:			
Education	42,440,685	-	42,440,685
Employment and training	5,232,622	-	5,232,622
Health services	5,795,479	-	5,795,479
Housing	3,029,964	-	3,029,964
Energy	10,791,256	-	10,791,256
Food and nutrition	35,628,154	-	35,628,154
Transit	7,315,948	-	7,315,948
Other services	2,959,680	-	2,959,680
Access Plus Capital	2,766,673	-	2,766,673
Other affiliates	106,435	-	106,435
Total Program Services	116,066,896	-	116,066,896
Supporting Services:			
General and administration	7,892,904	-	7,892,904
Total Expenses	123,959,800	-	123,959,800
Excess of Support and Revenues over Expenses	624,115	3,108,953	3,733,068
OTHER INCOME (EXPENSES)			
Increase in grant funded assets	175,881	-	175,881
Depreciation of grant funded assets	(980,099)	-	(980,099)
Change in Net Assets	(180,103)	3,108,953	2,928,850
Net Assets at Beginning of Year	25,977,874	3,130,958	29,108,832
Prior Period Adjustment	-	(1,591,519)	(1,591,519)
Net Assets at Beginning of Year (Restated)	25,977,874	1,539,439	27,517,313
Net Assets at End of Year	\$ 25,797,771	\$ 4,648,392	\$ 30,446,163

The accompanying notes are an integral part of the consolidated financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Program Services				
	Education	Employment and Training	Health Services	Housing	Energy
Personnel costs	\$ 30,012,012	\$ 3,420,008	\$ 3,584,654	\$ 1,356,469	\$ 2,796,788
Contract services	6,572,274	985,715	1,242,469	304,964	1,206,192
Facility costs	1,826,570	278,098	296,679	826,236	510,133
Travel, mileage & vehicle costs	330,439	64,298	41,178	62,631	25,838
Equipment costs	845,749	100,246	45,555	10,027	1,330,198
Office expense	786,632	101,006	319,632	74,798	210,138
Insurance expense	226,756	68,830	25,307	19,167	25,140
Program supplies & client costs	1,534,058	213,684	619,592	174,938	273,565
Food vouchers	-	-	-	-	-
Utility vouchers	-	-	-	-	4,681,510
Depreciation	77,628	21,799	10,280	14,731	24,861
Interest	-	-	-	-	-
Other costs	3,585	9,676	104,571	133,186	397
In-kind expenses	6,025,099	230,855	-	233,738	-
Subtotal	48,240,802	5,494,215	6,289,917	3,210,885	11,084,760
Intercompany eliminations	(5,800,117)	(261,593)	(494,438)	(180,921)	(293,504)
Total expenses	<u>\$ 42,440,685</u>	<u>\$ 5,232,622</u>	<u>\$ 5,795,479</u>	<u>\$ 3,029,964</u>	<u>\$ 10,791,256</u>

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Food and Nutrition	Program Services				Supporting Services	Total Expenses
	Transit	Other Services	Access Plus Capital	Other Affiliates	General and Administration	
\$ 6,863,564	\$ 4,370,447	\$ 1,586,033	\$ 1,356,921	\$ -	\$ 5,736,645	\$ 61,083,541
2,037,426	666,409	561,245	570,932	1,350	740,375	14,889,351
504,781	191,391	417,248	52,094	-	259,924	5,163,154
45,006	1,344,181	28,720	47,447	-	40,770	2,030,508
141,728	31,857	14,452	10,085	-	94,610	2,624,507
230,201	160,007	180,110	150,727	85	576,185	2,789,521
34,731	305,289	21,192	8,315	-	32,260	766,987
4,917,800	571,499	238,476	362,440	892,150	164,615	9,962,817
22,559,266	-	-	-	-	-	22,559,266
-	-	-	-	-	-	4,681,510
16,327	4,877	23,512	10,366	-	47,986	252,367
-	-	37,034	275,104	-	27,230	339,368
2,327	6	(35,033)	72,037	105,000	152,416	548,168
90,964	-	-	-	-	57,176	6,637,832
37,444,121	7,645,963	3,072,989	2,916,468	998,585	7,930,192	134,328,897
(1,815,967)	(330,015)	(113,309)	(149,795)	(892,150)	(37,288)	(10,369,097)
<u>\$ 35,628,154</u>	<u>\$ 7,315,948</u>	<u>\$ 2,959,680</u>	<u>\$ 2,766,673</u>	<u>\$ 106,435</u>	<u>\$ 7,892,904</u>	<u>\$ 123,959,800</u>

The accompanying notes are an integral part of the consolidated financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Cash Flows from Operating Activities	
Change in net assets	\$ 2,928,850
Adjustments to reconcile the change in net assets to net cash provided by operating activities:	
Depreciation	1,232,466
Provision for loan losses and bad debt expense	231,760
Changes in operating assets and liabilities:	
Grants receivable	(1,501,161)
Other receivables	9,194
Prepaid expenses and deposits	138,826
Inventories	(2,801)
Accounts payable and accrued expenses	1,228,993
Salaries and benefits payable	238,887
Refundable advances	(870,923)
Health insurance reserve	(66,565)
Other liabilities	(1,941,814)
Net cash provided by operating activities	<u>1,625,712</u>
Cash Flows from Investing Activities	
Net sales (purchases) of investments	8,415
Purchase of capital assets	(60,809)
Issuance of loans receivable	(5,531,458)
Collections of loans receivable	<u>3,922,842</u>
Net cash used by investing activities	<u>(1,661,010)</u>
Cash Flows from Financing Activities	
Principal payments on notes payable	3,608,914
Proceeds from line of credit	<u>1,941,814</u>
Net cash provided by financing activities	<u>5,550,728</u>
Net increase in cash, cash equivalents and restricted cash	5,515,430
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>12,552,635</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 18,068,065</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Statement of Financial Position	
Cash and cash equivalents	\$ 17,541,103
Cash and cash equivalents restricted for loan loss reserves	<u>526,962</u>
Total Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 18,068,065</u>
Supplemental Disclosure:	
Interest paid	<u>\$ 339,368</u>
Capital Assets acquired via capital lease	<u>\$ 970,674</u>

The accompanying notes are an integral part of the consolidated financial statements.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Fresno Economic Opportunities Commission (the Organization) is a non-profit corporation incorporated in the State of California in 1965. The Organization is a local community human services agency that provides assistance to economically and socially disadvantaged persons primarily in the Fresno County region through various types of health and welfare services and programs. The majority of the Organization's funding is supported by grants from federal, state, and local governments, with additional sources of revenue from fees for services, in-kind contributions, and donor contributions.

Principles of Consolidation: The Organization consolidates for-profit subsidiaries and related non-profit entities in which it has a controlling financial interest. The accompanying financial statements reflect the consolidation of the financial statements of the Organization and its wholly owned subsidiaries: Western Community Industries, Inc. (WCI) and Fresno Executive Plaza, Inc. (FEP). The financial statements also include Fresno Community Development Financial Institution (CDFI) and Enterprise Plus Economic Development Center, Inc., which are non-profit public benefit corporations exempt from federal income tax under Section 501(c)(3). In 2017, Fresno CDFI underwent a branding campaign and is now doing business as Access Plus Capital. All significant inter-company accounts and transactions have been eliminated. WCI and FEP do not have any significant operations and are considered inactive.

Basis of Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Under Accounting Standard Codification (ASC) Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the portion of net assets over which the governing board has discretionary control for the general operations of the Organization. The only limits on net assets without donor restrictions are limits resulting from contractual agreements.

Net assets with donor restrictions are the portion of net assets resulting from contribution, pledges, and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that expire by the passage of time or usage, and the portion of net assets restricted by external parties (donors, grantors, or laws and regulations) in ways that are not dependent on the passage of time.

Method of Accounting: The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

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

Cost Allocations: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied and that is also in accordance with guidance of any specific funding terms and conditions associated with the funding received. Allocated expenditures for shared costs include compensation and benefits, which are allocated either on the basis of actual time tracking or estimates of time and effort such as may be extrapolated from a time study. Costs such as contract services are allocated to the program which receives the benefit and may be further allocated based on clients, employees, or number of service units.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost Allocations (continued): Facility costs, including depreciation, are predominantly occupied by a single program but as needed such costs are further allocated based on square footage. Computer and software related costs are allocated based on the number of users or computers by functional category. Non-personnel insurance is allocated based on number of vehicles, square footage occupied, property valuation, or number of employees/volunteers, as appropriate for the type of coverage being allocated. Operating costs are allocated based on the number of employees/clients/users who benefit from the item being allocated. Costs directly linked to a client or an employee are allocated based on the program under which they are served or employed, respectively.

Cash and Cash Equivalents: For purposes of reporting the Statement of Cash Flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents. Certificates of deposit with original maturity dates of greater than three (3) months are classified as investments.

Grants Receivable: Grants receivable consist of the amounts due from grantors on their promises to give or amounts as earned under the grant agreement. Grants receivable are stated at the amounts the Organization expects to collect. The Organization utilizes the allowance method for accounting for and reporting uncollectible or doubtful accounts. The provision for uncollectible amounts is computer based upon historical averages and management's consideration of current economic factors that could affect collections. At December 31, 2021, management considered all grants receivable to be fully collectible and, therefore, no allowance against grants receivable was recorded in the accompanying financial statements.

Other Receivables: Other receivables consist of the amounts due from other organizations or agencies for which services have been rendered and fees are payable to the Organization. The Organization utilizes the allowance method for accounting for and reporting uncollectible or doubtful accounts. At December 31, 2021, management considered all accounts receivable to be fully collectible and, therefore, no allowance against other receivables was recorded in the accompanying financial statements.

In-Kind Matching Contributions: The Organization receives a significant number of donated materials, facilities, and services from volunteers and other entities, primarily relating to the Head Start program. Donated in-kind contributions are recognized as contributions if they have ascertainable fair values. Donated services are recognized as contributions if they 1) significantly enhance non-financial assets or 2) involve a professional service that would otherwise have been purchased and whose values can be objectively measured.

Inventories: Inventories consist of transportation parts and supplies, medication and food supplies. Inventories are stated at the lower of cost or market, determined by the first-in, first-out method.

Fixed Assets: All purchased fixed assets in excess of \$5,000 are valued at cost where historical records are available and at an estimated historical cost when no historical record exists. Donations of fixed assets are recorded as support at their estimated fair market values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with restrictions regarding their use and contributions of cash that must be used to acquire capital assets are reported as restricted support. Absent donor stipulations regarding length of time, those donated or acquired assets are placed in service as instructed by the donor. Fixed assets are depreciated using the straight-line method over their estimated useful lives of between 5 and 10 years.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inter-Company Eliminations: Under certain grant agreements, the Organization is authorized to allocate facility expense, as a space usage allowance, for facilities which it owns, to its programs at a rate that is supported by actual cost incurred, as well as allocate indirect administrative services costs. The Organization also provides food and transit services to multiple programs. The Organization recognizes both inter-company facility income and facility cost for the allocation of facilities, fees for service income and administrative services expenses for the allocation of administrative services, and fees for service income and program costs for food and transit services, related to these programs. These inter-company activities have been eliminated during consolidation in the Consolidated Statement of Activities and Consolidated Statement of Functional Expenses. The total amount of inter-company eliminations for the year ended December 31, 2021 related to facility activities, administrative services, food, transit and other services was \$10,369,097.

Revolving Loan Fund: The receipt of grant funding from various Federal and non-Federal sources for the purpose of issuing loans to eligible clients has generated a funding pool for the continued issuance of future loans. Management has determined that there will be no future claims against these funds. The funds will continue to be issued in accordance with the ongoing business purpose of the Organization. The funds are included in net assets without donor restrictions.

California Capital Access Program for Small Business (CalCAP): The Organization participates in the California Capital Access Program for Small Business (CalCAP) program administered by the California Pollution Control Financing Authority to encourage banks and other financial institutions to make loans to small businesses that have difficulty obtaining financing. CalCAP is a form of loan portfolio insurance that may provide up to 100% coverage on certain loan defaults. Eligible loans up to \$2.5 million may be enrolled for loans as large as \$5 million with a maximum lender/borrower contribution for any single borrower in a three-year period of \$100,000. Authorized claim reimbursements shall not exceed the enrolled amount of the qualified loan that form the basis of the claim, except for reasonable out-of-pocket expenses. Additionally, claim reimbursements in excess of the Loss Reserve Account will not be made. Eligible small businesses must be based within California and be classified as a small business. Their business activity resulting from the enrolled loans must be created and retained in California.

Loans Receivable: Loans receivable consists of loans made to microbusiness and small business borrowers and are carried at their outstanding principal balances, net of an allowance for loan losses. Loan origination fees are recognized immediately, which management has determined is not materially different from accounting principles generally accepted in the United States of America.

Interest income is accrued on principal loan balances. The Organization accrues interest on past due loans at the regular rate of interest or at the default rate of interest for loans that are in default. Loans may be placed on nonaccrual status when any portion of the principal or interest is ninety days past due or earlier when concern exists as to the ultimate collectability of principal or interest, as evaluated. The Organization makes every effort to collect all interest payments from the borrower even after loans are placed on nonaccrual status for accounting purposes.

Loans return to accrual status when principal and interest become current and are anticipated to be fully collectible. Payments received on nonaccrual loans receivable are first applied to outstanding principal or interest depending on the circumstances of each particular loan.

Loan Loss Reserves: The Organization is required to create cash loan loss reserve accounts to cover potential losses arising from defaulted loans. The reserve funds cover losses from the unguaranteed portion of defaulted loans as well as possible repairs and denials associated with the guarantee on the defaulted loans. The loan loss reserves are presented in the Statement of Financial Position as cash and cash equivalents restricted for loan loss reserves. The balance of the cash and cash equivalents restricted for loan loss reserves as of December 31, 2021 is \$526,962.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Loan Losses: Management's determination of the level of the allowance for loan losses rests upon various judgments and assumptions, including current and projected economic conditions, prior loan loss experience, the value of the underlying collateral, continuing review of the loans, and evaluation of credit risk. Management considers the allowance for loan losses adequate to cover losses inherent in loans and loan commitments. However, because of uncertainties associated with these judgments and assumptions, it is reasonably possible that management's estimate of loan losses and the related allowance may change materially in the near-term. The allowance is increased or decreased by a provision (recapture) for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. The balance of the allowance for loan losses as of December 31, 2021 was estimated at 5% of the outstanding loan portfolio.

A large portion of the Organization's portfolio has the additional 90% to 95% guarantee from the CalCAP and other state guarantors. As of December 31, 2021, 16.75% of the loans receivable portfolio had the additional guarantee from Small Business Administration (SBA), State, or other providers.

Refundable Advances: The Organization receives grant awards from funding sources to provide services and direct loan programs. The grants are recognized as the required services are performed or loans are issued. Accordingly, revenue is recognized when earned and expenses are recognized when incurred.

Compensated Absences: Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. The Organization recognizes compensated absences as a liability for amounts due to staff employees for accrued vacation at pay rates currently in effect for the employee. Accrued compensated absences are recorded in the salaries and benefits payable line item on the Consolidated Statement of Financial Position. Total compensated absences were \$1,743,747 as of December 31, 2021.

Contributions: Contributions consist primarily of amounts received from financial institutions, federal, state and local agencies. The Organization recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions. When the time or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Conditional contributions and promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. As of December 31, 2021, there were no conditional contributions. Contributions to be received after one year are discounted at an appropriate rate commensurate with the anticipated cash flow and risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. As of December 31, 2021, the Organization did not have contributions to be received after one year.

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Government Grants and Contracts: Government grants and contracts consists of grants from the federal government, financial institutions, and other not for profit organizations. Grants are utilized to support the Organization's lending programs. Grant funding received is recognized as unearned income until the revenue is earned.

Exchange Transactions: Revenues earned from fees for service, loan originations fees, and late fees are considered to be exchange transactions. Revenues from exchange transactions are reported gross of any related expense in the accompanying financial statements.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expenses: The costs of the Organization's various activities have been summarized on a functional basis in the accompanying Statements of Activities and Functional Expenses. Expenses are allocated to program and supporting services based upon employee's time for each function, purpose of each expenditure, and service provided for each program.

Advertising: Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. There were no capitalized costs. Advertising costs of \$172,623 were incurred during the year ended December 31, 2021.

Income Taxes: The Organization is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income.

Accounting principles generally accepted in the United States of America require the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability (or asset) if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. The Organization's management has analyzed the tax positions taken and has concluded that, as of December 31, 2021, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

The Organization files tax forms in the U.S. federal jurisdiction and the State of California. The Organization is generally no longer subject to examination by these agencies for years before December 31, 2018.

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents, accounts receivable, grants receivable, other receivables, prepaid expenses and deposits, accounts payable, line of credit, accrued liabilities, and refundable advances, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statement of Financial Position. The carrying amounts of these financial instruments approximate fair value because of the short-term maturities of those instruments.

Concentrations of Credit Risk: Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents and loans receivable.

The Organization maintains several bank accounts at different banks. Interest and non-interest bearing accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Occasionally, account balances at some of these institutions exceed federally insured limits. Excess amounts are reviewed at least semi-annually at the Executive Committee and full board meetings. Staff monitors these accounts quarterly for opportunities to reallocate idle funds between existing institutions as available, resulting in risk reduction. All funds are invested in financial institutions with high credit ratings. The Organization has not experienced any losses related to such investments. The Organization currently has accounts with three bank institutions in excess of FDIC limits as of December 31, 2021. The total amount of cash in excess of FDIC limits as of December 31, 2021, was \$13,792,695. Management considers this a normal business risk and has not experienced any losses in the past as a result of cash concentration.

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these consolidated financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through April 3, 2023, which is the date the financial statements were available to be issued.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2 – AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of December 31, 2021, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

Financial Assets:	
Cash and cash equivalents	\$ 17,541,103
Cash and cash equivalents - restricted	526,962
Investments	294,594
Grants receivable	17,358,000
Other receivables	17,665
Investments in trust	954,203
Loans receivable	<u>16,794,987</u>
Total financial assets	<u>53,487,514</u>
Less amounts unavailable for general expenditures within one year due to:	
Cash and cash equivalents - restricted	526,962
Loans receivable, net of amounts due within one year	14,620,916
Approved but not yet funded loans	590,571
Net assets with donor restrictions	<u>4,648,392</u>
Total amounts unavailable for general expenditures	<u>20,386,841</u>
Total financial assets available for general expenditures within one year	<u>\$ 33,100,673</u>

NOTE 3 – CASH AND CASH EQUIVALENTS

The Organization's cash and cash equivalents consist of the following as of December 31, 2021:

Cash in banks	\$ 12,665,456
Petty cash	5,330
Certificates of deposit	2,674,202
Money market funds	<u>2,196,115</u>
Total Cash and Cash Equivalents	<u>\$ 17,541,103</u>

NOTE 4 – RESTRICTED CASH AND CASH EQUIVALENTS

Restricted cash and cash equivalents consist of loan loss reserves of \$526,962 as of December 31, 2021. The Organization is required to create loan loss reserve accounts to cover potential losses arising from defaulted loans. The reserve funds cover losses from the unguaranteed portion of defaulted loans as well as possible repairs and denials associated with the guarantee on the defaulted loans.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 5 – INVESTMENTS

Investments, as presented as their fair value as of December 31, 2021 are summarized as follows:

Stocks and ETFs	\$ 17,107
Corporate Bonds Fixed Income	277,487
Investments in trust	<u>954,203</u>
Total Investments	<u>\$ 1,248,797</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

The Organization applies generally accepted accounting principles for fair value measurements of financial assets and liabilities. These accounting principles define fair value and establish a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques. The Organization uses appropriate valuation techniques to determine value based on inputs available. There have been no changes in the valuation methodologies used for assets measured at fair value at December 31, 2021.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. The following description summarizes the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position.

The three levels of inputs used to measure fair value are as follows:

Level 1 - Values measured using quoted prices in active markets for identical investments. The fair value of these financial instruments and investments is based on quoted market prices or dealer quotes in active markets. The fair value of the Organization's investments were all measured using quoted market prices in active markets for the year ended December 31, 2021.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. The Organization did not have any input into the fair value of Level 2 investments. The Organization did not have any assets reported at fair value with Level 2 inputs for the year ended December 31, 2021.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The Organization did not have any assets reported at fair value with Level 3 inputs for the year ended December 31, 2021.

The table below presents the level within the fair value hierarchy at which investments are measured at December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Stocks and ETFs	\$ 17,107	\$ -	\$ -	\$ 17,107
Corporate Bonds Fixed Income	277,487	-	-	277,487
Investments in trust	<u>954,203</u>	<u>-</u>	<u>-</u>	<u>954,203</u>
	<u>\$ 1,248,797</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,248,797</u>

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 7 – LOANS RECEIVABLE

The Organization administers various direct lending programs in accordance with grant and loan agreements for a revolving loan program. The Organization provides financing to borrowers under specific terms of each of the lending programs available. These notes include interest-bearing receivables and are due upon maturity. The interest rate associated with each note varies depending on the credit worthiness of the borrowers. Some loans receivable are collateralized by the pledged assets of the borrower's notes, if available.

Loans receivable consist of the following at December 31, 2021:

Grant program related loans, 3.25% to 9% interest annually, principal payments due at various times, secured by various assets:	\$ 17,844,394
Allowance for Loan Losses	<u>(1,049,407)</u>
Loans Receivable - Net of Allowance for Loan Losses	<u>\$ 16,794,987</u>

NOTE 8 – ALLOWANCE FOR LOAN LOSSES

The Organization's risk management policies ensure the Organization has a sufficient loan loss reserve. The Organization's policy is to maintain both a funded loan loss reserve (cash restricted to replenish the loan fund following any loan losses) as well as an allowance for loan losses that reflects the risk exposure in the loan portfolio. The Organization's risk rating methodology applies loan loss reserve requirements using the following scale: 1-Excellent, 2-Very Good/Good, 3-Substandard, and 4-Doubtful. The reserve is evaluated quarterly and adjusted to maintain a reasonable reserve balance. If risk exposure is mitigated by a loan guarantee, the maximum loan loss reserve allocation is the amount of the unguaranteed portion of the loan.

A large portion of the Organization's portfolio has the additional protection of a third-party guarantee from the CalCAP, the SBA and others. If any portion of a loan is deemed uncollectible, a full or partial charge-off against the loan loss reserve is made to assure that the value of the loan program's assets is stated as accurately as possible when disclosed.

The allowance for loan losses consisted of the following for the year ended December 31, 2021:

Allowance for Loan Losses	
Beginning balance	\$ 1,083,211
Charge-offs	(265,564)
Provision for bad debt	<u>231,760</u>
Allowance for Loan Losses - Ending Balance	<u>\$ 1,049,407</u>

The balance of the allowance for loan losses as of December 31, 2021 is \$1,049,407. The provision for bad debt for the year ended December 31, 2021 was \$231,760.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 8 – ALLOWANCE FOR LOAN LOSSES (continued)

The following is a summary of the Organization's age analysis of past due financing receivables at December 31, 2021:

	30-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Current Due	Total Due
Loans Receivable	\$ 8,321	\$ -	\$ 114,851	\$ 123,172	\$ 17,721,222	\$ 17,844,394

Impaired Loans: The Organization considers a loan to be impaired when it is deemed probable by management that the Organization will be unable to collect all contractual interest and contractual principal payments in accordance with the terms of the original loan agreement. Impaired loans include all loans that: (i) are contractually delinquent 90 days or more; (ii) meet the definition of a troubled debt restructuring; (iii) are classified in part or in whole as either doubtful or loss; and (iv) have been placed on non-accrual status. The Organization may also classify other loans as impaired based upon their specific circumstances. Loans identified as impaired are evaluated and have a specific loss allowance applied to adjust the loan to fair value, or the impaired amount is charged off. The Organization accounts for impaired loans at the value of outstanding principal. Payments received on impaired non-accrual loans may be allocated between principal and interest or may be recorded entirely as a reduction in principal based upon management's opinion of the ultimate risk of loss on the individual loan. Interest income on impaired loans is recognized on an accrual basis. There were no loans considered to be impaired as of December 31, 2021.

NOTE 9 – FIXED ASSETS

Fixed assets consisted of the following at December 31, 2021:

Land	\$ 856,323
Buildings and improvements	32,435,517
Equipment	14,161,131
Construction in process	900,532
Fixed Assets, Gross	48,353,503
Less: Accumulated Depreciation	(34,902,548)
Fixed Assets, Net	\$ 13,450,955

Depreciation expense for the year ended December 31, 2021, was \$1,232,466.

NOTE 10 – REFUNDABLE ADVANCES

Refundable advances consists of advanced grants for the year ended December 31, 2021. The total balance of refundable advances as of December 31, 2021, was \$4,973,964.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 11 – NOTES PAYABLE

Notes payable as of December 31, 2021, consists of the following:

Lending Institution	Security	Interest Rate	Payments	Maturity Date	December 31, 2021		Total
					Current	Long-term	
BBVA USA (EQ2)	Unsecured	2.8%	Quarterly	12/2029	\$ -	\$ 700,000	\$ 700,000
Beneficial State Bank	Unsecured	3.5%	Monthly	06/2021	501,244	-	501,244
Citibank, N.A.	Investments	2.0%	Monthly- Interest Only	12/2023	-	700,000	700,000
City of Fresno	Unsecured	0.0%	At Maturity	12/2030	-	229,131	229,131
City of Modesto	Unsecured	1.0%	At Maturity	10/2021	96,224	-	96,224
Community Action Financial Institute, Inc.	Unsecured	1.0%	Quarterly	04/2025	-	100,000	100,000
Community Action Financial Institute, Inc.	Unsecured	1.0%	Quarterly	07/2024	-	350,000	350,000
Department of Parks & Recreation	Unsecured	2.5%	Annual	08/2029	54,041	501,696	555,737
Farmers & Merchants Bank of Central California	Unsecured	3.0%	Quarterly	04/2024	-	918,000	918,000
Google Endeavor LLC							
Opportunity Finance Network		Variable			-	2,000,000	2,000,000
MUFG Union Bank (EQ2 LOC)	Unsecured	2.0%	Monthly	04/2026	-	500,000	500,000
Mechanics Bank (EQ2 loan #1)	Unsecured	3.0%	Quarterly	05/2022	1,000,000	-	1,000,000
Mechanics Bank (EQ2 loan #2)	Unsecured	3.0%	Quarterly	05/2022	500,000	-	500,000
Tri Counties Bank (EQ2)	Unsecured	3.0%	At Maturity	08/2024	-	1,999,264	1,999,264
U.S. Bancorp Community Development	Revolving Loan Funds	2.4%	Quarterly	07/2024	-	2,000,000	2,000,000
U.S. Department of Agriculture (CDFI loan #1)	Revolving Loan Funds	2.0%	Monthly	12/2030	25,567	242,622	268,189
U.S. Department of Agriculture (IRP loan #1)	Revolving Loan Funds	1.0%	Monthly	04/2047	18,591	337,434	356,025
U.S. Department of Agriculture (IRP loan #2)	Revolving Loan Funds	1.0%	Monthly	06/2044	16,883	417,331	434,214
U.S. Small Business Administration (loan #2)	Revolving Loan Funds	Variable 0-1.25%	Monthly	07/2026	46,484	-	46,484
U.S. Small Business Administration (loan #3)	Revolving Loan Funds	Variable 0-0.75%	Monthly	09/2023	141,204	82,369	223,573
U.S. Small Business Administration (loan #4)	Revolving Loan Funds	0.0%	Monthly	07/2022	44,444	159,260	203,704
U.S. Small Business Administration (Lending Pilot Program)	Revolving Loan Funds	1%	Monthly	08/2031	56,242	514,153	570,395
Wells Fargo Bank, N.A.	Unsecured	2.0%	At Maturity	11/2024	-	500,000	500,000
Wells Fargo Bank, N.A. (EQ2)	Unsecured	2.0%	Quarterly	10/2028	-	750,000	750,000
Wells Fargo Community Development Corporation (EQ2)	Unsecured	2.0%	Quarterly	11/2030	-	200,000	200,000
Wells Fargo Line of Credit	LOC	1.5% + LIBOR	Monthly	10/1/2021	1,941,814	-	1,941,814
Total notes payable					<u>\$ 4,442,738</u>	<u>\$ 13,201,260</u>	<u>\$ 17,643,998</u>

Scheduled future principal payments of notes payable are as follows:

Year End December 31,	Total
2022	\$ 4,442,738
2023	1,018,473
2024	6,204,969
2025	384,972
2026	269,082
Thereafter	<u>5,323,764</u>
Total Minimum Principal Payments	<u>\$ 17,643,998</u>

Total interest expense on the notes payable for the year ended December 31, 2021, was \$274,763.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 12 – CAPITAL LEASES

The Organization entered into a capital lease in 2021 for the acquisition, with a bargain purchase option upon the completion of the lease, for window replacements, an AC unit and Meraz roofing for the Franklin Head Start building. The lease term is for forth-eight (48) months, with a monthly payment of \$10,057. Upon completion of the lease term, the equipment may be purchased for one month's payment, or \$10,057.

The Organization entered into a capital lease in 2021 for the acquisition, with a bargain purchase option upon the completion of the lease, for an LED lighting retrofit project. The lease term is for eighty-four (84) months, with a monthly payment of \$7,546. Upon completion of the lease term, the equipment may be purchased for \$1.

Future minimum lease payments on the capital leases are as follows:

Year End December 31,	Total
2022	\$ 175,328
2023	179,899
2024	188,498
2025	103,779
2026	79,818
Thereafter	<u>182,479</u>
Total	<u>\$ 909,801</u>

Interest expense on the capital leases for the year ended December 31, 2021 was \$15,251.

NOTE 13 – LINE OF CREDIT

The Organization has a revolving line of credit with Wells Fargo bank with a total credit limit of \$2,400,000. The line is renewed annually in October. Interest is calculated based on a 360 day year fluctuating interest of 1.5% above LIBOR rate. The interest accrued on outstanding principal balance is payable on the first day of each month. The LIBOR daily rate at December 31, 2021 was 1.55%. The outstanding principal balance on the line of credit as of December 31, 2021 was \$1,941,814. Interest expense incurred on the line of credit for the year ended December 31, 2021 was \$49,354.

NOTE 14 – SELF-INSURED HEALTH COVERAGE

In 1989, the Organization adopted a self-insured health plan (the "Plan") to provide health and welfare benefits for its employees, and to maintain a reserve equal to approximately four months of benefit premiums and payments. As part of the Plan, the Organization has contracted outside administrative services to account for and maintain the Plan, with disbursement of Plan benefits provided by third party claims administrators and other benefits consultants. In addition, the Organization carries excess insurance for risks of loss from claims in excess of \$175,000 per eligible participant with a total of \$1,000,000 in the aggregate.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 15 – NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions as of December 31, 2021, are related to funds designated by the Board for a special purpose or funds received with restrictions imposed on them by governmental agencies limiting their use to a specific purpose and stipulations regarding their segregation from other funds. All net assets with donor restrictions for the year ended December 31, 2021 are restricted from funding received with restrictions imposed on them, less amounts expended during the year. Net assets with donor restrictions amounted to \$4,648,392 as of December 31, 2021.

NOTE 16 – PENSION PLAN

The Organization contributes to a defined contribution pension plan which covers eligible employees of the Organization. Employees are eligible upon completion of two years of service and a minimum 1,000 hours of service requirement without an intervening break. The Organization contributes an amount equal to five percent of the compensation earned by each eligible participant. Employer contributions are vested immediately. The Organization contributed \$1,726,989 to the pension plan for the year ended December 31, 2021.

The Organization also has a 403(b) and 457 Plan for voluntary contributions for eligible employees. The Organization does not contribute to the plan 403(b) plan; contributions to the 457 plan for the year ended December 31, 2021 totaled \$19,756.

NOTE 17 – NONMONETARY TRANSACTIONS

WIC Food Vouchers: The Organization receives a grant from the U.S. Department of Agriculture, passed through the California State Department for the Special Supplemental Food Program for Women, Infants, and Children (WIC). As part of this grant, the Organization prints and distributes food vouchers to its participants. During the year ended December 31, 2021, the estimated value of these vouchers totaled \$22,559,266, which is included in the Organization's grant income and program expenses, respectively.

Emergency Utility Payments: The Organization receives a grant from the U.S. Department of Health and Human Services, passed through the California State Department of Community Services and Development for the Low Income Home Energy Assistance Program (LIHEAP). As part of this grant, the Organization processes applications for emergency utility payments, which are then paid by the State of California directly to the utility provider. The estimated value of these payments during the year ended December 31, 2021 was \$4,683,501, which is included in the Organization's grant income and program expenses, respectively.

NOTE 18 – ECONOMIC DEPENDENCY AND CONCENTRATIONS

The Organization received approximately 69% of its funding from federal granting agencies for the year ended December 31, 2021. Approximately 95% of its grants receivable balance per the Consolidated Statement of Financial Position is from these federal granting agencies. Discontinuance of funding from these federal sources could have an adverse effect on the Organization's ability to continue its operations.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 19 – COMMITMENTS AND CONTINGENCIES

Loan Commitments: As of December 31, 2021, the Organization had 13 loans, that were approved but pending drawdown, with a total committed balance of \$409,000.

Operating Leases: The total outside rental expense incurred by the Organization for facilities during the year ended December 31, 2021 was \$1,370,153. The Organization also had miscellaneous equipment rental of \$316,339 for the year ended December 31, 2021, which was expensed. Minimum future rental payments under noncancellable operating leases are as follows:

Year End December 31,	Total
2022	\$ 1,334,320
2023	1,224,276
2024	1,124,681
2025	1,050,436
2026	976,660
Thereafter	4,051,155
Total	<u>\$ 9,761,528</u>

Grants: Contingencies contained within grants awarded to the Organization are subject to the donor's established criteria under which loans may be funded from the related grants. Should the loans and expenses funded not comply with the established criteria, the Organization could be held responsible for the repayments to the funding source for any disallowed loans and expenses. Management is not aware of any material questioned costs.

Coronavirus Pandemic: Management has determined the events regarding the novel coronavirus require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a State of emergency in California due to the novel coronavirus (COVID-19). The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the Organization is unknown.

NOTE 20 – PRIOR PERIOD ADJUSTMENT

A prior period adjustment of \$1,591,519 was recorded to adjust grant revenues associated with two conditional contributions for which the conditions had not been fully met as of December 31, 2020 and for which no revenue was able to be recognized. The adjustment increased refundable advances by \$1,591,519 and decreased Net Assets with Restrictions by \$1,591,519 as of December 31, 2020.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION

SUPPLEMENTARY INFORMATION

DRAFT

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures	Pass Through to Sub- recipients
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass through California State Department of Food and Agriculture:				
Special Supplemental Food Program for Women, Infants, and Children	10.557	19-10147 A03	\$ 1,359,649	\$ -
Special Supplemental Food Program for Women, Infants, and Children	10.557	19-10147 A03	3,917,488	-
Non-cash assistance - WIC Vouchers	10.557	19-10147 A03	4,664,713	-
Non-cash assistance - WIC Vouchers	10.557	19-10147 A03	14,712,020	-
Subtotal			<u>24,653,870</u>	<u>-</u>
WIC Farmer's Market Nutrition Program	10.572	19-10147 A03	<u>1,900</u>	<u>-</u>
Pass through California State Department of Education:				
Children, Youth and Families at Risk	10.521	01183-CACFP-10-NP-SOIC	<u>80,174</u>	<u>-</u>
Child and Adult Care Food Program	10.558	01183-CACFP-10-NP-SOIC	714,888	-
Child and Adult Care Food Program	10.558	01183-CACFP-10-NP-SOIC	395,096	-
Child and Adult Care Food Program	10.558	23254-J067	9,351	-
Child and Adult Care Food Program	10.558	23254-J067	8,044	-
Child and Adult Care Food Program	10.558	10-62166-1030642-01	5,265	-
Child and Adult Care Food Program	10.558	10-34108-9013004-01	15	-
Subtotal			<u>1,132,659</u>	<u>-</u>
Summer Food Service Program	10.559	01183-SFSP-10	769,327	-
Summer Food Service Program	10.559	01183-SFSP-10	130	-
Subtotal			<u>769,457</u>	<u>-</u>
Pass through Ecology Center:				
Food Insecurity Nutrition Incentive Program	10.331	19-0807-001-FR	<u>36,972</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>26,675,032</u>	<u>-</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures	Pass Through to Sub- recipients
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Continuum of Care Program	14.267	CA1090L9T142007	\$ 124,463	\$ -
Continuum of Care Program	14.267	CA1090L9T141906	216,179	-
Continuum of Care Program	14.267	CA1481L9T141904	215,195	-
Continuum of Care Program	14.267	CA1481L9T142005	67,338	-
Continuum of Care Program	14.267	CA1568L9T142004	75,825	-
Continuum of Care Program	14.267	CA1568L9T141903	153,226	-
Continuum of Care Program	14.267	CA1570L9T142004	142,097	-
Continuum of Care Program	14.267	CA1570L9T141903	269,199	-
Continuum of Care Program	14.267	CA1761L9T141901	188,868	-
Continuum of Care Program	14.267	CA1761L9T142002	41,647	-
Subtotal			<u>1,494,037</u>	<u>-</u>
Pass through City of Fresno Development and Resource Management Department, Housing and Development Division:				
Community Development Block Grant	14.218	----	11,239	-
Community Development Block Grant	14.218	B-18-MC-06-0001	44,579	-
Subtotal			<u>55,818</u>	<u>-</u>
Pass through City of Fresno Department of Community Development				
Community Development Block Grant	14.218	----	<u>374,793</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>1,924,648</u>	<u>-</u>
<u>U.S. DEPARTMENT OF THE INTERIOR</u>				
Youth Conservation	15.546	R20AC00095	<u>65,991</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF THE INTERIOR			<u>65,991</u>	<u>-</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures	Pass Through to Sub- recipients
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Services for Trafficking Victims	16.320	2018-VT-BX-K024	\$ 161,855	\$ -
Services for Trafficking Victims	16.320	15POVC-21-GG-03954-HT	546	-
Services for Trafficking Victims	16.320	15PJDP-21-GG-02740-MENT	4,603	-
Services for Trafficking Victims	16.320	2019-VM-BX-0010	108,208	-
TOTAL U.S. DEPARTMENT OF JUSTICE			275,212	-
<u>U.S. DEPARTMENT OF LABOR</u>				
Pass through Fresno Regional Workforce Investment Board:				
Workforce Investment Act Youth Activities	17.259	310-301	99,438	-
Workforce Investment Act Youth Activities	17.259	310-301	105,924	-
Workforce Investment Act Youth Activities	17.259	310-301	402,256	-
Workforce Investment Act Youth Activities	17.259	310-301	355,223	-
Workforce Investment Act Youth Activities	17.259	646	2,403	-
Subtotal			965,244	-
Pass through Youthbuild USA:				
YouthBuild/DOL	17.274	YB-34315-19-60-A-6	368,808	-
TOTAL U.S. DEPARTMENT OF LABOR			1,334,052	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Federal Transit Technical Studies Grants	20.505	----	50,000	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			50,000	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures	Pass Through to Sub- recipients
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
Pass through California Department of Community Services and Development CSBG CARES	21.019	20F-3649	\$ 1,386,595	\$ -
TOTAL U.S. DEPARTMENT OF THE TREASURY			1,386,595	-
<u>U.S. SMALL BUSINESS ADMINISTRATION</u>				
Intermediary Loan Program	59.062	48111450-00	521,828	-
TOTAL U.S. SMALL BUSINESS ADMINISTRATION			521,828	-
<u>U.S. DEPARTMENT OF ENERGY</u>				
Pass through California State Department of Community Services and Development: Weatherization Assistance for Low-Income Persons	81.042	20C-6005	49,435	-
TOTAL U.S. DEPARTMENT OF ENERGY			49,435	-
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Pass through Fresno Unified School District:				
Title I - Grants to Local Educational Agencies	84.010	S010A150005	42,404	-
Title II - Improving Teacher Quality State Grants	84.367	S367A150005	4,852	-
Title II - Improving Teacher Quality State Grants	84.367	S367A210005	1,793	-
Subtotal			6,645	-
Title IV - Student Support and Academic Enrichment	84.424	S424A210005	3,574	-
Title IV - Student Support and Academic Enrichment	84.424	S424A180005	3,801	-
Subtotal			7,375	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures	Pass Through to Sub- recipients
<u>U.S. DEPARTMENT OF EDUCATION (continued)</u>				
Education Stabilization Fund (ESSER I)	84.425	----	\$ 37,145	\$ -
Education Stabilization Fund (ESSER II)	84.425	----	19,137	-
TOTAL U.S. DEPARTMENT OF EDUCATION			112,706	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Head Start	93.600	09CH01029005	18,372,642	-
Head Start	93.600	09CH01203101	16,023,553	-
Subtotal			34,396,195	-
Runaway and Homeless	93.623	90CY73801/01	46,239	-
Runaway and Homeless	93.623	90CY67046/03	143,785	-
Runaway and Homeless	93.623	90CY7046/02/C3	12,865	-
Subtotal			202,889	-
Pass through Fresno-Madera Area Agency on Aging:				
Special Programs for the Aging - Title III-C-1 Site Management	93.045	21-0095	2,629,969	-
Pass through California State Department of Community Services and Development:				
Community Services Block Grant	93.569	21F-4010	987,155	-
Community Services Block Grant	93.569	20F-3649	556,506	-
Community Services Block Grant	93.569	20F-3010	443,878	-
Community Services Block Grant	93.569	20F-3010 Disc	16,083	-
Subtotal			2,003,622	-
Low-Income Home Energy Assistance	93.568	19B-5008	1,013,862	-
Low-Income Home Energy Assistance	93.568	20B-2008	885,262	-
Low-Income Home Energy Assistance	93.568	21B-5008	191,707	-
Low-Income Home Energy Assistance	93.568	19B-5008	762,422	-
Low-Income Home Energy Assistance	93.568	20B-2008	659,420	-

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-through Grantor/ Program or Cluster Title	Federal CFDA No.	Supplemental Identifying Number	Federal Expenditures	Pass Through to Sub- recipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)</u>				
Pass through California State Department of Community Services and Development (continued):				
Low-Income Home Energy Assistance	93.568	20U-2557	\$ 304,927	\$ -
Low-Income Home Energy Assistance	93.568	21B-5008	6,263	-
Low-Income Home Energy Assistance	93.568	20D-1008	65,198	-
Subtotal			<u>3,889,061</u>	<u>-</u>
CalWORKS Transportation Agreement	93.558	----	<u>126,378</u>	<u>-</u>
Maternal and Child Health Services Block Grant/Positive Youth Development Grant	93.994	20-10580	<u>451,865</u>	<u>-</u>
Pass through California Family Health Council, Inc.:				
Family Planning Services/Male Services Program	93.217	2020/21 Title X	185,556	-
Family Planning Services/Male Services Program	93.217	2021/22 Title X	160,203	-
Subtotal			<u>345,759</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>44,045,738</u>	<u>-</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
Foster Grandparents Program	94.011	18SFPCA001	267,078	-
Foster Grandparents Program	94.011	21SFICS003	96,628	-
Subtotal			<u>363,706</u>	<u>-</u>
Pass through YouthBuild USA:				
YouthBuild AmeriCorps	94.006	19NDHMA0030026	<u>154,736</u>	<u>-</u>
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>518,442</u>	<u>-</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 76,959,679</u>	<u>\$ -</u>

The accompanying notes to the schedule of expenditures of federal awards are an integral part of this schedule.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE 1 – BASIS OF ACCOUNTING & PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards is prepared using the accrual basis method of accounting. 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). Therefore, some of the amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

NOTE 2 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related periodic federal financial reports.

NOTE 3 – LOANS OUTSTANDING

The federally-funded loans outstanding at December 31, 2021 consist of the following:

<u>Program</u>	<u>Number</u>	<u>Balance</u>
USDA Intermediary Relending Program	48111450	\$ 570,395

NOTE 4 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the grant or contract information and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 5 – INDIRECT COST RATE

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

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF GRANT REVENUES AND EXPENDITURES –
LOCAL CONSERVATION CORPS GRANT PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

GRANT REVENUE

Grant revenue	\$ 334,063
Total Grant Revenue	<u>334,063</u>

EXPENSES

Salaries and related benefits	243,684
Professional	60,257
Rent	5,987
Repairs and maintenance	10,941
Utilities	13,288
Travel	200
Equipment rental	6,642
Computer	62
Office	4,392
Insurance	15,036
Program	<u>10,692</u>
Total Expenses	<u>371,181</u>

Net Grant Revenue (Expense)	<u><u>\$ (37,118)</u></u>
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FRESNO ECONOMIC OPPORTUNITIES COMMISSION

OTHER INDEPENDENT AUDITORS' REPORTS

DRAFT



**INDEPENDENT AUDITORS' 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 Commissioners of
Fresno Economic Opportunities Commission

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 consolidated financial statements of the Fresno Economic Opportunities Commission (the Organization), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Organization's consolidated financial statements, and have issued our report thereon dated April 3, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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. During our audit we did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2021-001.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated 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 consolidated 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*.

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Organization's Response to Findings

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the consolidated 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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
April 3, 2023

DRAFT



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

To the Board of Commissioners of
Fresno Economic Opportunities Commission

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Fresno Economic Opportunities Commission's (the Organization) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization 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 December 31, 2021.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit.

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

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

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

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

Other Matters

The results of our auditing procedures disclosed an instances of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

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

Purpose of Report

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.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California

April 3, 2023

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE DEPARTMENT
OF RESOURCES RECYCLING AND RECOVERY GRANT AGREEMENT TERMS**

To the Board of Commissioners of
Fresno Economic Opportunities Commission

We have audited the consolidated financial statements of the Fresno Economic Opportunities Commission Local Conservation Corps (the Local Conservation Corps'), as of and for the year ended December 31, 2021 and have issued our report thereon dated April 3, 2023. Our firm has conducted an audit of the Fresno Economic Opportunities Commission Local Conservation Corps for the year ended June 30, 2021 in compliance with Terms and Conditions, Provision 31.

Our audit was conducted 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 Standards and Procedures for Audits of Local Conservation Corps Receiving Grant Funds from the Department of Resources Recycling and Recovery, issued by the Department of Resources Recycling and Recovery.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Local Conservation Corps' management is responsible for compliance with the laws and regulations of the Grant Agreement. In connection with the audit referred to above, we selected and tested transactions and records to determine the compliance of the laws and regulations of the Grant Agreement applicable to the following items.

Description	Number of Audit Procedures	Procedures Performed
Internal Control	10	Yes
Subcontractors	1	Yes
Competitive Bids	4	Yes
Conflict of Interest	2	Yes
Allowable and Reasonable Costs	6	Yes
Travel	2	Yes

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Based on our audit we found that, for the items tested, the Fresno Economic Opportunities Commission Local Conservation Corps complied with the laws and regulations of the Grant Agreement of the items referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Local Conservation Corps had not complied with the laws and regulations of the Grant Agreement.

This report is intended solely for the information of the Local Conservation Corps Board of Commissioners and the Department of Resources Recycling and Recovery and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

HUDSON HENDERSON & COMPANY, INC.

Hudson Henderson & Company, Inc.

Fresno, California
April 3, 2023

DRAFT

FRESNO ECONOMIC OPPORTUNITIES COMMISSION

FINDINGS AND RECOMMENDATIONS

DRAFT

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

- Material weakness identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported
- Noncompliance material to federal awards? Yes X No
- Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)? Yes X No

Type of auditors’ report issued on compliance for major Federal programs: Unmodified

Identification of major programs:

<u>CFDA Number:</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants, & Children
21.019	CSBG CARES
93.045	Special Programs for the Aging - Title III-C-1 Site Management
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish
Between Type A and Type B programs: \$2,308,790

Auditee qualified as a low-risk auditee? Yes X No

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

**Finding 2021-001 – Material Weakness
Financial Close & Reporting**

Condition:

During the audit of the Organization's financial statements, we experienced significant delays in starting the audit, and then subsequently obtaining all required information to complete the audit.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported, and in a timely manner. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all Organization activities and/or funds.

Cause:

As a ripple effect of the prior year audit also being delayed, there were further delays in the current year. In addition, management and accounting staff turnover leading to delays in the start and completion of the audit.

Effect:

The audit is being completed well after required deadlines from grantors and other users of the financial statements, which could lead to withholding of payments, noncompliance with grant guidelines, withholding of future awards, or other legal remedies.

Recommendation:

We recommend that the Organization continue to work on clarifying roles and responsibilities during the year-end closing process, enhancing the process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit.

Management Response:

Fiscal year 2021, provided several challenges and changes including coronavirus, sheltering in place for six months and several key staffing changes within the Fresno EOC Finance Department. We appreciate the recommendation to clarify roles and responsibilities during the year-end closing process. We recognize the importance of accurate financial statements and will work towards improving our processes to ensure accounting records are properly reflected before the audit begins.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2021**

SECTION III – FEDERAL AWARD FINDINGS

Finding 2021-002 – Significant Deficiency

Program: All Programs

CFDA No.: All

Federal Agency: All

Pass Through: N/A

Award Number: All

Award Year: 2021

Compliance Requirement: Reporting

Questioned Costs: N/A

Criteria:

Per Uniform Guidance Subpart F section 200.512 the audit must be completed, and data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditors' reports, or nine months after the end of the audit period.

Condition:

Management was not able to provide the necessary information needed to complete the audit by the required date per Uniform Guidance Subpart F section 200.512.

Cause:

Management and accounting staff turnover leading to delays in the start and completion of the audit.

Effect:

Noncompliance may result in withholding of payments, denying both the use of funds and matching credit for all or part of the cost of the activity or action not in compliance, whole or partial suspension or termination of the Assistance Agreements, recovery of funds paid under the Assistance Agreements, withholding of future awards, or other legal remedies in accordance with 2 CFR §200.338.

Recommendation:

We recommend that the Organization improve internal controls to ensure timely filing of the audit reports, including the financial closing process to ensure the audit can commence in a timely manner.

Management's Response:

In fiscal year 2021, numerous challenges and changes continued from prior year, such as the COVID-19 pandemic, which led to a six-month period of sheltering in place, significantly impacting operations. Additionally, the Fresno EOC Finance Department experienced several critical staffing changes during this time. We value the recommendation to enhance internal controls for timely filing of audit reports. We understand the significance of a prompt audit commencement and will focus on refining our financial closing process to facilitate timely audits.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

**Finding 2020-001 – Material Weakness
Financial Close & Reporting**

Condition:

During the audit of the Organization's financial statements, we identified material misstatements in the Organization's general ledger account balances which required material audit adjustments. These adjustments were noted in notes receivable/payable, accrued payroll, accrued revenues related to the accrued payroll, capitalized grant funded assets and associated depreciation, and unrealized gains for investments in balancing the general ledger and presentation of the financial statements.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all Organization activities and/or funds.

Cause:

Closing entries were posted in an effort to properly close the Organization's financial records, however it appears that adequate review was not performed in ensuring balances and transactions were properly recorded and reconciled as of year-end.

Effect:

Material adjustments were identified through audit procedures performed which resulted in adjustments to receivables, revenue, capital assets, depreciation, accrued expenses, notes payable and notes receivable to ensure proper presentation in accordance with generally accepted accounting standards.

Recommendation:

We recommend that the Organization continue to work on clarifying roles and responsibilities during the year-end closing process, enhancing the process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit. We also recommend management implement further detective measures in fixing financial reporting errors during the financial closing process.

Management Response:

Fiscal year 2020, provided a number of challenges and changes including coronavirus, sheltering in place for eight months and several key staffing changes within Access Plus Capital and the Fresno EOC Finance Department. To assist businesses within the portfolio impacted by the coronavirus, Access Plus Capital leveraged local, state and federal government relief programs along with philanthropic grants for support loan deferment and payments. These relief programs required multiple revisions to payments and balances for the benefit of the client. This resulted in 1,157 businesses receiving \$11,750,000 in COVID19 relief in the form of forgivable loans and direct grants.

Both Access Plus Capital and Fresno EOC have instituted several leadership and financial changes to address these issues. In 2020, both Fresno EOC and Access Plus Capital hired new leadership, a chief financial officer and an executive director, respectively. As part of the newly executed operating and management agreement, Access Plus Capital will hire and/or supervise its own accounting and treasury staff to work with the Fresno EOC Finance Department to improve accuracy and the timeliness of revenue and expense recording. This work will be led by a new position, Director of Risk Management & Finance overseeing accounting and portfolio activities. Starting in 2021, lending activity payments will be tracked solely in Portfol, the loan management software reducing potential duplication with dual recording in Portfol and the general ledger.

**FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS (continued)

**Finding 2020-001 – Material Weakness
Financial Close & Reporting**

Management Response (continued):

Corrections have been made to resolve the challenges with year-end accounting by monitoring that year end accruals and other adjusting entries are recorded in a timely manner.

Current Year Status:

See Finding 2021-001.

SECTION III – FEDERAL AWARD FINDINGS

There were no prior year financial statement findings reported in accordance with the Uniform Guidance.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

CHARTER SCHOOL NUMBER 0149

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2022**

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
School of Unlimited Learning
Fresno Economic Opportunities Commission

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the School of Unlimited Learning (the Organization), a project of the Fresno Economic Opportunities Commission, a nonprofit organization, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Organization's financial statements and do not present fairly the financial position of Fresno Economic Opportunities Commission as of June 30, 2022, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in pages 13 through 20 is presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (pages 21-22), 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, which are in conformity with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, 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 supplementary information and schedule of expenditures of federal awards 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 December 9, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control over financial reporting and compliance.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
December 9, 2022

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022**

ASSETS

Current Assets

Cash and cash equivalents	\$ 300
Grants receivable	814,944
Interfund receivable	<u>912,519</u>
Total current assets	<u>1,727,763</u>

Noncurrent Assets

Property and equipment, net	<u>135,200</u>
Total noncurrent assets	<u>135,200</u>

Total assets	<u><u>\$ 1,862,963</u></u>
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LIABILITIES AND NET ASSETS

Liabilities

Accounts payable	\$ 18,608
Accrued compensation and benefits	69,573
Deferred revenue	<u>102,261</u>
Total liabilities	<u>190,442</u>

Net Assets

Net assets with donor restrictions	100,000
Net assets without donor restrictions	<u>1,572,521</u>
Total net assets	<u>1,672,521</u>

Total Liabilities and Net Assets	<u><u>\$ 1,862,963</u></u>
----------------------------------	----------------------------

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

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
Local control funding formula	\$ 2,104,882	\$ -	\$ 2,104,882
Local revenue in lieu of property taxes	159,950	-	159,950
State lottery revenue	49,391	-	49,391
Federal title revenue	72,803	-	72,803
School nutrition program	5,893	-	5,893
Other state revenue	325,794	-	325,794
Community services block grant	78,237	-	78,237
Other income	2,538	-	2,538
	<u>2,799,488</u>	<u>-</u>	<u>2,799,488</u>
EXPENSES			
Program services	2,577,997	-	2,577,997
General and administrative	138,484	-	138,484
	<u>2,716,481</u>	<u>-</u>	<u>2,716,481</u>
Excess Revenues over Expenses	<u>83,007</u>	<u>-</u>	<u>83,007</u>
OTHER INCOME (EXPENSES)			
Depreciation of grant funded assets	(22,873)	-	(22,873)
	<u>(22,873)</u>	<u>-</u>	<u>(22,873)</u>
Changes in Net Assets	60,134	-	60,134
Net Assets at Beginning of Year	<u>1,512,387</u>	<u>100,000</u>	<u>1,612,387</u>
Net assets at End of Year	<u>\$ 1,572,521</u>	<u>\$ 100,000</u>	<u>\$ 1,672,521</u>

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

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	Program Services	General and Administrative	Total Expenses
Expenses:			
Salaries	\$ 1,468,985	\$ -	\$ 1,468,985
Employee benefits	475,028	-	475,028
Books and supplies	70,508	-	70,508
Travel and conferences	44,742	-	44,742
Insurance	14,870	-	14,870
Rentals, leases, and repairs	110,153	-	110,153
Utilities	37,308	-	37,308
Noncapitalized equipment	35,092	-	35,092
Professional services and operating	321,311	-	321,311
Administrative expense	-	138,484	138,484
Total expenses	<u>\$ 2,577,997</u>	<u>\$ 138,484</u>	<u>\$ 2,716,481</u>

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

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

Cash Flows from Operating Activities	
Change in net assets	\$ 60,134
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	22,873
Changes in operating assets and liabilities:	
Grants receivable	328,237
Interfund receivable	(306,661)
Accounts payable	(56,151)
Accrued compensation and benefits	30,032
Deferred revenue	<u>(78,464)</u>
Net cash provided by operating activities	<u>-</u>
Increase (decrease) in cash and cash equivalents	-
Cash and Cash Equivalents, Beginning of Year	<u>300</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 300</u></u>

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

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – NATURE OF ACTIVITIES

Organization: The Fresno Economic Opportunities Commission (the FEOC) is a non-profit corporation incorporated in the State of California in 1965. The FEOC is a local community human services agency that provides assistance to economically and socially disadvantaged persons primarily in the Fresno County region through various types of health and welfare services and programs. The majority of the FEOC's funding is supported by grants from federal, state, and local governments, with additional sources of revenue from fees for services, in-kind contributions, and donor contributions.

The School of Unlimited Learning (the Organization) is a charter school that operates under Fresno Economic Opportunities Commission. The Organization is chartered under Fresno Unified School District. Consistent with the mission of Fresno Economic Opportunities Commission, the Organization's mission is to provide comprehensive learning experiences in a manner and environment that enables students to obtain the skills, knowledge, and motivation to be self-directed, life-long learners as they mature towards adult self-sufficiency. The Organization is a comprehensive high school comprised of a classroom-based program and independent study component. The academic program includes core classes, remedial classes, and CAHSEE intervention/review classes which prepare students for testing. In the spring of 2017, the Organization received a full program accreditation by the Western Association of Schools (WASC) for the maximum full six-year period until June 30, 2023. The Organization was granted a five-year charter renewal, effective July 1, 2018 through June 30, 2023.

The Organization operates a classroom-based program and independent study program. During the 2021-2022 school year, both the classroom-based program and independent study programs were located at 2336 Calaveras Street, Fresno, California 93721.

In addition to the program audit of the Organization contained herein, Fresno Economic Opportunities Commission is audited on an organization wide basis annually. Accordingly, the accompanying financial statements contain only the financial information and disclosures pertaining to the Organization as of and for the year ended June 30, 2022.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation: Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities*. Under Accounting Standard Codification (ASC) Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions are the portion of net assets over which the governing board has discretionary control for the general operations of the Organization. The only limits on net assets without donor restrictions are limits resulting from contractual agreements.

Net assets with donor restrictions are the portion of net assets resulting from contribution, pledges, and other inflows of assets whose use by the Organization is limited by donor-imposed restrictions that expire by the passage of time or usage, and the portion of net assets restricted by external parties (donors, grantors, or laws and regulations) in ways that are not dependent on the passage of time.

Method of Accounting: The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash and Cash Equivalents: For purposes of reporting the Statement of Cash Flows, the Organization considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three (3) months or less to be cash equivalents.

Grants Receivable: Grants receivable consist of the amounts due from the State of California representing attendance apportionment. At June 30, 2022, management considered all grants receivable to be fully collectible and, therefore, no allowance against grants receivable was recorded in the accompanying financial statements.

Interfund Receivable: Interfund receivable consists of the amounts retained in the FEOC funds that are due to the Organization.

Property and Equipment: Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used.

Property and equipment purchased with Organization funds are capitalized at cost and depreciated over the useful estimated lives of the asset ranging from 5 to 15 years using the straight-line method. Amortization of building improvements is based on the estimated useful life of the improvements. Depreciation and amortization expense is charged against operations. Expenditures for property and equipment in excess of \$5,000 are capitalized.

Property and equipment purchased with grant funds are depreciated using the straight-line method over the estimated useful life of the assets. Depreciation of these assets is charged against grant funded assets in the Statement of Activities.

In the event of a contract termination, certain funding sources require title to property and equipment previously purchased with grant funds revert to the funding source. Certain funding sources also limit the use of property and equipment for specific programs and require approval for disposition of property and equipment.

Compensated Absences: The Organization recognizes compensated absences as a liability. As of June 30, 2022, the accrued vacation balance was \$22,764, which is recorded within the accrued compensation and benefits on the Statement of Financial Position. Sick leave is not vested and, therefore, is not accrued.

Deferred Revenue: Deferred revenue includes unearned grant revenues and advanced grant funding. Both represent monies received by the Organization, but not yet spent, or earned in accordance with the grant agreements.

Contributions: Contributions consist primarily of amounts received from federal, state, and local agencies. The Organization recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net asset with donor restrictions. When the time or purpose restrictions are accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions (continued): Conditional contributions and promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. As of June 30, 2022, there were no conditional contributions. Contributions to be received after one year are discounted at an appropriate rate commensurate with the anticipated cash flow and risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. As of June 30, 2022, the Organization did not have contributions to be received after one year.

In June 2018, FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The update is to clarify and improve the scope and the accounting guidance for contributions received and contributions made, whether as a contribution or an exchange transaction, and whether a contribution is conditional. The Organization has implemented this ASU in these financial statements accordingly.

Revenue Recognition: In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The update is to remove inconsistencies and weaknesses in revenue requirements, provide a more robust framework for addressing revenue issues, improve comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, provide more useful information to users of financial statements through improved disclosure requirements, and simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. The Organization has implemented this ASU in these financials accordingly.

Functional Expenses: The costs of the Organization's various activities have been summarized on a functional basis in the accompanying Statements of Activities and Functional Expenses. Expenses are allocated to program and supporting services based upon the purpose of each expenditure and service provided for each program.

Fundraising Expenses: Costs of acquiring or applying for a contract or grant are categorized as indirect expenses and not separately stated as fundraising expenses. Only direct fundraising expenses are recorded as fundraising (special events) expenses.

Income Taxes: FEOC is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the State of California Corporate Code. The FEOC is subject to taxation on any unrelated business income.

Accounting principles generally accepted in the United States of America requires FEOC's management to evaluate tax positions taken by FEOC and recognize a tax liability (or asset) if FEOC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. FEOC's management has analyzed the tax positions taken and has concluded that, as of June 30, 2022, there were no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. FEOC is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

FEOC files tax forms in the U.S. federal jurisdiction and the State of California. FEOC is generally no longer subject to examination by these agencies for years before June 30, 2019.

Fair Value of Financial Instruments: Financial instruments include cash and cash equivalents, grants receivable, interfund receivable, accounts payable, accrued compensation and benefits, and deferred revenue, none of which are held for trading purposes. The fair values of all financial instruments do not differ materially from the aggregate carrying values of the financial instruments recorded in the accompanying Statement of Financial Position. The carrying amounts of these financial instruments approximate fair value because of the short-term maturities of those instruments.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events: In compliance with accounting standards, management has evaluated events that have occurred after year-end to determine if these events are required to be disclosed in these financial statements. Management has determined that no events require disclosure in accordance with accounting standards. These subsequent events have been evaluated through December 9, 2022, which is the date the financial statements were available to be issued.

NOTE 3 – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Organization to concentration of credit risk consist of cash and cash equivalents and grants receivable. Cash balances are held by Fresno Economic Opportunities Commission in several bank accounts at different banks. Interest and non-interest bearing accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Concentrations of credit risk with respect to grants receivable are limited, as amounts are receivable from government agencies.

NOTE 4 – AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Organization's financial assets as of June 30, 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are donor restricted assets for specific expenditures.

Financial Assets:

Cash and cash equivalents	\$ 300
Grants receivable	814,944
Interfund receivable	<u>912,519</u>
Total financial assets	<u>1,727,763</u>
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>100,000</u>
Financial assets not available to be used within one year	<u>100,000</u>
Total financial assets available for general expenditures within one year	<u><u>\$ 1,627,763</u></u>

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions as of June 30, 2022, are related to funds designated by the Board for a special purpose or funds received with restrictions imposed on them by donors limiting their use to a specific purpose. Net assets with donor restrictions for the year ended June 30, 2022 are \$100,000.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO FINANCIAL STATEMENTS (continued)**

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2022:

	Balances June 30, 2021	Additions	Deletions and Adjustments	Balances June 30, 2022
Buildings and improvements	\$ 421,901	\$ -	\$ -	\$ 421,901
Equipment	122,166	-	-	122,166
Total	544,067	-	-	544,067
Less accumulated depreciation	(385,994)	(22,873)	-	(408,867)
Property and equipment, net	\$ 158,073	\$ (22,873)	\$ -	\$ 135,200

Depreciation expense for the year ended June 30, 2022 was \$22,873 for grant funded property and equipment, and \$0 for organization funded property and equipment.

NOTE 7 – PENSION PLAN

FEOC contributes to a defined contribution pension plan which covers substantially all employees of the Organization. Contributions are based on years of service and does not allow contributions to be made if programs sponsored by federal, state or local government does not allow for funding of such benefits. The amount contributed by the Organization for the year ended June 30, 2022 was \$65,894.

NOTE 8 – CONTINGENCIES

Coronavirus Pandemic: Management has determined the events regarding the Novel Coronavirus (COVID-19) require disclosure in accordance with accounting standards. On March 4, 2020, Governor Newsom issued an emergency proclamation declaring a state of emergency in California due to COVID-19. The COVID-19 outbreak is ongoing, and the ultimate geographic spread of the virus, the duration and severity of the outbreak and the economic and other actions that may be taken by the government authorities to contain the outbreak or treat its impact are uncertain. A vaccination has been created and is being administered throughout the State, including the Organization's service area. The ultimate impact of COVID-19 on the operations and finances of the Organization remains unknown.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

SUPPLEMENTARY INFORMATION

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

The School of Unlimited Learning (SOUL) is a charter school that operates under the Fresno Economic Opportunities Commission (Fresno EOC). SOUL is chartered under the Fresno Unified School District. Consistent with the mission of Fresno EOC, SOUL's mission is to provide comprehensive learning experiences in a manner and environment that enables students to obtain the skills, knowledge and motivation to be self-directed, life-long learners as they mature towards self-sufficiency. SOUL is a comprehensive high school comprised of a classroom-based program and an independent study component. The academic program includes core classes, remedial classes, and career preparation classes. In the spring of 2017, SOUL received a full program accreditation by the Western Association of Schools (WASC) for the maximum full six-year period until June 30, 2023. SOUL was granted a five-year charter renewal, effective July 1, 2018 through June 30, 2023. By June 2018, nineteen of SOUL's core and elective courses were included on the University of California course approved list.

SOUL plans on offering a hybrid program for the 2021-2022 school year which consists of an Independent Study program and small in-person elective courses. Both the Independent Study program and in-person elective classes are located at 2336 Calaveras St., Fresno, 93721. Total teacher staffing for the 2021-2022 school year includes 11 full-time, credentialed teachers. While SOUL is open to any student who wishes to enroll, most students who enroll are those who have not responded well to the traditional classroom settings and methods of instruction. Supportive services such as case management, mental health counseling, truancy prevention, social/emotional intervention, and career counseling, coupled with Fresno EOC agency-sponsored health care, child care, and employment and training services help to remove barriers to success. Success for Life counseling is available to students and parents. Parent training is available throughout the year, where parents have access to a variety of community resources.

During the 2021-2022 school year, SOUL will continue in its efforts to assess, review, and revise current curriculum and instructional practices to further improve student academic achievement and prepare students for post-secondary experiences despite the setbacks due to COVID-19.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
ORGANIZATIONAL STRUCTURE
FOR THE YEAR ENDED JUNE 30, 2022**

The School of Unlimited Learning Charter School (SOUL) was established on July 1, 1998 as a charter school under the granting authority of the Fresno Unified School District provided on March 26, 1998. The charter number authorized by the State is 10-62166-1030642-C149.

During the 2021-22 school year, there were no changes in the applicable boundaries.

SOUL operates one comprehensive high school that is comprised of a classroom-based program and an independent study component. SOUL operates at one consolidated location.

Leadership is provided by the following individuals:

Emilia Reyes, Chief Executive Officer

Susan Lopez, Principal

SOUL's Governing Council Committee Appointments for 2022 were:

<i>VOTING MEMBERS</i>	<i>TARGET AREA OR TRI-PARTATE REPRESENTATIVE</i>	<i>EXPIRES</i>
ALLEN, TERRY, ED.D.	Retired Teacher Representative	n/a
AVILA, EDWARD	EOC Commissioner	Dec 2022
DAVIS, JEFF	Director, Employment and Training	n/a
FAILLA, RENA	Staff Representative, Guidance Coordinator	n/a
GAMEZ, DANIEL	Student Representative	n/a
GRIFFIN, COURTNEY	Staff Representative, Guidance Dean	n/a
HAIRSTON, SAM	Staff Representative, Career Services	n/a
LOPEZ, SUSAN	Staff Representative, Principal	n/a
METZLER, LARRY	Cultural Arts Rotary Interact Club	n/a
MORALES, MARIA AMARO	Parent Representative	n/a
OLAIS, FELICIA	FUSD Representative	n/a
PETROVICH, PhD, MICHAEL	Mental Health Representative	n/a
RIOJAS, CHUCK	Community Member	n/a
RODGERS, JIMI	EOC Commissioner	Dec 2023
SOLIZ, LEAH	Student Representative	n/a
STARKS, JEANNE	Chair, Law Enforcement, Juvenile Justice System	n/a
THOMAS, JANE	Director of EOC Health Services	n/a
WASHINGTON, BENITA	FSU Social Worker Representative	n/a

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
ORGANIZATIONAL STRUCTURE (continued)
FOR THE YEAR ENDED JUNE 30, 2022**

The governing board for Fresno Economic Opportunities Commission (Fresno EOC), under which SOUL operates, is comprised of the following members:

COMMISSIONER	TARGET AREA OR TRI-PARTATE REPRESENTATIVE	EXPIRES
ARAMBULA, AMY	31ST Assembly District	Dec 2022
AVILA, ED	Juvenile Court	Dec 2022
BAINES, OLIVER	16th Congressional District	Dec 2022
BONNER, ALYSIA	Target Area F	Dec 2022
BROWN-JENKINS, ZINA	Head Start County-Wide Policy Council	Dec 2022
GARABEDIAN, JR., CHARLES	Board of Supervisors	Dec 2023
HAYES, LINDA R.	Target Area H	Dec 2022
HURTADO, JEWEL	Target Area C	Dec 2022
JAIME-MILEHAM, LUPE	Fresno County Superintendent of Schools	Dec 2022
KING, BRIAN	Mayor's Appointment	Dec 2023
LEON, REY	Target Area B	Dec 2022
MARTINEZ, DANIEL	Target Area D	Dec 2023
MARTINEZ, JAMES	Fresno Reel Pride	Dec 2023
MCALISTER, BRUCE	West Fresno Faith Based Organization	Dec 2023
MCCOY, BARIGYE	Board of Supervisors	Dec 2022
MITCHELL, LISA	Target Area E	Dec 2023
NEIL, SHERRY	Economic Development Corp	Dec 2022
PACHECO, ALENA	Target Area A	Dec 2023
PIMENTEL, ROBERT	SCCDD	Dec 2023
ROBLES, ITZI	SEFCEDA	Dec 2023
RODGERS, JIMI	Association of Black Social Workers	Dec 2023
TAYLOR, STEVEN	NAACP	Dec 2022
ZARATE, RUBEN	14th Senatorial District	Dec 2023
VACANT	Target Area G	Dec 2023

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF BUDGETARY COMPARISONS
FOR THE YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Revenue limit sources	\$ 2,431,332	\$ 2,431,332	\$ 2,264,832	\$ (166,500)
Other federal revenue	265,859	265,859	156,933	(108,926)
Other state revenue	416,588	416,588	375,185	(41,403)
Other local revenue	13,000	13,000	2,538	(10,462)
Total Revenues	3,126,779	3,126,779	2,799,488	(327,291)
EXPENSES				
Certificated salaries	1,099,560	1,099,560	1,116,429	(16,869)
Classified salaries	506,097	506,097	352,556	153,541
Employee benefits	504,324	504,324	475,028	29,296
Books and supplies	191,541	191,541	70,508	121,033
Services, other operating	825,257	825,257	701,960	123,297
Total Expenses	3,126,779	3,126,779	2,716,481	410,298
Other income (expenses)	-	-	(22,873)	(22,873)
Change in Net Assets	\$ -	\$ -	60,134	\$ 60,134
Net Assets, Beginning of Year			1,612,387	
Net Assets, End of Year			\$ 1,672,521	

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Second Period Report</u>	<u>Annual Report</u>
Secondary		
Classroom-based	-	-
Independent study	<u>167.08</u>	<u>168.09</u>
Total	<u><u>167.08</u></u>	<u><u>168.09</u></u>

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2022**

Grade Level	Actual Minutes	Minimum Instructional Minutes Required	Number of Days Traditional Calendar	Status
9th Grade	N/A	N/A	N/A	N/A
10th Grade	N/A	N/A	N/A	N/A
11th Grade	N/A	N/A	N/A	N/A
12th Grade	N/A	N/A	N/A	N/A

As SOUL was on independent study during fiscal year 2021-22, instructional time is not required to be reported.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>2019/20</u>	<u>2020/21</u>	<u>2021/22</u>
Support and Revenues	\$ 2,796,697	\$ 2,987,063	\$ 2,799,488
Expenditures	(2,267,845)	(2,565,657)	(2,716,481)
Other Income/(Expenses)	<u>(23,127)</u>	<u>(25,738)</u>	<u>(22,873)</u>
Change in Net Assets	505,725	395,668	60,134
Net assets, Beginning of Year	744,905	1,250,630	1,612,387
Prior Period Adjustment	<u>-</u>	<u>(33,911)</u>	<u>-</u>
Net Assets, End of Year	<u>\$ 1,250,630</u>	<u>\$ 1,612,387</u>	<u>\$ 1,672,521</u>
Average Daily Attendance at P-2	<u>178.65</u>	<u>N/A</u>	<u>167.08</u>

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

	Unaudited Actual	Audited Actual
Total revenue and other support	\$ 2,791,888	\$ 2,799,488
Total expenditures	(2,685,235)	(2,716,481)
Other income/(expenses)	<u>-</u>	<u>(22,873)</u>
Change in net assets	106,653	60,134
Beginning net assets	<u>1,707,812</u>	<u>1,612,387</u>
Ending net assets	<u><u>\$ 1,814,465</u></u>	<u><u>\$ 1,672,521</u></u>

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

ADDITIONAL SUPPLEMENTARY INFORMATION

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

	Federal CFDA Number	Grant/Agreement Number	Federal Expenditures	Expenditures to Subrecipients
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Pass through California State Department of Education: Child and Adult Care Food Program	10.558	10-62166-1030642-01	\$ 5,893	\$ -
Total Department of Agriculture			<u>5,893</u>	<u>-</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
Passed through Fresno Unified School District:				
Title I, Part A Grants to Local Educational Agencies	84.010	S010A210005	51,947	-
Title II, Part A Improving Teacher Quality State Grants	84.367	S367A210005	7,282	-
Title IV, Part A Student Support and Academic Enrichment	84.424	S424A210005	13,574	-
Education Stabilization Fund (ESSER I)	84.425	S425D200016	<u>82,402</u>	<u>-</u>
Total Department of Education			<u>155,205</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
Passed through California State Department of Community Services and Development:				
Community Services Block Grant	93.569	20F-3649	3,822	
Community Services Block Grant	93.569	21F-4010	<u>74,415</u>	<u>-</u>
Total Department of Health and Human Services			<u>78,237</u>	<u>-</u>
TOTAL FEDERAL AWARDS			<u>\$ 239,335</u>	<u>\$ -</u>

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1 – BASIS OF ACCOUNTING & PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of School of Unlimited Learning (the Organization), a project of Fresno Economic Opportunities Commission, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – INDIRECT COST RATE LIMITATION

The Organization does not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 3 – CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA)

The CFDA numbers included in the accompanying Schedule of Expenditures of Federal Awards were determined based on the program name, review of the grant or contract information, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 4 – PASS-THROUGH ENTITY IDENTIFYING NUMBERS

When Federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards show, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Organization has either determined that no identifying number is assigned for the program or the Organization was unable to obtain an identifying number from the pass-through entity.

NOTE 5 – SUBRECIPIENTS

The Organization had no federal expenditures as presented in the Schedule of Expenditures of Federal Awards that were provided to subrecipients.



**INDEPENDENT AUDITORS' 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 Commissioners of
School of Unlimited Learning
Fresno Economic Opportunities Commission

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 School of Unlimited Learning (the Organization), a project of the Fresno Economic Opportunities Commission, which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 9, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization'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 not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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*.

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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.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." in a cursive script.

Fresno, California
December 9, 2022



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

To the Board of Commissioners of
School of Unlimited Learning
Fresno Economic Opportunities Commission

Opinion on State Compliance

We have audited the School of Unlimited Learning's (the Organization), a project of the Fresno Economic Opportunities Commission, compliance with the types of compliance requirements described in the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (K-12 Audit Guide), issued by the California Education Audit Appeals Panel, applicable to the Organization's statutory requirements identified below for the year ended June 30, 2022.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the state program for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the State of California's *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the *California Code of Regulations*, Title 5, section 19810 and following. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the State of California's *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of the state program as a whole.

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In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the State of California's 2021-2022 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the State of California's 2021-2022 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the Organization's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
California Clean Energy Jobs Act	No (see below)
After/Before School Education and Safety Program	No (see below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study-Course Based	Yes
Immunizations	No (see below)
Educator Effectiveness	No (see below)
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	No (see below)
Expanded Learning Opportunities Program	No (see below)
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	Yes
Determination of Funding for Nonclassroom-Based Instruction	Yes
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	No (see below)

We did not test California Clean Energy Jobs Act, After/Before School Education and Safety Program, Immunizations, Educator Effectiveness, Career Technical Education Incentive Grant, Expanded Learning Opportunities Program, or Charter School Facility Grant Program because the Organization did not receive any funding from these sources for the year ended June 30, 2022.

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

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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the State of California's *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

HUDSON HENDERSON & COMPANY, INC.

A handwritten signature in blue ink that reads "Hudson Henderson & Company, Inc." The signature is written in a cursive, flowing style.

Fresno, California
December 9, 2022

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION**

FINDINGS AND QUESTIONED COSTS

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting

- | | | | | |
|---|--|-----|---|----|
| <ul style="list-style-type: none"> ● Material weakness identified? | <div style="border-bottom: 1px solid black; width: 80px; margin: 0 auto;"></div> | Yes | <div style="border-bottom: 1px solid black; width: 80px; margin: 0 auto; text-align: center;">X</div> | No |
| <ul style="list-style-type: none"> ● Significant deficiency(ies) identified that are not considered to be material weaknesses? | <div style="border-bottom: 1px solid black; width: 80px; margin: 0 auto;"></div> | Yes | <div style="border-bottom: 1px solid black; width: 80px; margin: 0 auto; text-align: center;">X</div> | No |

Noncompliance material to financial statements noted?

<div style="border-bottom: 1px solid black; width: 80px; margin: 0 auto;"></div>	Yes	<div style="border-bottom: 1px solid black; width: 80px; margin: 0 auto; text-align: center;">X</div>	No
--	-----	---	----

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED JUNE 30, 2022**

SECTION II – FINANCIAL STATEMENT FINDINGS

There are no financial statement findings to be reported in accordance with *Government Auditing Standards*.

SECTION III – FEDERAL AND STATE AWARD FINDINGS

There are no federal or state award findings to be reported in accordance with the K-12 Audit Guide.

**SCHOOL OF UNLIMITED LEARNING
FRESNO ECONOMIC OPPORTUNITIES COMMISSION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

**Finding 2021-001 – Material Weakness
Financial Close & Reporting**

Condition:

During the audit of the Organization's financial statements, we identified material misstatements in the Organization's general ledger account balances which required material audit adjustments. These adjustments were noted in accrued compensation and benefits for the accrual of wages and compensated absences at year end.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, adequate internal controls should be implemented to ensure that all assets, liabilities, revenues and expenses are properly recorded and reported. Furthermore, proper accounting principles should be applied to all financial closing accounts and processes, thus resulting in the proper presentation of all Organization activities and/or funds.

Cause:

The Organization lacked proper closing procedures and adequate review processes to ensure all account balances and transactions were properly recorded and reconciled at year-end.

Effect:

Material adjustments were identified through audit procedures performed which resulted in adjustments to accrued compensation and benefits to ensure proper presentation in accordance with generally accepted accounting standards.

Recommendation:

We recommend that the Organization continue to work on clarifying roles and responsibilities during the year-end closing process, enhancing the process to ensure that all accounting records are properly reflected in the financial statements prior to the commencement of the audit.

Management Response:

Fiscal year 2021 provided a number of challenges and changes including coronavirus, sheltering in place, and several key staffing changes within the Fresno EOC Finance Department.

Fresno EOC has instituted several leadership and financial changes to address these issues. Fresno EOC hired new leadership, a chief financial officer and an executive director, respectively.

Current Year Status: Implemented.

SECTION III – FEDERAL AND STATE AWARD FINDINGS

There are no federal or state award findings to be reported in accordance with the K-12 Audit Guide.



AUDIT COMMITTEE MEETING

Date: April 3, 2023	Program: N/A
Agenda Item #: 5	Director: N/A
Subject: Audit Committee Charter	Officer: Emilia Reyes

Recommended Action

Staff recommends Committee review and approval for full Board consideration of the Audit Committee Charter.

Background

The Committee's Charter is attached for reference in a redline version for review and discussion of additional changes proposed to the Audit Committee Charter.

The changes proposed are in alignment with our current Agency's Bylaws.

Fiscal Impact

None.

Conclusion

If approved by the Committee, this item will move forward for full Board consideration at the April 6, 2023 Board Meeting.



FRESNO ECONOMIC OPPORTUNITIES COMMISSION

AUDIT COMMITTEE CHARTER

MODIFIED ~~MAY 2017~~April 2023



FRESNO EOC AUDIT COMMITTEE CHARTER

INTRODUCTION

Following the Nonprofit Integrity Act of 2004 – SB 1262, on April 27, 2005, the Fresno County EOC Board of Commissioners approved the establishment of the Audit Committee. The Audit Committee's duties as specified in the Act included:

- A. Recommend to the board the retention and termination of the independent auditor.
- B. Negotiate the compensation of the auditor on behalf of the Board
- C. Confer with the auditor to satisfy the Committee Members that the financial affairs of the Agency are in order
- D. Review and determine whether to accept the audit, and
- E. Approve performance of any non-audit services to be provided by the auditing firm.

This charter is based on the Institute of Internal Auditor's best practices model and has been tailored to fit Fresno County EOC's needs and governing rules.

Unless the commissioners otherwise designate, committees shall conduct their affairs in the same manner as is provided in these bylaws for the conduct of the affairs of the Board of Commissioners, with such changes in the context of such provisions as are necessary to substitute the committee and its members for the Board of Commissioners and its members.

PURPOSE

To act on behalf of Fresno County EOC's Board of Commissioners in fulfilling its financial oversight responsibilities by monitoring:

- A. the overall systems of internal control and risk mitigation;
- B. the integrity of the financial statements of the corporation;
- C. compliance by the corporation with legal and regulatory requirements and ethical standards;
- D. at the close of each fiscal year, shall present to the Commissioners a financial report for the year audited by a licensed Certified Public Accountant; and
- E. the selection, independence and performance of the corporation's independent auditors.

In addition, the audit committee shall oversee the internal audit department and have such other powers and performs such other duties as the board may specify from time to time.

MEMBERSHIP

The audit committee shall be composed of five (5) Commissioners, with at least one from each tripartite sector and who are not on the Finance Committee. The committee members and chair shall be appointed by the Board Chair and approved by the board and shall serve at the pleasure of the board.



Fresno EOC staff, assigned by the Board Secretary, shall serve as the Committee Secretary.

Each committee member will be both independent and financially literate. At least one member shall be designated as the "financial expert".

QUORUM

A quorum shall be established at the beginning of all meetings. A quorum shall equal a majority of the Commissioners assigned to the committee. Any Board member's participation in any meeting via electronic means shall comply with the Brown Act's limitations on technological conferences, as may be modified by Executive Order. Participation in a meeting through the use of conference telephone or electronic video screen communication pursuant to Article VIII of the Corporation's Bylaws constitutes presence at that meeting. Should a meeting not meet quorum requirements or lose the quorum at some point during the meeting, the meeting may proceed with informational items however no action, other than adjournment, may be taken.

SCOPE

Subject to the prior approval of the board, the committee is granted the authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- A. Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the audit committee.
- B. Resolve any disagreements between management and the auditor regarding financial reporting.
- C. Pre-approve all auditing and permitted non-audit services performed by the corporation's external audit firm.
- D. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- E. Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- F. Meet with corporation officers, external auditors, or outside counsel, as necessary.

RESPONSIBILITIES AND DUTIES

The committee shall be given full access to EOC's internal audit group, management, personnel and independent auditors as necessary to carry out these responsibilities. While acting within the scope of its stated purpose, the committee shall have all the authority of the board.

The committee will carry out the following responsibilities and duties:

Section 1. Financial Statements

Review significant accounting and reporting issues and understand their impact on the audited financial statements of the Agency and any program-specific audits. These issues include:

- A. Complex or unusual transactions and highly judgmental areas
- B. Major issues regarding accounting principles and financial statement presentations, including any significant changes in the corporation's selection or application of accounting principles



- C. Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.
- D. Review and discuss with management and the external auditors the results of the annual audited financial statements, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
- E. Review disclosures made by CEO and CFO about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the corporation's internal controls.

Section 2. Internal Control

- A. Consider the effectiveness of the corporation's internal control system, including information technology security and control.
- B. Evaluate whether internal controls are enforced consistently, requiring management to follow the same controls as general staff.
- C. Evaluate the adequacy of the number of personnel devoted to internal control procedures, including whether key functions are segregated, and the quality of personnel in key internal control positions.
- D. Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Section 3. Internal Auditing

- A. Review the effectiveness of the internal audit function, including compliance with The IIA's International Standards for the Professional Practice of Internal Auditing.
- B. If necessary, meet separately with the Internal Auditor to discuss any matters that the committee or internal audit believes should be discussed privately.
- C. Review the internal audit function on at least an annual basis, including the independence and authority of its reporting obligations and the coordination of the agency's internal audit personnel with management and independent auditors.
- D. Review with the Internal Auditor:
 - 1. Any significant audit findings during the year, management's response, including management's plan of action to implement recommendations and timeline for completion.
 - 2. Any obstacles imposed by management and staff during audits, including scope limitations or access to required information or personnel.



3. Internal Audit's annual risk assessment and audit plan.
4. Any significant changes to the annual audit plan.
5. Internal Audit budget and staffing requirements.
6. Internal Audit's policies and procedures.
7. Any assignments and priorities for the internal audit team.
8. Overall audit quality and compliance with professional standards.

Section 4. External Auditing

- A. Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- B. Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee should:
 1. Obtain and review a report by the independent auditor describing:
 - i. the auditing firms' internal quality-control procedures;
 - ii. any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the auditing firm, and any steps taken to deal with any such issues; and
 - iii. all relationships between the independent auditors and EOC.
 2. Take into account the opinions of management and internal audit.
 3. Present its conclusions with respect to the external auditor to the board.
- C. On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- D. Approve, in advance, any audit and any permissible non-audit engagement or relationship between EOC and Independent auditors.

Section 5. Compliance

Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of noncompliance.

- A. Establish procedures for:
 1. the receipt, retention, and treatment of complaints received regarding accounting, internal controls, or auditing matters; and



2. the confidential, anonymous submission by employees regarding questionable accounting or auditing matters.
- B. Discuss policies with respect to risk assessment and risk management, including appropriate guidelines and policies to govern the process, as well as the agency's major financial risk exposures and the steps management has undertaken to control them.
- C. Consider the risk of management's ability to override the agency's internal controls.
- D. Review and address issues raised in the Annual Management Letter:
 1. Promptly review with management, the internal audit department and the independent auditors all recommendations made by the independent auditors in their annual management letter;
 2. Approve a schedule for implementing any recommended changes as a result of the annual management letter and monitor compliance with the schedule.

Section 6. Reporting Responsibilities

Regularly reports to the Board of Commissioners about committee activities and issues that arise with respect to the quality or integrity of the corporation's financial statements, the corporation's compliance with legal or regulatory requirements, the performance and independence of the corporation's independent auditors, and the performance of the internal audit function.

- A. Provide an open avenue of communication between internal audit, the external auditors, and the board of commissioners.
- B. Review any other reports the agency issues that relate to committee responsibilities.

Section 7. Other Responsibilities

- A. Discuss with management the corporation's major policies with respect to risk assessment and risk management.
- B. Perform other activities related to this charter as requested by the board of directors.
- C. Review and assess the adequacy of the committee guidelines annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- D. Confirm annually that all responsibilities outlined in this charter have been carried out.

The Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal of other conditions.

MEETINGS

~~Meetings are open to all commissioners and shall generally be attended by program officers and directors to introduce or respond to agenda items, or general questions and comments Committee members may have. Only those members appointed to the Committee are permitted to vote on agenda items. All Commissioners who are not members of the committee may attend meetings of the committee but may not vote.~~ The committee may invite members of management or others to attend to provide pertinent information, as necessary.

Formatted: Justified



Section 1: Frequency

~~A meeting schedule for the year is prepared and approved at the Board Annual meeting. The Audit Committee shall will~~ meet at least four times a year, ~~typically on the third Thursday of the month at 12:00 p.m.~~ with authority to convene additional meetings or reschedule, as circumstances require. Meetings will be held without restrictions or time constraints.

The committee may invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary.

The committee may meet separately, periodically, with management, with internal auditors, and with external auditors or may meet periodically in executive session.

Section 2: Agenda

The Committee Chair will approve the agenda for the committee's meetings and any member may suggest items for consideration. Written materials will be provided to the committee ~~as far in advance of meeting as practicable. 72 hours before the Committee Meeting per Brown Act Rules.~~

Section 3: Minutes

The committee shall keep a record of its actions and proceedings, and when required by the board, shall make a report of those actions and proceedings to the board. Minutes will be prepared after each committee meeting by the Committee Secretary. The Committee Chair approves the minutes for inclusion and approval in the next committee packet.