
CLAYTON CENTURY FOUNDATION

FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017



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Independent Auditors' Report

Board of Directors
Clayton Century Foundation
Clayton, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of Clayton Century Foundation (the Foundation), a not-for-profit organization, which comprise the statement of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility For The Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Clayton Century Foundation as of December 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, Clayton Century Foundation adopted Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during 2018. Our opinion is not modified with respect to this matter.

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CLAYTON CENTURY FOUNDATION
STATEMENT OF FINANCIAL POSITION

	December 31,	
	2018	2017
Assets		
Current Assets		
Cash and cash equivalents	\$ 127,670	\$ 116,787
Prepaid insurance	956	956
Interest receivable	419	2,065
Total Current Assets	129,045	119,808
Investments (Note 3)	100,000	350,000
Restricted Investments (Note 3)	2,077,752	2,224,475
Total Assets	\$ 2,306,797	\$ 2,694,283
Liabilities And Net Assets		
Liabilities		
Accounts payable and accrued expenses (Note 5)	\$ 147,786	\$ —
Net Assets		
Without donor restrictions	142,900	163,339
With donor restrictions (Note 4)	2,016,111	2,530,944
Total Net Assets	2,159,011	2,694,283
Total Liabilities And Net Assets	\$ 2,306,797	\$ 2,694,283

CLAYTON CENTURY FOUNDATION

STATEMENT OF ACTIVITIES For The Years Ended December 31, 2018 And 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public Support And Revenues						
Public Support:						
Grants	\$ —	\$ —	\$ —	\$ 50,000	\$ —	\$ 50,000
Donated services (Note 1)	66,765	—	66,765	65,024	—	65,024
Contributions	47,583	66,045	113,628	17,445	1,736,313	1,753,758
Total Public Support	114,348	66,045	180,393	132,469	1,736,313	1,868,782
Revenues:						
Events	\$ 7,161	\$ —	\$ 7,161	\$ 2,500	\$ —	\$ 2,500
Miscellaneous income	7	—	7	5,119	—	5,119
Investment income (Note 3)	4,024	389,388	393,412	2,711	127,022	129,733
Net assets released from restrictions:						
Satisfaction of program restrictions (Note 4)	970,266	(970,266)	—	2,035,156	(2,035,156)	—
Total Revenues	981,458	(580,878)	400,580	2,045,486	(1,908,134)	137,352
Total Public Support and Revenues	1,095,806	(514,833)	580,973	2,177,955	(171,821)	2,006,134
Expenses						
Program services	938,635	—	938,635	2,022,796	—	2,022,796
Management and general	157,213	—	157,213	112,967	—	112,967
Fundraising	20,397	—	20,397	22,525	—	22,525
Total Expenses	1,116,245	—	1,116,245	2,158,288	—	2,158,288
Increase (Decrease) In Net Assets	(20,439)	(514,833)	(535,272)	19,667	(171,821)	(152,154)
Net Assets - Beginning Of Year	163,339	2,530,944	2,694,283	143,672	2,702,765	2,846,437
Net Assets - End Of Year	\$ 142,900	\$ 2,016,111	\$ 2,159,011	\$ 163,339	\$ 2,530,944	\$ 2,694,283

CLAYTON CENTURY FOUNDATION
STATEMENT OF FUNCTIONAL EXPENSES

	For The Years Ended December 31,	
	2018	2017
Program Services		
Grants to City of Clayton:		
Shaw Park North Hill	\$ 880,835	\$ 2,000,540
Shaw Park Walking Trail	—	21,000
Otocast Walking Tour	—	1,256
Family Center Playground	57,800	—
Total Program Services	\$ 938,635	\$ 2,022,796
 Management And General		
Contributed services	\$ 66,765	\$ 65,024
Dues and memberships	—	21
Maintenance and repair	140	128
Meetings and receptions	11,262	6,420
Contractual services	42,395	29,901
Insurance	2,690	1,582
Office supplies and equipment	33,961	9,891
Total Management And General	\$ 157,213	\$ 112,967
 Fundraising		
Printing and photography	\$ 8,663	\$ 7,218
Advertising	9,308	13,031
Postage	2,426	2,276
Total Fundraising	\$ 20,397	\$ 22,525

CLAYTON CENTURY FOUNDATION

STATEMENT OF CASH FLOWS

	For The Years Ended December 31,	
	2018	2017
Cash Flows From Operating Activities		
Decrease in net assets:	\$ (535,272)	\$ (152,154)
Adjustments to reconcile decrease in net assets to cash used in operating activities:		
In-kind donation of securities	—	(1,648,090)
Realized gain on redemption of securities	(26,203)	40,176
Unrealized loss (gain) on securities	(327,106)	(116,568)
Changes in operating assets and liabilities:		
Decrease in promises to give	—	21,000
Prepaid insurance	—	(956)
Decrease in dividends receivable	—	10,116
(Increase) decrease in accrued interest receivable	1,646	(2,035)
Increase in accounts payable	147,786	(1,500,000)
Net Cash Used In Operating Activities	(739,149)	(3,348,511)
Cash Flows From Investing Activities		
Proceeds from redemption of investments	750,032	3,250,008
Net Cash Provided By Investing Activities	750,032	3,250,008
Net Increase (Decrease) In Cash And Cash Equivalents	10,883	(98,503)
Cash And Cash Equivalents - Beginning Of Year	116,787	215,290
Cash And Cash Equivalents - End Of Year	\$ 127,670	\$ 116,787

CLAYTON CENTURY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2018 And 2017

1. Summary Of Significant Accounting Policies

The financial statements of the Clayton Century Foundation (the Foundation) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to not-for-profit organizations. The more significant of the Foundation's accounting and reporting policies and practices are described below.

Basis Of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU appends the current reporting model for not-for-profit organizations and enhances their required disclosures. The primary changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions", (b) requiring that all not-for-profits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (c) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, and (d) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of not-for-profit financial statements. The Foundation implemented the ASU for the year ended December 31, 2018. Accordingly, a reclassification of net assets has been made to conform beginning net asset balances to the current presentation.

Basis Of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board for not-for-profit organizations by presenting assets and liabilities within similar groups and classifying them in ways that provide relevant information about their interrelationships, liquidity and financial flexibility. As a result, the Foundation is required to report information regarding its financial position and activities according to two classes: net assets without donor restrictions and net assets with donor restrictions.

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (*Continued*)

Estimates And Assumptions

The Foundation uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Cash And Cash Equivalents

The Foundation considers all highly liquid, short-term investments with original or remaining maturities of three months or less to be cash equivalents.

The Foundation invests its excess cash with financial institutions with strong credit ratings. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2018 and 2017, deposits were not in excess of uninsured amounts.

Contributions

Noncash contributions are recorded at their estimated fair values at the date of the gift.

Support With And Without Donor Restrictions

The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Donated Services

Donated services valued at \$66,765 and \$65,024 for 2018 and 2017, respectively, represent services donated by the City of Clayton. Donated services are valued at rates comparable to the value of those paid.

Donated services are recognized as both a revenue and expense and, therefore, do not affect net assets without donor restrictions.

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (*Continued*)

Functional Expenses

The Foundation allocates its expenses on a functional basis between the program services, management and general, and fundraising categories. The Foundation allocates expenses based upon the specific identification of expenses with their functional purpose.

Fundraising

The Foundation follows the policy of charging the cost of fundraising to expense as incurred. Fundraising expenses amounted to \$20,397 and \$22,525 for the periods December 31, 2018 and 2017, respectively.

Income Taxes

Clayton Century Foundation constitutes a qualified not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and is, therefore, exempt from federal income taxes on related, exempt income.

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

2. Organization

Clayton Century Foundation is a nonprofit organization incorporated on March 29, 1993, under the laws of the State of Missouri, to encourage public-private partnerships to support the restoration and enhancement of the City of Clayton's cultural, recreational, and environmental assets. The Foundation focuses on four priority initiatives: to nurture the parks, honor the past, promote public art, and support sustainability.

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (Continued)

3. Investments And Fair Value Disclosures

Investments consist of:

	<u>2018</u>	<u>2017</u>
Certificates of deposit	\$ 100,000	\$ 350,000
Closely held equity securities	<u>2,077,752</u>	<u>2,224,475</u>
	<u>\$ 2,177,752</u>	<u>\$ 2,574,475</u>

Investments are carried at fair value in accordance with accounting principles generally accepted in the United States of America, except for certificates of deposit, which are carried at cost plus accrued interest which approximates fair value.

At December 31, 2018 and 2017, investments are presented on the financial statements as:

	<u>2018</u>	<u>2017</u>
Investments	\$ 100,000	\$ 350,000
Restricted investments	<u>2,077,752</u>	<u>2,224,475</u>
	<u>\$ 2,177,752</u>	<u>\$ 2,574,475</u>

Accounting rules for fair value measurements establish a framework for measuring fair value. There are three major categories of assets and liabilities measured at fair value on a recurring basis: using quoted market prices in active markets for identical assets (Level 1); using significant other observable inputs for similar assets (Level 2); and using significant unobservable inputs (Level 3). The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted market prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). However, as discussed below, the Foundation's investments consist entirely of closely held securities valued at net asset value. Thus, none of the Foundation's investments are classified in the Level 1, 2, or 3 hierarchy.

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (Continued)

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2018:

	<u>December 31, 2018</u>	
	<u>Total</u>	<u>Investments Measured At Net Asset Value</u>
<u>Closely held equity securities</u>	\$ 2,077,752	\$ 2,077,752

The following are the major categories of assets measured at fair value on a recurring basis during the year ended December 31, 2017:

	<u>December 31, 2017</u>	
	<u>Total</u>	<u>Investments Measured At Net Asset Value</u>
<u>Closely held equity securities</u>	\$ 2,224,475	\$ 2,224,475

As permitted by generally accepted accounting principles, certain investments are measured at fair value using their net asset value per share (or its equivalent) as a practical expedient, and therefore, have not been classified in the fair value hierarchy.

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (Continued)

The following table summarizes the Foundation's investments in entities that calculate net asset value per share (or its equivalent):

December 31, 2018				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Closely held equity securities	\$ 2,077,752	\$ —	Annually	No mandatory notice period; contributed shares are typically redeemed in the year
	<u>\$ 2,077,752</u>	<u>\$ —</u>		
December 31, 2017				
	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Closely held equity securities	\$ 2,224,475	\$ —	Annually	No mandatory notice period; contributed shares are typically redeemed in the year
	<u>\$ 2,224,475</u>	<u>\$ —</u>		

Closely Held Equity Securities

Closely held equity securities represent shares of ownership in a privately owned company. These securities have been donated to the Foundation. The securities are valued at their value per share (as calculated by company management) on the date of their donation to the Foundation. The company recalculates the value per share semi-annually. However, the Foundation typically redeems its shares within one year of being received, which may occur prior to the next revaluation date.

Investment Income

Investment income includes interest income and dividend income on closely held equity securities. Additionally, investment income for 2017 includes realized losses of \$40,176 upon the redemption of closely held equity securities, and investment income for 2018 includes realized gains of \$26,203 upon the redemption of closely held equity securities.

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (Continued)

4. Net Assets

Net assets with donor restrictions as of December 31, 2018 and 2017 are restricted for the following purposes:

	<u>2018</u>	<u>2017</u>
Follman Plaza	8,949	8,949
Chapman Plaza	1,925,550	2,416,997
Anderson Park Trees	10,500	10,500
Bench & Tree Program	7,860	12,734
Clayton Heritage Center	8,805	13,416
History Funds	—	54
Hanley House	6,344	6,043
Park Funds	600	600
Family Center Playground	—	56,000
Center of Clayton Aquarium	—	156
DeMun Park Playground	35,290	1,495
Historical Artifacts	2,394	4,000
Urban Trail in Oak Knoll Park	9,819	—
	<u>\$ 2,016,111</u>	<u>\$ 2,530,944</u>

Net assets released from purpose restrictions during 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Firefighters Garden	\$ —	\$ 124
Chapman Plaza	880,835	2,000,000
Bench & Tree Program	14,624	3,088
Clayton Heritage Center	4,861	4,787
History Funds	204	327
Otocast - Walking Tour App	—	2,980
Family Center Playground	57,800	—
Center of Clayton Aquarium	154	1,845
DeMun Park Playground	—	1,005
Walking Trail in Shaw Park	—	21,000
Historical Artifacts	1,607	—
Urban Trail in Oak Knoll Park	10,181	—
	<u>\$ 970,266</u>	<u>\$ 2,035,156</u>

CLAYTON CENTURY FOUNDATION

Notes To Financial Statements (Continued)

5. Accounts Payable And Accrued Expenses

At December 31, 2018, accounts payable and accrued expenses represent amounts payable to the City of Clayton, Missouri, related to the Chapman Plaza project within Shaw Park.

6. Related Party Transactions

The management of the City of Clayton, Missouri maintains the accounting records and conducts the administrative activities of the Foundation, as the Foundation has no employees. Additionally, substantially all of the Foundation's program services expenses represent grants to the City of Clayton, Missouri to fund improvements to the City's cultural, recreational, and environmental facilities.

7. Liquidity And Availability Of Financial Assets

At December 31, 2018, the Foundation financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$ 127,670
Interest receivable	419
Investments	<u>100,000</u>
Financial Assets Available To Meet General Expenditures Over The Next Twelve Months	<u>\$ 228,089</u>

The Foundation strives to fully fund its current liabilities with liquid financial assets. The cash and cash equivalents used to cover current liabilities are limited to cash in checking accounts and FDIC insured certificates of deposit.

CLAYTON CENTURY FOUNDATION

AUDITOR COMMUNICATIONS

DECEMBER 31, 2018 AND 2017

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Board of Directors
Clayton Century Foundation
St. Louis, Missouri

We have audited the financial statements of the Clayton Century Foundation (the Foundation) for the years ended December 31, 2018 and 2017, and have issued our report thereon dated *_____. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 25, 2019 our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of responsibility for the accuracy of the financial statements.

Other Information In Documents Containing Audited Financial Statements

To our knowledge, the 2018 and 2017 audited financial statements are not included within any other document.

Planned Scope And Timing Of The Audit

We performed the audit as stated in our engagement letter dated January 25, 2019 regarding the nature, timing and extent of our audit procedures.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Foundation are described in Note 1 to the financial statements. During 2018, the Foundation adopted FASB Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which affected the presentation and disclosures related to net assets, functional expenses and liquidity. Except as noted, no new accounting policies were adopted and the application of existing policies was not changed during the years ended December 31, 2018 and 2017. We noted no transactions entered into by the Foundation during the year for which there was a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in a different period than when the transactions occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements are:

- Fair value of investments
- Donated services

We evaluated the key factors and the assumptions used to develop the above estimates and determined they are reasonable in relation to the financial statements taken as a whole.

The disclosures to the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to the financial statements' users. The most sensitive disclosures affecting the financial statements are:

- Note 3 - Investments and Fair Value Disclosures
- Note 4 - Net Assets
- Note 7 - Liquidity and Availability of Financial Assets

Difficulties Encountered In Performing The Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected And Uncorrected Misstatements

Professional standards require us to accumulate all factual, judgmental and projected misstatements identified during the audit, other than those that are trivial, communicate them to the appropriate level of management, and request their correction. Management has corrected all audit adjustments considered to be material, either individually or in the aggregate, which resulted in a net increase to the change in net assets in the amount of \$30 for 2018 and 2017. In addition, there were no uncorrected misstatements during 2018 and 2017.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated * .

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves the application of an accounting principle to an entity's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings Or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of the Foundation and is not intended to be and should not be used by anyone other than these specified parties.

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CLAYTON CENTURY FOUNDATION

MANAGEMENT LETTER

DECEMBER 31, 2018

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Management and the Board of Directors
Clayton Century Foundation
Clayton, Missouri

In planning and performing our audit of the financial statements of the Clayton Century Foundation (the Foundation) as of and for the years ended December 31, 2018 and 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing 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 Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention by those charged with governance. We consider the following deficiency in the Foundation's internal control to be a significant deficiency:

The Foundation did not account for certain transactions in accordance with generally accepted accounting principles for not-for-profit entities

During our audits, we determined that the Foundation did not account for certain transactions in accordance with generally accepted accounting principles (GAAP) for not-for-profit entities as follows:

- Not-for-profit entities are required to report their net assets in the following categories based upon the presence or absence of donor restrictions: net assets with donor restrictions and net assets without donor restrictions. The Foundation's total net assets as reported within its unadjusted 2017 and 2018 financial records were accurate. However, while the Foundation maintained schedules to track additions to and releases from restricted net assets throughout 2017 and 2018, net assets were not tracked as being restricted or unrestricted on the Foundation's general ledger, thus requiring adjusting journal entries.
- The Foundation received donated services from the City of Clayton for various employee services. The Foundation did not record these services as both a revenue and expense during 2017 or 2018.
- The Foundation did not record the adjusting journal entries from its 2015 and 2016 financial statement audits within its books and records. As a result, the Foundation's unadjusted 2017 beginning of year net asset balance was misstated, requiring an adjusting entry during the 2017 financial statement audit.

We recommend that the Foundation institute appropriate internal controls in order to maintain its financial records in compliance with the requirements of GAAP for not-for-profit entities. Specifically, we recommend:

- The Foundation should utilize its net asset tracking spreadsheet as the basis for recording entries to the Foundation's general ledger related to net assets.
- The Foundation should record revenue and expense related to donated services received from the City of Clayton on its financial statements.

- The Foundation should record all adjusting entries resulting from its financial statement audits within its books and records immediately upon the conclusion of the audit.

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

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