

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.

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

JUNE 30, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Boys and Girls Club of Tulare County, Inc.
Exeter, California

Report on the Financial Statements

We have audited the accompanying financial statements of Boys and Girls Club of Tulare County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including 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 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 Boys and Girls Club of Tulare County, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reported dated April 23, 2019, on our consideration of Boys and Girls of Tulare County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Boys and Girls Club of Tulare County, Inc.'s internal control over financial reporting and compliance.



Visalia, California
April 23, 2019

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 997,984	\$ 667,126
Accounts Receivable	21,769	-
Grants Receivable	42,273	61,931
Inventory - Food	<u>23,237</u>	<u>-</u>
Total Current Assets	<u>1,085,263</u>	<u>729,057</u>
PROPERTY AND EQUIPMENT, NET	<u>1,399,468</u>	<u>1,441,394</u>
OTHER ASSETS		
Cash Restricted for Future Club Improvements and Strathmore Operations	<u>130,586</u>	<u>112,181</u>
Total Other Assets	<u>130,586</u>	<u>112,181</u>
TOTAL ASSETS	<u><u>\$ 2,615,317</u></u>	<u><u>\$ 2,282,632</u></u>

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

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable	\$ 10,109	\$ 25,890
Credit Cards Payable	36,487	21,897
Accrued Payroll	42,978	32,902
Compensated Absences	18,416	11,530
Payroll Taxes Payable	34,560	11,162
Customer Deposits	2,850	-
Deferred Revenue	2,700	-
Notes Payable, Current Portion	5,934	6,148
Total Current Liabilities	154,034	109,529
LONG-TERM LIABILITIES		
Notes Payable, Net of Current Portion	301,926	307,733
TOTAL LIABILITIES	455,960	417,262
NET ASSETS		
Temporarily Restricted	130,362	115,131
Unrestricted	2,028,995	1,750,239
Total Net Assets	2,159,357	1,865,370
TOTAL LIABILITIES AND NET ASSETS	\$ 2,615,317	\$ 2,282,632

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

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017		
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted	
		Total	Total		Unrestricted	Total
SUPPORT, REVENUES, AND RECLASSIFICATIONS						
Contributions	\$ 304,502	\$ 28,596	\$ 333,098	\$ 276,675	\$ 68,765	\$ 345,440
Legacies and Bequests	450,370	-	450,370	252,785	-	252,785
In-Kind Contributions	983,404	-	983,404	452,764	-	452,764
Grants	340,564	-	340,564	476,622	-	476,622
Program Income	757,859	-	757,859	707,749	-	707,749
Fundraisers	340,403	-	340,403	349,614	-	349,614
Membership Dues	14,621	-	14,621	14,583	-	14,583
Rent Income	43,404	-	43,404	32,550	-	32,550
Interest Income	-	-	-	9	-	9
Miscellaneous Income	3,378	-	3,378	1,054	-	1,054
TOTAL SUPPORT AND REVENUE	3,238,505	28,596	3,267,101	2,564,405	68,765	2,633,170
NET ASSETS RELEASED FROM RESTRICTIONS	13,365	(13,365)	-	75,000	(75,000)	-
TOTAL SUPPORT, REVENUES, AND RECLASSIFICATIONS	3,251,870	15,231	3,267,101	2,639,405	(6,235)	2,633,170
EXPENSES						
Program	2,508,229	-	2,508,229	1,916,519	-	1,916,519
Support Services						
Management and General	261,328	-	261,328	213,477	-	213,477
Fundraising	203,557	-	203,557	216,662	-	216,662
TOTAL EXPENSES	2,973,114	-	2,973,114	2,346,658	-	2,346,658
CHANGE IN NET ASSETS	278,756	15,231	293,987	292,747	(6,235)	286,512
NET ASSETS, Beginning of the Period	1,750,239	115,131	1,865,370	1,457,492	121,366	1,578,858
PRIOR YEAR ADJUSTMENT	-	-	-	-	-	-
NET ASSETS, End of the Period	\$ 2,028,995	\$ 130,362	\$ 2,159,357	\$ 1,750,239	\$ 115,131	\$ 1,865,370

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

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018			2017				
	Program	Support Services		Program	Support Services			
		Management and General	Fundraising		Management and General	Fundraising	Total	
Salaries and Wages	\$ 877,010	\$ 171,775	\$ 75,794	\$ 1,124,579	\$ 777,420	\$ 154,687	\$ 74,278	\$ 1,006,385
Automobile	10,439	1,764	-	12,203	9,516	-	-	9,516
Bad Debt	-	-	1,250	1,250	-	-	550	550
Bank Service Charges	540	-	5,197	5,737	-	-	9,176	9,176
Board Development	-	10,059	-	10,059	-	7,659	-	7,659
Copier and Maintenance Contracts	3,463	2,668	-	6,131	3,010	1,421	-	4,431
Dues, Subscriptions and Fees	9,108	954	235	10,297	8,706	369	-	9,075
Employee Benefits	21,600	26,850	6,790	55,240	18,698	18,701	7,011	44,410
Fundraising Expense	-	-	100,007	100,007	-	-	106,564	106,564
Grant Partner Payments	-	-	-	-	20,715	-	-	20,715
Insurance	56,146	5,148	-	61,294	61,371	2,570	2,570	66,511
Interest	9,205	-	-	9,205	11,465	-	-	11,465
Marketing	-	-	6,600	6,600	1,919	-	3,838	5,757
Meetings	14,876	1,081	1,005	16,962	12,626	-	-	12,626
Miscellaneous	-	734	-	734	459	-	-	459
Program Supplies	107,723	-	-	107,723	94,275	-	-	94,275
Payroll Taxes	89,370	20,734	5,526	115,630	108,220	13,275	6,970	128,465
Postage and Office Supplies	-	3,683	316	3,999	396	791	2,736	3,923
Professional Fees	-	8,760	-	8,760	6,800	400	800	8,000
Program and Office Expense	46,230	760	837	47,827	54,005	8,537	2,169	64,711
Program Food Supplies	97,690	-	-	97,690	131,928	-	-	131,928
Property Taxes	-	363	-	363	404	-	-	404
Rent	986,209	3,000	-	989,209	450,931	2,994	-	453,925
Repairs and Maintenance	56,800	-	-	56,800	27,157	-	-	27,157
Utilities	54,852	1,160	-	56,012	44,798	836	-	45,634
Telephone	4,614	1,835	-	6,449	10,275	1,237	-	11,512
Travel	439	-	-	439	139	-	-	139
Depreciation Expense	61,915	-	-	61,915	61,286	-	-	61,286
TOTAL EXPENSES	\$ 2,508,229	\$ 261,328	\$ 203,557	\$ 2,973,114	\$ 1,916,519	\$ 213,477	\$ 216,662	\$ 2,346,658

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

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 293,987	\$ 286,512
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows from Operating Activities:		
Depreciation	61,915	61,286
In-Kind Contribution of Property and Equipment	-	(4,600)
(Increase) Decrease in Accounts Receivable	(21,769)	5,949
(Increase) Decrease in Grants Receivable	19,658	(47,883)
Decrease in Prepaid Expenses	-	16,603
Increase in Inventory	(23,237)	-
Increase in Restricted Cash	(18,405)	(42,246)
Increase (Decrease) in Accounts Payable	(15,781)	19,556
Increase (Decrease) in Credit Cards Payable	14,590	(35,089)
Increase in Accrued Payroll	10,076	1,637
Increase (Decrease) in Compensated Absences	6,886	(3,956)
Increase in Payroll Taxes Payable	23,398	11,162
Increase in Customer Deposits	2,850	-
Increase (Decrease) in Deferred Revenue	2,700	(28,848)
	356,868	240,083
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of Property, Plant and Equipment	(19,989)	(66,247)
	(19,989)	(66,247)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on Long-Term Debt	(6,021)	(2,857)
	(6,021)	(2,857)
Net Increase in Cash	330,858	170,979
Cash - Beginning of Year	667,126	496,147
CASH - END OF YEAR	\$ 997,984	\$ 667,126

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

**BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	2018	2017
SUPPLEMENTARY INFORMATION		
Interest Paid	\$ <u>9,205</u>	\$ <u>11,465</u>
Non-Cash Financing Activity:		
Cost of Property and Equipment Acquisitions	\$ 19,989	\$ 66,247
Less Financed Acquisitions	<u>-</u>	<u>-</u>
Net Cash Paid for Property and Equipment	\$ <u>19,989</u>	\$ <u>66,247</u>

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

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies

Nature of Activities

Boys and Girls Club of Tulare County, Inc. (the Organization) was established as a nonprofit organization in 1997 in California. The Organization's purpose is to provide behavior guidance and to promote health, social, educational, vocational and character development of boys and girls, 6-18 years of age, without regard for race, color, creed, or national origin and to operate one or more club sites for program activities and services. Currently the Organization provides program services to over 1,200 children a day in the following California locations: Visalia, Tulare, Ivanhoe, Exeter, Farmersville, Porterville, and Tipton.

The Organization is funded through donations, grants, program services, and fundraising activities. Children are encouraged to participate in the Organization's programs which are generally offered after school under the guidance of its affiliate organization "The Boys and Girls Club of America".

The Organization conducts its affairs under the management of a Board of Directors, a salaried executive director, paid personnel and numerous unpaid volunteers.

On May 1, 2011, The Boys and Girls Club of the Sequoias, Inc. merged with the Boys and Girls Club of Tulare County, Inc. All assets of the merging organization were incorporated by the surviving entity, Boys and Girls Club of Tulare County, Inc.

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in accordance 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 disclosures 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 the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The amount on deposit exceeded the \$250,000 insured limit per account by approximately \$132,336 and \$218,965 on June 30, 2018 and 2017, respectively.

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Continued)

Accounts and Grants Receivable

The Organization considers accounts and grants receivable to be fully collectible; accordingly no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged against operations when that determination is made.

Inventory

Inventory is stated at the lower of cost or net realizable value using the average cost method and consists primarily of food used for the summer food service program.

Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less an allowance for depreciation computed by use of the straight-line method over the estimated useful lives of the assets. The estimated useful life ranges from 3-39 years depending upon the type of asset. Generally, all property and equipment acquisitions of \$1,000 or more are capitalized.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$61,915 and \$61,286, respectively. Any property and equipment sold or disposed of are removed from the books of the Organization along with the corresponding accumulated depreciation, and any gain or loss is recognized in the year of sale or disposition.

Accumulated Vacation and Sick Leave

Accumulated unpaid employee vacation benefits are recognized as current liabilities of the Organization. According to Organization policy, unused sick leave is lost at the fiscal year end and is therefore not recognized as current liabilities of the Organization.

Net Assets

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes of the Organization at the discretion of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions than can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Income Taxes

Boys and Girls Club of Tulare County, Inc. has received an exemption from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, the Organization has made no provision for income taxes in the accompanying financial statements.

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

1. Summary of Significant Accounting Policies (Continued)

In-Kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization benefited from donations of rent which was valued at \$983,404 and \$452,764 during the years ended June 30, 2018 and 2017, respectively. These amounts have been reported as both in-kind contribution revenue on the statement of activities and rent and advertising expense on the statement of functional expenses. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Council's programs and fundraising campaigns but which do not meet the criteria for financial statement recognition.

Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 23, 2019, the date the financial statements were available to be issued.

2. Property and Equipment

Property and equipment consisted of the following:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Furnishings and Equipment	\$ 240,888	\$ -	\$ -	\$ 240,888
Transportation Equipment	35,667	-	-	35,667
Buildings and Improvements	1,539,633	-	-	1,539,633
Leasehold Improvements	243,407	17,841	-	261,248
Land	270,936	2,148	-	273,084
	<u>2,330,531</u>	<u>\$ 19,989</u>	<u>\$ -</u>	<u>2,350,520</u>
Total				
Accumulated Depreciation	889,137	\$ 61,915	\$ -	951,052
	<u>889,137</u>	<u>\$ 61,915</u>	<u>\$ -</u>	<u>951,052</u>
Net Property and Equipment	<u>\$ 1,441,394</u>			<u>\$ 1,399,468</u>

**BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

3. Notes Payable

Notes Payable consists of the following at June 30,:

	2018	2017
Note Payable - City of Exeter, balloon payment of \$90,000 due upon maturity including interest at 0% per annum. Loan is unsecured and matures February 6, 2028. The Organization negotiated with the City of Exeter whereas the loan is only due if they sell the building.	\$ 90,000	\$ 90,000
Note Payable - Valley Business Bank, secured by a deed of trust. Monthly payments of \$1,247.95 including interest at 4.00% beginning November 1, 2016. Loan matures October 11, 2026.	217,860	223,881
Subtotal	307,860	313,881
Less Current Portion	5,934	6,148
LONG-TERM PORTION	\$ 301,926	\$ 307,733

Scheduled principal repayments of long-term debt for the next five years are as follows:

2019	\$	5,934
2020		6,055
2021		6,534
2022		6,701
2023 and Thereafter		282,636
TOTAL	\$	307,860

BOYS AND GIRLS CLUB OF TULARE COUNTY, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

4. Functional Expense Allocation

The cost of providing services and other activities has been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited based on estimates developed by management. Support services include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

5. Employee Benefits Plan

The Organization offers a SIMPLE IRA plan, for eligible employees. The Organization is required to match up to 3% of the eligible employee's annual salary to the employee's retirement account. Plan expenses to the Organization for the SIMPLE IRA plan, including employer contributions, totaled \$8,238 and \$7,548 for the years ended June 30, 2018 and 2017, respectively.

6. Operating Leases

The Organization leases office and program service space in Exeter, CA and Porterville, CA. On December 2, 2011, the Organization renegotiated the monthly lease payments to \$1,650, which is discounted to \$250 on a month to month basis.

The Organization has memorandums of understanding with various school districts for space it leases which it receives as an in-kind donation. For the years ended June 30, 2018 and 2017, the value of the rent was \$983,404 and \$448,164, respectively.

Total lease expense for the years ended June 30, 2018 and 2017 was \$989,209 and \$453,925, respectively.

OTHER INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Boys and Girls Club of Tulare County, Inc.
Exeter, California

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 Boys and Girls Club of Tulare County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Boys and Girls Club of Tulare County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boys and Girls Club of Tulare County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 may exist that have not been identified.

Compliance and Other Matters

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

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.



Visalia, California
April 23, 2019