


Foundations 4 Orphans, Inc (F4O), 90 Julian Drive, Hamden, CT 06518, 203-417-7362

Subject: Financial Audit period ended 12/31/21

Requested by: Executive Director Reverend Wayne Lavender (ExDir)

Audit by Carl Engelhart 2/15/22

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This audit was prepared under the auspices of the "Local Church Guide" published by the "General Council on Finance and Administration of the United Methodist Church". The audit would be considered a small entity with minimal funding (less than \$500,000) and asset balances. Under these guidelines, a qualified volunteer from another UMC unit can perform audit procedures, evaluate internal controls and report the results directly to the entity's board of directors.

Carl Engelhart is a member of UMC-Clinton CT, has over 50 years' experience in manufacturing management and financial controllership, prepared the 2015, 17,18 audits and is Finance Chairman for UMC-CT as well as Treasurer Board of Trustees NYAC, Treasurer of Habitat for Humanity, Cleveland County NC. No compensation has been granted nor is any expected for this volunteer audit of F4O.

As Auditor, Carl Engelhart states that the attached financial statements fairly represent the financial position of Foundations 4 Orphans, Inc as of December 31, 2021 and the changes in cash from January 1, 2021 are reasonable and true. Cash and investment accounts are the only known and stated assets and there are no liabilities made known to the auditor.

F4O incorporation in VA, previously operated from Virginia Beach VA and transferred operations to CT. ExDir stated that the organization is one and the same, VA & CT. The previous CT address was 81 Clintonville Road, North haven CT 06473.

F4O changed the fiscal year from July 1 to June 30 to January 1 to December 31 effective 1/1/2020.

There are no formal accounting nor internal control procedures for the report period 1/1/21-12/31/21. Thus, there was a need to improvise to lock down financial details and gather post activity approvals from the board

Documentation includes; bank statements, donor check copies, bank account transfer detail, W-2 form, donor/disbursement account analysis prepared by ExDir, 2/18/22 board of director minutes approving total annual spending. All documents were received by hand or E-mail from ExDir and are believed to be true and accurate copies.

Donations/deposits were analyzed by major donors, ACH, minor receipts to justify deposit amounts. Contributor "thank you notes" acknowledged donations as per IRS reporting requirements to report donations of \$250+. Ninety-three percent (93%) of deposits were vouched for in the audit.

Donations must be categorized by restricted and un-restricted. This analysis was prepared by ExDir from notes and other informal records. The 12/31/21 restricted/un-restricted account balances likewise were drawn from ExDir notes/informal reports. This methodology was required to provide a reasonable representation of restricted/unrestricted balances as of 12/31/21.

Disbursements were analyzed by payee and discussed with ExDir to determine reasons for the expenditures (fund raiser, travel, printing etc). Source documents such as invoices, expense reports etc were not available. Ex Dir Expenses 2021 worksheet dated 1/26/22 of \$172,273.68 was edited by audit to \$174,460.30 and summarily approved by the F4O Board of Directors on 2/18/22.

Travel agendas are discussed in advance and approved by the board. In addition, the annual travel expense of \$14,013.72 was approved by the 2/18/22 board minutes.

Salary expense of \$27,000 included Ex Dir and Web Techs

Schedules, notes backup material:

- A) Financial Statement for period ending 12/31/21
- B) Donor Schedule
- C) Expense Schedule
- D) 2/18/22 Board of Directors minutes
- E) Webster Bank statements; on-file with auditor; summary attached
- F) UMC Fund Balance Report

Recommendations for 1/1/22-12/30/22:

- A) Bank statements should be reconciled monthly and approved by board.
- B) Monthly and Year-to-date Financial Statements should be available for, approved and recorded in minutes by board.
- C) Financial Statement comments, suggestions, issues, action required should be included in minutes.
- D) Detailed disbursement report by item, account, amount with backup material should be reviewed at each board meetings and approved by minutes.
- E) Supplemental reports should summarize total cost of Fund raisers, Travel agendas and other projects that tally up to more than \$2,500. These should be specifically noted in minutes.
- F) Two signatories should be on-record for checks and ACH transaction approvals
- G) Checks, payroll, ACH made payable to ExDir must be signed by alternate signatory.
- H) Board should approve by minutes annual salary arrangements.
- I) It is suggested that quarterly audits be prepared to maintain continuity.