SPECIAL MEETING OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
WEDNESDAY, SEPTEMBER 15, 2021, 11:00 A.M.

PLEASE NOTE:
Participation will be virtual pursuant to Governor Newsom’s Executive Order N-08-21
Please join the meeting from your computer, tablet or smartphone:
https://global.gotomeeting.com/join/413749149
OR Dial in using your phone: 877.309.2073; Access Code: 413749149#

I. CALL TO ORDER
II. PUBLIC COMMENTS
   5 minutes allowed per speaker, with a cumulative total of 15 minutes per group
   For further details and policy see Request for Public Comment notice on the website

III. INFORMATION ITEMS
   A. None

IV. OLD BUSINESS
   A. None

V. MINUTES
   A. Thursday, October 22, 2020 (Addendum A – Pp5-9)

VI. NEW BUSINESS
   A. Election of a Chairperson and a Vice-Chairperson of the Audit Committee

VII. PRESENTATIONS
   A. Audit Entrance Presentation (Addendum B – Pp10-19) Aldrich CPAs & Advisors LLP

VIII. COMMITTEE MEMBER COMMENTS/FUTURE AGENDA ITEMS

IX. FINAL ADJOURNMENT

Next Meeting: TBD

Jeff Griffith, EMT-P, Director
Audit Committee of the Board of Directors
John Clark, Director

If you have a disability, please contact us 72 hours prior to scheduled meeting time
by calling 760-740-6383 to arrange reasonable accommodations
Minutes from the October 22, 2020, Palomar Health Development Audit Committee Meeting

TO: Audit Committee of the Palomar Health Development Board

MEETING DATE: Wednesday, September 15, 2021

FROM: Tanya Howell, Corporate Secretary

Background: The minutes from the special meeting of the PHD Audit Committee, held on Thursday, October 22, 2020, are respectfully presented for approval (Addendum A).

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends approval of the minutes from the Special meeting of the PHD Audit Committee, held on Thursday, October 22, 2020.

Motion: X

Individual Action:

Information:

Required Time:
Election of Officers for CY2021

TO: Audit Committee of the Palomar Health Development Board

MEETING DATE: Wednesday, September 15, 2021

FROM: Michael J. Bogert, Chief Financial Officer

Background: The Bylaws of Palomar Health Development, Inc. (“Health Development”) {ARTICLE IV, Section 4.12, as amended January 27, 2015} authorize the Board of Directors (“the Board”) to create one or more Board committees. In November 2018, the Board formally created a two-person Audit Committee, comprised of “the two Palomar Health-appointed Directors of the Board not appointed Chairperson of the Board”.

Further, ARTICLE IV, Section 4.13 requires that regular and special meetings and actions of Board Committees shall be governed by the provisions of this Article IV applicable to meetings and actions of the Board.

ARTICLE IV, Section 4.07 requires that the Board elect officers at its Annual Organizational Meeting: “One member shall be elected as Chairperson, one as Vice-Chairperson and one as Secretary. The Board may also appoint the Treasurer at the Annual Organizational Meeting.” In order to adapt Section 4.07 for pertinence to this two-person Board Committee, a Chairperson and a Vice-Chairperson should be elected.

Budget Impact: N/A

STAFF RECOMMENDATION: Staff recommends that a Chairperson and a Vice-Chairperson be elected for the Audit Committee of the Health Development Board.

Motion: X

Individual Action:

Information:

Required Time:
TO: Audit Committee of the Palomar Health Development Board

MEETING DATE: Wednesday, September 15, 2021

FROM: Michael J. Bogert, Chief Financial Officer

Background: The external auditing firm of Aldrich CPAs + Advisors LLP has been retained to perform an audit of the FYE June 30, 2021, financial reports of Palomar Health Development, Inc. Representatives from the firm will present the planned scope of the audit at the meeting.

Budget Impact: Budgeted

STAFF RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:
## Meeting Minutes

### ATTENDANCE ROSTER

<table>
<thead>
<tr>
<th>MEMBERS</th>
<th>MEETING DATES</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>8/27/2020</td>
</tr>
<tr>
<td>Jeff Griffith, EMT-P, Chairperson</td>
<td>V</td>
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<tr>
<td>Doug Moir, MD, Vice-Chairperson</td>
<td>V</td>
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<tr>
<td>Staff Attendee</td>
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<tr>
<td>Tanya Howell, Secretary</td>
<td>V</td>
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<tr>
<td><strong>Guest Presenters</strong></td>
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</tbody>
</table>

P = Present  E = Excused  V = Virtual

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1 See text of minutes for names of invited guests/presenters
### HEALTH DEVELOPMENT AUDIT COMMITTEE – MEETING MINUTES – THURSDAY, OCTOBER 22, 2020

#### (I.A) AGENDA ITEM

- **DISCUSSION**
  - **CONCLUSIONS/ACTIONS**
  - **FOLLOW-UP/RESP PARTY**

#### I. CALL TO ORDER

- **Notice of Meeting** and **Full Agenda Packet** were posted at PH’s Administrative Offices and on the Palomar Health Development, Inc. (PHD) home page on the PH website on Friday, October 16, 2020, which is consistent with legal requirements. Notice of that posting was also made that date via email to the Board and staff members.
- Chairperson Griffith called the meeting to order at 1:17 p.m.

#### II. PUBLIC COMMENTS

- There were no public comments

#### III. INFORMATION ITEMS

- None

#### IV. OLD BUSINESS

- None

#### IV. MINUTES

**A. Minutes, Thursday, August 27, 2020**

**MOTION:** By Director Moir, seconded by Director Griffith and carried to approve the minutes from the Thursday, August 27, 2020, meeting

- Chairperson Griffith also authorized Secretary Howell to affix his electronic signature to the minutes before posting them

#### VII. NEW BUSINESS

**A. None**

#### VII. PRESENTATIONS

**A. Audited Financial Statements – FYE June 30, 2020**

**MOTION:** By Director Moir, seconded by Director Griffith and carried to recommend approval of the Audited Financial Statements – FYE June 30, 2020

**FOLLOW-UP/RESP PARTY**

- Will be presented for approval at the next Board meeting

- Andy Maffia, Partner in charge of the audit for Aldrich CPAs + Advisors, thanked the Committee for having him, noting that this would be a quick conversation, which was a good thing when delivering audit results, as the longer the meeting, the more issues there were to discuss
  - Mr. Maffia would be providing major takeaways from the audit process and allowing Committee members to answer questions as they arose
- **EXECUTIVE SUMMARY (PAGE 14)**
  - Outlines the responsibilities and boils down to the reason the auditors were hired, which was to perform tests and analyses in order to provide an opinion on the draft
  - The draft still had to go through the organization for approval, so if there were suggestions, recommendation or changes requested, that could still be done
### DISCUSSION
- The auditors’ Opinion will be an unmodified opinion, the highest level of assurance that can be provided, as has been done in all the previous years. Aldrich has completed the PHD audit.
- Internal controls are checks and balances within the accounting function, with the auditors looking at how that function relates to PHD.
- The firm was not engaged to provide an opinion on internal controls, but the auditors need to understand how those controls work in order to provide a good audit.
- If the auditors felt that internal controls could be strengthened, they would make recommendations regarding how that could be done.
- There were no material weaknesses in internal controls.
  - Although that wouldn’t detect or prevent a misstatement, none were identified, nor have they been in the past several years.
- This was a risk-based audit, focused on areas most significant to the organization and based on information provided by the management team.
- The auditors received full cooperation from the management team throughout the audit process, providing the ability for them to perform tests, ask questions and perform analysis.
  - The only reason they were able to do that was that management had done their job, completed the accounting and was able to provide that information to the auditors.
  - Mr. Maffia recognized management for their efforts in the accounting function, which produced an extremely clean audit result, providing the committee members with comfort over the functioning of the accounting team.
- This was a unique year on many levels, with the audit done completely electronically.
  - The audit would typically occur onsite, but due to social distancing, it was structured differently, and the management team helped with the coordination of those efforts.
  - The method of the audit didn’t take away from the procedures the auditors were able to perform, they just had to be done in a different format.
- **INTERNAL CONTROL LETTER (PAGE 15)**
  - There no material weaknesses found in those controls.
- **LETTER TO THE BOARD (PAGES 16-17)**
  - This letter was for internal purposes only, putting into writing what was going to be discussed on today’s call, as the letter was required to be written, not just discussed.
  - The only differences from last year’s audit were the implementation of a couple of new standards that were applicable to the organization this year.
    - PHD had already adopted those.
    - One was related to how the organization recognized revenue, a portion of which all reporting entities were required to adopt.
    - The second was related to nonprofit organizations and additional analyses that had to be performed, with no direct result in a change regarding how the organization reported revenue, just additional reports and analyses.
- **SUMMARY OF ADJUSTMENTS (PAGE 18)**
  - The first two were insignificant and minor in a total amount of less than $1K.
    - Some information from this year’s audit was reconciled to agree with the audit from last year.
  - The third adjustment was in the amount of $18K, an accrued audit expense that had not been posted.
    - Both management and the auditors felt that it was immaterial, just based on the timing of when certain expenses were recognized.
    - The adjustment was not reflected in the audit, but provided a means to keep track in case more than one of them had been found.
<table>
<thead>
<tr>
<th>(I.A) AGENDA ITEM</th>
<th>CONCLUSIONS/ACTIONS</th>
<th>FOLLOW-UP/RESP PARTY</th>
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<tbody>
<tr>
<td><strong>DISCUSSION</strong></td>
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<tr>
<td>• Mr. Maffia stated that ended the actual board presentation and asked if there were any questions</td>
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<tr>
<td>o Chair Griffith stated that he was proud of the fact that PHD had such strong internal controls</td>
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<tr>
<td>• <strong>FINANCIAL STATEMENTS (PAGES 21-34)</strong></td>
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<tr>
<td>o The auditors provided an unmodified opinion</td>
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<td>o Emphasis-of-Matter Regarding Economic Dependency referred to the relationship between PHD and PH</td>
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<tr>
<td>~ When the auditors looked at the financial statements, some of the numbers showed a negative equity position, which was reasonable due to the relationship with PH</td>
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<td>~ This section has utilized the same language for all the years Aldrich has done the report</td>
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<td>o There was a new Emphasis-of-Matter statement regarding the global pandemic</td>
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<td>o There were consistencies from year to year; however, the Line of Credit (LoC) with PH was reported differently last year, with a large portion reported as long term because of the structure of the agreement and the due date</td>
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<tr>
<td>~ The LoC note is currently being restructured, and that matter is on the docket to be reviewed and approved at the next Board meeting</td>
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<tr>
<td>1) The current structure means the LoC is due within the next 12 months, placing it in the current liability section</td>
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<td>2) If the amendment is approved and signed and it holds for longer than one year, that liability could again be moved to long term</td>
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<td>~ It was all a matter of timing of the issuance of the audit report and when the new LoC would be signed</td>
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<td>~ The audit can be held as a draft until the Board meeting at which the contract is scheduled for approval, then can be edited after that, which could have an impact on the way the final audit is presented</td>
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<td>1) Director Griffith stated that he would prefer to have that determination made after the Board meeting</td>
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<td>o The Statement of Activities was considered the financial statement and showed an overall deficit this year of $450K, which was smaller due to a positive net income of $182K and showed a trend of chewing away at the overall deficit</td>
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<td>o The Statement of Functional Expenses was unique to nonprofits, and reflected the type of information for which granting organizations and donors would be looking</td>
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<td>~ It was typical that expenses were payroll and benefits</td>
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<td>o Statement of Cash Flows presented the use of cash, ending up with about $1.7M</td>
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<td>~ It included some different language due to the new accounting pronouncement about the two new standards having been adopted but presented no real change</td>
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<td>o The remainder of the financial statement was straightforward, with only minor changes with regard to the adoption of the new standards</td>
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<td>o The auditors ensured that everything that should be disclosed was, but they also took a step back to consider that even though they and management understood the statements, would the general reader and user of these financial statements get a good understanding regarding how things went for the organization and the overall results</td>
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<td>o Overall, this was a very clean audit, with no issues that resulted from the process, and the management team did a great job helping the auditors get through it in the virtual environment</td>
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HEALTH DEVELOPMENT AUDIT COMMITTEE – MEETING MINUTES – THURSDAY, OCTOBER 22, 2020

(I.A) AGENDA ITEM

• DISCUSSION

CONCLUSIONS/ACTIONS

FOLLOW-UP/RESP PARTY

VIII. AUDIT COMMITTEE COMMENTS/FUTURE AGENDA ITEMS

• Chair Griffith commented that with all the changes due to COVID, both in personal lives and at work, he thought it was amazing how the team had adapted to that unforeseen circumstance, and he appreciated the effort

IX. ADJOURNMENT

MOTION: The meeting was adjourned by Chairperson Jeff Griffith at 1:42 p.m.

SIGNATURES:

PHD Board Audit Committee Chair

______________________________

Jeff Griffith, EMT-P

PHD Board Audit Committee Assistant

______________________________

Tanya Howell

Next Meeting: TBD based on dates for FYE June 30, 2021, audit
ADDENDUM B

Palomar Health Development, Inc.

Meeting with the Audit Committee and Management

Year Ended June 30, 2021
August 24, 2021

To the Audit Committee and Management
Palomar Health Development, Inc.

Dear Committee Members and Management,

We are pleased to discuss with you our audit service plans for Palomar Health Development, Inc. (PHD) for the year ended June 30, 2021.

The purpose of this discussion is to provide you with the required communications regarding the auditor’s responsibility, the scope of the audit, and the timing of the audit.

We would also like to discuss current year developments at PHD, as well as the risk factors, professional and regulatory changes, and other factors that will be included in our planning for the audit and that will impact the performance of our audit.

We welcome any questions or input you may have about this audit service plan. We look forward to working with you again this year and consider PHD to be an important client for our audit practice.

Very truly yours,

Andy Maffia, CPA
Aldrich CPAs + Advisors LLP
SCOPE OF SERVICES

We are engaged to audit the financial statements of Palomar Health Development (PHD) for the year ended June 30, 2021. Professional standards require that we provide you with the following information related to our audit. We would also appreciate the opportunity to meet with you to discuss this information further since a two-way dialogue can provide valuable information for the audit process.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 24, 2021, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight 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 your responsibilities.

Planned Scope, Timing of the Audit, and Other

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to or to acts by management or employees acting on behalf of . We will generally communicate our significant findings at the conclusion of the audit. However, some matters could be communicated sooner, particularly if significant difficulties are encountered during the audit where assistance is needed to overcome the difficulties or if the difficulties may lead to a modified opinion. We will also communicate any internal control related matters that are required to be communicated under professional standards.

Andy Maffia is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

This information is intended solely for the use of the board of directors and management of Palomar Health Development and is not intended to be, and should not be, used by anyone other than these specified parties.
SCOPE OF SERVICES, CONTINUED

Our services include:

- Financial statement audit and opinion on PHD's financial statements as of June 30, 2021.
- As considered necessary under professional standards, and based on our judgment, a management letter commenting upon the internal controls of PHD, fiscal management practices, and other observations resulting from the audit.
- A letter to the Board of Directors and Audit Committee, identifying significant accounting policies, management judgments and accounting estimates, audit adjustments and other matters discussed during the audit.
- Meetings with the Board of Directors and/or Audit Committee prior to and at the conclusion of the audit, and at other times, as deemed appropriate.
- Completion of the information returns (form 990)

CLIENT SERVICE TEAM

Aldrich uses a client service team to bring a broad range of competencies to our engagements. We will assign a client service team that will lead our services and the additional staff needed for your requirements. The client service team will include:

- Andy Maffia, Partner – Responsible for all professional services
- Bonnie Love, Senior – Responsible for managing day-to-day audit activities
- Rachelle Jumper, Manager – Responsible for the completion of the tax filings and tax consulting services

All members will be actively involved and available for the duration of the assigned services, and additional staff members will be assigned and available as needed. All staff have significant experience with not-for-profit organizations. Should there be any management staff changes we will discuss them with you prior to implementation.

SERVICE TIMELINE

We will work with management to determine a detailed timeline for our audit procedures. Our general timing is as follows:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date/Value</th>
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<tbody>
<tr>
<td>Pre-audit meeting with the Audit Committee and management to obtain further understanding of PHD and develop a work plan, including discussion of the audit plan</td>
<td>TBD</td>
</tr>
<tr>
<td>All requested information to be provided to Aldrich</td>
<td>No later than October 11, 2021</td>
</tr>
<tr>
<td>All selections to management</td>
<td>No later than October 13, 2021</td>
</tr>
<tr>
<td>Selection documentation to Aldrich</td>
<td>No later than October 18, 2021</td>
</tr>
<tr>
<td>Complete fieldwork</td>
<td>Week of October 25, 2021</td>
</tr>
<tr>
<td>Delivery of audit report draft to PHD</td>
<td>TBD</td>
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<tr>
<td>Presentation of the audit results to the Audit Committee</td>
<td>TBD</td>
</tr>
<tr>
<td>Completion of the information returns (990)</td>
<td>TBD</td>
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</table>
COMMITMENTS

Adhering to the agreed upon timeline will not only make the audit efficient, but it will allow us to meet your deadlines while minimizing the burden on your team. If there are delays in providing Aldrich the requested information on those dates, please connect with us immediately. We will work with your team to adjust the schedule which could include delays in performing audit procedures, adjusting the due date of the report, and/or additional fees.

SIGNIFICANT AUDIT AREAS AND ISSUES

We will focus our audit efforts on the following significant areas:
- Cash
- Grants receivable
- Revenue recognition cycle
- Net asset restrictions
- Payroll and related liabilities
- Functional expense allocations
- Controls associated with significant transaction cycles, including revenues, expenditures, and payroll

FRAUD CONSIDERATIONS

Our professional standards require us to consider the risk of fraud. As it relates to our audit, fraud includes the misappropriation of assets or fraudulent financial reporting. Procedures we will perform relating to fraud considerations include:
- Reviewing internal controls for susceptibility to fraud.
- Considering the control environment and pressures/incentives to commit fraud.
- Questioning employees at various levels within PHD regarding fraud.
- Our professional standards also require us to make inquiries of the board of directors, or a representative thereof, related to fraud concerns.
We have included our 2020 peer review report below for your records.

Briscoe, Burke & Grigsby LLP
CERTIFIED PUBLIC ACCOUNTANTS

Report on the Firm’s System of Quality Control

October 5, 2020

To the Partners of Aldrich CPAs + Advisors LLP
and the Oregon Society of CPAs

We have reviewed the system of quality control for the accounting and auditing practice of Aldrich CPAs + Advisors LLP (the firm) in effect for the year ended April 30, 2020. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards). A summary of the nature, objectives, scope, limitations of, and the procedures performed in a System Review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm’s Responsibility

The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported in conformity with professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer’s Responsibility

Our responsibility is to express an opinion on the design of the system of quality control and the firm’s compliance therewith based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under Government Auditing Standards, including compliance audits under the Single Audit Act and audits of employee benefit plans.

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control for the accounting and auditing practice of Aldrich CPAs + Advisors LLP in effect for the year ended April 30, 2020, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of pass, pass with deficiency(ies) or fail. Aldrich CPAs + Advisors LLP has received a peer review rating of pass.

Briscoe, Burke & Grigsby LLP
Certified Public Accountants

Members American Institute of Certified Public Accountants
4120 East 31st Street Suite 100 Tulsa, Oklahoma 74135-3833 (918) 749-3337
PROFESSIONAL AND REGULATORY CHANGES

The following items relate to changes throughout the not-for-profit environment for the benefit of the audit committee and management:

Aldrich Resources
In these uncertain times, Aldrich has taken a proactive approach to providing not just our clients, but the public at large with the most up-to-date information about tax law, legislative updates, and related impacts to nonprofit organizations. One way we do so is via an ongoing series of webinars, hosted by our expert advisors, providing in-depth analysis on a variety of topics. Recent examples include:

- Crisis Management for Nonprofits
- Troubling Financial Indicators
- Fundraising During the Pandemic
- The Latest Stimulus Bill: COVID-19 Relief, Tax Updates and PPP2
- What We Know About Biden’s Tax Plan
- Minimizing Risk in a Remote Work Environment

Learn more, register for upcoming webinars, and view on-demand recording of prior sessions at aldrichadvisors.com/coronavirus/webinars/.

COVID-19 Impact
The Independent Sector conducted a survey of non-profit organizations, both large and mid-sized, to assess the impact of COVID-19 on their operations. The survey found clear evidence of a decline in revenue and individual giving that forced non-profit organizations to limit services and or make changes in their employment (furloughs, layoffs, pay reductions, or reductions in benefits). Of the 110 organizations that responded, representing nearly 9.1 billion in contributions and revenue, 83% of the organizations reported a decline in earned revenue, including earned revenue from events or other activities, and a reduction in individual giving (53%) and grants received (33%). 71% reported a reduction in services and 47% a decline in employment. The road to recovery is still uncertain for most organizations and many are struggling with planning and budgeting for 2021 due to all the uncertainty.

Online Donations
Online donations are one of the fastest growing methods of giving, with 54% of donors preferring to give online using a debit or credit card. Online fundraising allows non-profit organizations to leverage technology to work more seamlessly and effectively, as well as to extend their geographic reach, when soliciting donations to support their missions through their websites, social media, and email campaigns. Integrated fundraising tools allow organizations to compile donor data in a centralized location where multiple team members can access, organize, and analyze the data to maximize donor engagement.

The following are important considerations for organizations accepting online donations.

Regulatory Requirements
When accepting online donations, organizations should understand the various requirements for compliance with state commercial co-venture laws, state charitable solicitation registration laws, federal tax laws, federal and state false-advertising laws, and Better Business Bureau standards.

According to the IRS website for charities and non-profits, approximately 40 states have enacted charitable solicitation statutes. Although specifics vary, state statutes usually require organizations to register with the state before they solicit the state’s residents for contributions. In most states, certain organizations are specifically excluded or exempt from the registration requirements. Although most states exempt similar types of organizations, specific exemptions vary from state to state. A listing of state government websites for tax-exempt organizations can be found at https://www.irs.gov/charities-non-profits/state-links. Our Aldrich tax team can help if you have concerns about the states you are currently fundraising in or are looking to in the future.
PROFESSIONAL AND REGULATORY CHANGES, CONTINUED

Online Donations, continued

Policies, Procedures, and Internal Controls
Organizations accepting online donations should consider the following with respect to policies, procedures, and internal controls:

- Is the organization's gift acceptance policy current?
- Are procedures in place to ensure donor restrictions or conditions are properly reflected in the accounting records?
- Has a reconciliation process been developed to ensure all donations received have been deposited?
- Is a process in place to handle exceptions, chargebacks, and refunds?
- What reporting will be required to maintain an audit trail?
- Is appropriate segregation of duties in place?

Service Providers - Organizations should ensure that their service providers have the appropriate level of security and protect the data they are obtaining.

Enterprise Resource Planning Systems
The state of the technological environment for non-profit organizations continues to evolve. In the past, sophisticated technology meant the use of spreadsheets to capture and record transactions. In today’s digital era, non-profits, like for-profits, rely on far more complex information systems and technologies to manage their businesses, make key decisions, and provide positive end-user experiences for users, donors, and customers.

As organizations grow, the system requirements to maintain the business increase. Many organizations need to demonstrate legal compliance with regulations like HIPAA as well as keep track of employee performance and business processes, all while maintaining database integrity and security. For these reasons and other considerations described as follows, non-profit organizations are using or considering enterprise resource planning (ERP) systems that automate and integrate business processes.

Security and compliance. An ERP system can merge back-office operations with the regulatory rules that non-profits need to adhere to. Systems can be designed to help organizations comply with laws and industry standards. In addition to regulatory compliance, ERP systems have enhanced security features, such as data access controls, to ensure that organizational data is protected.

Fiscal responsibility. Balancing budgets and justifying expenditures are common challenges for non-profits. An ERP system can facilitate efficiency in the budgeting process while reducing the costs of overseeing grants and accounting management.

Flexibility. An ERP system integrates business processes on a centralized platform. This provides flexibility, especially for organizations’ numerous and diverse offices or remote workers because it enables an authenticated user to access critical information and process transactions from any location.

Grant management and donations. ERP systems manage data in a manner that provides many different views for the end user. By enhancing the ways in which non-profits can manage donor data, these systems can help organizations improve the processes for donor correspondence, which can improve overall donor relations. The ERP system can also be customized to integrate donations into the overall budget, helping management better understand extra funding that may be required and the areas from which funds can potentially be obtained.
Enterprise Resource Planning Systems, continued

Human capital. Most ERP systems include human resource modules in their suite of applications. This means employee names, pay rates, and tax information can be stored and securely accessed via the integrated database. ERP systems track employee credentials and tie them into other critical financial and operational applications, improving efficiency and effectiveness of related processes. The ERP system also can facilitate compliance with internal policies and procedures regarding human capital.

ERP Solution Challenges

Although the benefits of migrating to an ERP solution are numerous, there are some pitfalls commonly seen in implementing an ERP solution.

- First, many organizations take existing processes just as they are and automate them with ERP. Prior to or at least as part of an ERP implementation, it is critical to review and analyze existing business processes. Are some outdated, poorly controlled, or ineffective? Taking the time to identify opportunities to improve or redesign business processes will prevent the automation of a bad process.
- Another pitfall common with ERP implementation is focusing on leadership approval, rather than user buy-in. It is important to include stakeholders from finance, operations, and human resources in key decisions made during the implementation and requirements definition. After all, they are the employees who will be using the system on a daily basis.
- Many ERP software vendors present a long list of system features. These bells and whistles, although nice to have, may not be essential to achieving the organization's objectives for the ERP solution. Non-profit organizations have to weigh the full spectrum of costs, not only for the solution itself and any customization but also for database integration and data migration, with the benefits they are looking to achieve.

As non-profit organizations continue to grow and have more complexity in their operations, the technology of an ERP solution can help streamline business processes through automation and integration in a secure environment. These solutions improve the users' ability to access and manage data and keep a real-time "pulse" on the state of the organization. If you are interested in exploring an ERP system for your organization Aldrich Technology can help, let your team know and we can get them in touch with you.

Vendor Management

Not too long ago, about all an organization needed to do when deciding whether to trust someone with its business was to confirm the person's reputation. Good eye contact and a firm handshake could be deciding factors when selecting an associate or company to support the business. But times have changed. The number and types of service avenues have grown rapidly. Meanwhile, nearly every organization has expanded its cyber footprint. That means organizations now need to go further when evaluating potential third parties. A formal vendor management program will define the standards an organization should use to vet vendor relationships and help it apply these standards consistently throughout its environment.
Vendor Management, continued

Why Organizations Need a Vendor Management Program

In the past, many organizations hosted all their technology, assets, and applications in-house. They employed internal developers and IT staff to support daily operations and had full management of the controls and standards to protect these assets. But with the shift toward more outsourced environments and applications hosted in the cloud by third parties, organizations are slowly giving up this level of control. This shift does not relieve the organization of its oversight responsibility, however. The organization’s responsibility has simply changed from overseeing its own staff to overseeing its vendor relationships.

Many organizations feel they can trust their vendors. And although that may be true, an organization should view vendors as an extension of its business, not as separate entities. If a vendor weakness leads to a data breach, the constituents aren't going to see the issue with the vendor. They are going to feel that the organization failed to protect their information when selecting a vendor relationship.

What a Vendor Management Program Should Include

Based on the nature of the vendor and the risk the relationship poses to the organization, due diligence and ongoing monitoring procedures should include several areas:

- Financial stability.
- Security and vulnerability management.
- Business continuity and disaster recovery.
- Incident response and breach management.
- Vendor management.

It is important to recognize that every vendor may not provide all the requested items; however, that does not mean an organization should immediately discontinue or terminate the relationship. Instead, management may evaluate the effect of missing documentation and consider discussing the matter with its IT or IS committee or even the board. Ultimately, the security of the organization and its data is the responsibility of the board and upper management, so this high-level ownership of vendor relationships is becoming more critical.

When to Review Vendors

Organizations that vet vendors before signing a contract can avoid entering into a bad relationship from the start. However, the vendor management program should also define requirements for periodic re-evaluation to ensure that selected vendors remain in good standing and continue to align with the organization's expectations. Think of how often things change in an organization. Things change just as frequently with vendors, and an organization cannot assume that a vendor's environment will remain stagnant.

At the end of the day, it is the organization's network and data. Just as an organization would make sure all employees and volunteers entrusted with access to the network, data, or other critical business components followed adequate security methods, it is vital to take the same precautions with vendors.