



To: **HCBF Board of Directors**
From: HCBF Staff – Meghan Reese
Date: Friday, September 1, 2017
Subject: Recommendation for New Accounting Consultant

Background

On March 7, 2017 Kathy Walsh, from NFM Solutions, submitted a letter terminating her engagement with HCBF. On May 8, 2017 Kathy submitted a letter reinstating her original Engagement Contract dated November 28, 2012. The terms of the Engagement Contract state that HCBF may terminate the Engagement Contract at any time without prior notice. The Consultant may terminate at any time with at least a 30-day notice. Kathy has expressed a desire to move on from HCBF, at such time that a new financial consultant is selected.

Kathy recommended YH Advisors as a potential accounting consultant for HCBF, given her current working relationship with them. The San Pedro Chamber of Commerce also recommended YH Advisors, as they currently use them for their non-profit accounting. Kevin Wong was recommended by HCBF's Audit team, Armanino.

Staff discussed HCBF's current needs with YH Advisors and Kevin Wong, and reviewed both scopes of work with Kathy at NFM Solutions to ensure that all current accounting tasks are included in the proposal.

Kathy will work with the new consultant to ensure a smooth transition.

Cost

NFM Solutions (Kathy Walsh) was paid on an hourly basis (\$110/hour), which averages to approximately \$6600 per year for the past 4 years (excluding 2017, which is on track).

YH Advisors' proposal is \$6000 per year (maximum rate of \$500 per month). This allows a cost savings of \$600 per year for HCBF. Monthly rate includes requests directly related to regular oversight of financials, and a kick-off meeting with HCBF.

Kevin Wong's proposal is variable monthly from \$400 to \$700 per month. Costs outside the scope will be charged \$110/hour, or on a per project basis.

Recommendation

Staff recommends entering into an Engagement Contract with YH Advisors beginning on October 1, 2017 and terminating the current contract with NFM Solutions. A monthly rate, not to exceed \$500, is most consistent with HCBF's current accounting costs. Scope of work for YH

Advisors is inclusive of HCBF's current accounting scope of work and is provided within the proposed monthly rate.

Attachments:

- YH Advisors proposal
- Kevin Wong proposal



PROPOSAL FOR SERVICES

TO: Harbor Community Benefit Foundation
Meghan Reese, Interim Executive Director

FROM: YH Advisors, Inc.

DATE: May 16, 2017

We are honored to propose on providing accounting consulting services to the Harbor Community Benefit Foundation. Upon founding YH Advisors, our explicit objective was to focus our efforts and services on providing a myriad of different services to all types of exempt organizations.

The YH Advisors Difference

YH Advisors, a distinctive boutique firm, in Huntington Beach, California, is solely focused on providing value added services to all types of exempt organizations (nonprofits). The firm's Partners have cumulatively worked with exempt organizations for almost 40 years. We know of no other professional services firm in the country with this focus and dedication in the exempt organization tax, legal and accounting areas. With our exclusive focus on exempt organizations, our services significantly extend beyond that of the traditional professional services (CPA) firm to being a true partner and trusted advisor with all of our exempt organization clients. We are equally adept at providing significant value-added services to large hospital systems as we are to start-up public charities and private foundations.

With our exclusive exempt organization focus, YH Advisors is quite the unique firm. For example:

- Firm-wide, we possess almost 60 years of cumulative experience working with exempt organizations in the tax, accounting and legal areas.
- Brian and Stacey have made hundreds of technical nonprofit tax, legal and accounting presentations throughout the United States during the past 10 years, in Hawaii, Washington, Oregon, Texas, Mississippi, Illinois, New York, New Jersey, Pennsylvania, Washington DC, Ohio, Florida, Nevada, Virginia, Louisiana, Alabama, New Mexico, Oklahoma, Michigan and of course, California.

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310.982.2806 office
323.320.4366 fax
yhadvisors.com

Brian Yacker, JD/CPA | Partner
Stacey Bergman, CPA | Partner

- YH Advisors, had been, for the past 10 years, the sole instructors within California engaged by CalCPA to provide full-day continuing education courses in the exempt organization tax and accounting areas.
- YH Advisors was engaged in 2015 by the AICPA to draft four exempt organization modules for their Nonprofit Certificate Program.
- Stacey maintains a CPA license in the State of California authorizing her to not only sign audited financial statements, but also to perform audits that fall under OMB Uniform Guidance (previously Circular A-133, or Single Audits).
- Since we exclusively work with exempt organizations, we are not subject to the constraints of “busy season” which bedevils most other public accounting firms.

Also, we collectively sit on a good number of Boards of exempt organizations and we are active in the furthering and promoting of pro bono initiatives within the exempt organization sector.

YH Advisors’ representative exempt organization clients include hospitals and other healthcare organizations, universities and private schools, educational auxiliaries, private foundations (family foundations/private operating foundations/corporate foundations), community foundations, fundraising organizations, social services organizations, social clubs, business leagues, bar associations, trade organizations, affordable housing organizations, cultural organizations and museums, youth organizations, religious organizations and amateur sports organizations.

Our service offerings cover the full spectrum of legal, tax, assurance and accounting undertakings for exempt organizations. Our specialties include, but are not limited to, tax compliance, consulting (encompassing state charitable solicitation registration, Reasonable Compensation Studies, unrelated business income studies, lobbying analysis, governance consulting, mergers, dissolutions), assurance (audits, reviews and compilations), outsourced accounting functions (CFO/Controller) and bookkeeping .

Proposal for Services

Accounting Consulting

Having an experienced team assist with HCBF's monthly accounting and reporting requirements will maintain the transparency, timeliness and efficiency of monthly reporting requirements. Our monthly services include the below listed items as well as requests directly related to the regular oversight of financial operations and financial reporting:

- Gain an understanding of current accounting policies and procedures and make recommendations for process improvements as needed
- Review monthly transactions recorded by HCBF staff and make adjustments where necessary. Record other journal entries as needed (including investment activity and temporarily restricted net asset activity)
- Reconcile all bank, investment and credit card accounts on a monthly basis
- Prepare financial reporting workbook in line with needs of management and Board of Directors on a monthly or quarterly basis
- Review restricted contributions and track releases/uses of restricted funds based on information provided by HCBF team members
- Record year-end journal entries and prepare schedules requested by the external CPA firm for the annual audit and tax returns
- Post auditors' adjustments, if any, to the general ledger
- Assist in the preparation of the annual budget, as requested, and enter into QuickBooks
- Annually prepare necessary Forms 1099-MISC

Additionally, at the commencement of our engagement, we will plan an in person kick-off meeting to discuss the current Chart of Accounts and possible revisions to such, as well as monthly reporting requirements and the logistics surrounding monthly reports and data to be provided to YH Advisors.

Our estimated fees to undertake the above would not exceed \$500 per month. Our estimated fees for the services set forth above are based upon our current standard hourly rates on the basis of time spent and costs incurred and in accordance with the levels of skill and responsibility required.

Engaging YH Advisors as your consultants means that YH Advisors is your trusted partner. Please do not hesitate to contact us with any further questions. Again, thank you for the opportunity to propose on providing accounting consulting services to the Harbor Community Benefit Foundation. We look forward to speaking with you further about how YH Advisors can be of immense benefit to your organization.

Best regards,



YH Advisors, Inc.
Huntington Beach, CA

HARBOR COMMUNITY BENEFIT FOUNDATION

PROPOSAL FOR SERVICES

YEAR ENDED DECEMBER 31, 2018 AND 2017

PRESENTED BY:





KEVIN WONG
CERTIFIED PUBLIC ACCOUNTANT

150 N. Santa Anita Ave, Suite 640

Arcadia, CA 91006

Tel: (626) 247-4339

E-mail: kevin@kevinwongcpa.com

Website: www.kevinwongcpa.com

August 8, 2017

Board of Directors
Harbor Community Benefit Foundation
302 West 5th Street, Suite 300
San Pedro, CA 90731

I am pleased to submit this proposal to provide professional services to the Harbor Community Benefit Foundation ("Organization"). This proposal will serve to explain my qualifications, the scope and approach of the services which I would like to provide, and my commitment to render the highest quality accounting and advisory services.

I appreciate the opportunity to provide you and the board of directors with this proposal. I would be pleased to meet with you and the board of directors to discuss any questions you may have. Please feel free to contact me at (626) 247-4339. If selected, I look forward to working with the Organization for many years.

Very truly yours,

Kevin Wong, CPA

Kevin Wong, CPA

Background Information and Related Experience

I have over 13 years of experience in the accounting profession, and started my career working for the State of California, Department of Health Care Services (“DHCS”). At DHCS, my responsibilities included performing rate setting audits for nursing homes, hospitals, clinics, and mental health programs. I also worked for two large local CPA firms located in the San Gabriel Valley for over eight years, which included two years as an audit manager.

I have experience providing accounting/auditing, consulting, and tax services for closely held corporations, not-for-profit organizations, employee benefit plans, and organizations with government grants that require a Single Audit in accordance with the Uniform Guidance (formerly OMB Circular A-133). I also have experience in being a part time controller, providing internal audit services, performing an in-depth analysis of internal controls, and preparing audit workpaper’s for clients undergoing a financial statement audit. I am a licensed peer reviewer for the California Society of Certified Public Accountants (CalCPA) Peer Review Program, and received a passing report dated June 2016.

I have extensive experience in serving not-for-profit organizations, including those of comparable scope and size as the Organization. I have worked with not-for-profit organizations with revenues ranging from \$50,000 to \$100 million. I have performed over 100 audits on various types of not-for-profit organizations which include; nursing homes receiving Medicare and Medi-Cal funding, health and welfare organizations, member organizations, Single Audits, HUD audits, regional centers, research and development, social services, and schools. My experience allows me to communicate effectively with management and to provide timely and responsive advice on accounting and tax matters.

Education: Bachelor of Science- Accountancy, Finance (Double Major), California State University, Long Beach

Certifications:

Certified Public Accountant – State of California
Certified Fraud Examiner – Association of Certified Fraud Examiners

Professional Affiliations:

American Institute of Certified Public Accountants
California Society of Certified Public Accountants
Association of Certified Fraud Examiners

Civic and Business Organizations:

Convalescent Aid Society – Finance Committee
Villa Esperanza Services – Audit, Finance, Retirement Plan Committees
Cancer Support Community Pasadena – Audit Committee

Accounting Services

- Statement on Standards for Accounting and Review Services (SSARS) No. 21

Monthly financial statements prepared under SSARS 21 apply when an accountant is engaged to prepare the financial statements but is not engaged to perform an audit, review, or a compilation on those financial statements. An engagement to prepare financial statements is not a nonattest service; therefore, the accountant is not required to make a determination regarding independence from the organization.

A report is not required—even when financial statements are expected to be used by or presented to a third party. To ensure that users can readily identify that the accountant is not providing any assurance on the financial statements, the accountant should include a statement on each page of the financial statements indicating, at a minimum, that “no assurance is provided” on the financial statements.

We will also provide bookkeeping services to assist in preparing the financial statements. These services will include the following:

Financial Oversight and Quarterly Review:

- Perform initial review of general ledger and make adjusting entries or reclassifications as needed (i.e. equity / net asset accounts, program liabilities-encumbered funds, and market value change).
- Optimize use of QuickBooks functionality to enhance desired financial reporting (i.e. classes, chart of accounts, budgets by class, memorized transactions, etc.).
- Prepare monthly bank account reconciliations.
- Review transactions recorded by the organization staff on a quarterly basis, and make adjustments where necessary. Record other journal entries as needed.
- Prepare financial statements on a quarterly basis, and review with the Executive Director.

Year-End Audit (as needed) (not included as part of monthly / quarterly accounting services):

- Record year-end journal entries and prepare schedules requested by the external CPA firm for the annual audit.
- Prepare financial statements and notes for the annual audit report.
- Prepare information requested by the external CPA firm for the annual state and federal tax returns.
- Ensure auditors' adjustments, if any, are posted to the general ledger.

Other (as needed) (not included as part of monthly / quarterly accounting services):

- Assist in the preparation of budgets, forecasts or other reports.
- Other bookkeeping or accounting services will be agreed upon prior to implementation.

I have designed special programs for organizations similar to yours, which will result in the lowest possible cost while complying with the highest professional standards. This requires close attention to communications and an understanding of not-for-profit organizations and the accounting requirements unique to that field. Because I believe these financial statements should be as informative as possible to the Organization, I would propose that I meet with your board of directors to discuss your financial statements and their significance to the Organization.

Proposed adjustments will be thoroughly reviewed with you and your staff prior to the preparation of any financial statements. Drafts of financial statements will be submitted to you for your comments. Financial statements are only issued after your complete concurrence with report format and wording. This approach to accounting services results in the early identification of problems and leads to a harmonious, professional relationship.

References

1. Jillian Van Leuven
Director of Operations
Family, Adult & Child Therapies
(310) 475-9620
Service provided: Audit of financial statements and tax return preparation

2. Eileen Burton
Board Treasurer
Pasadena Audubon Society
(626) 355-9412
Service provided: Review of financial statements and tax return preparation

3. Kim Yamasaki
Executive Director
Center for Asian Americans United for Self Empowerment
(626) 356-9838
Service provided – Tax return preparation

Fees

My proposed fees for our accounting services will be in the ranges below:

- Monthly accounting services:
 - Estimated between \$400 to \$700 per month

The fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the monthly accounting services. Should your staff be unable to provide adequate documentation, I will be available to render additional accounting and bookkeeping assistance as necessary. Fees for other bookkeeping (including items “as needed” above), consultation and accounting services assistance would be billed either on an hourly fee basis at my standard billing rate at \$110/hour or on a per project basis. I would discuss with you the projected fees before beginning a specific project. I generally do not bill our clients for telephone calls to handle brief questions regarding accounting matters.

Conclusion

I recognize that prompt completion of my work is important in this ongoing engagement. I would plan to complete my work by the time you and the board of directors requested.

I appreciate the opportunity to provide you with this proposal. I look forward to meeting with you and the board of directors to discuss any questions you may have.