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LETTER TO MANAGEMENT

October 24, 2012

The Board of Trustees
Contra Costa Crisis Center
P.O. Box 3364
Walnut Creek, California 94598

Dear Board Members:

We have recently concluded our audit of the financial statements of Contra Costa Crisis Center (the "Center") for the year ended June 30, 2012 and we are presenting our comments and recommendations to management. This communication is intended to satisfy the requirements of Statement of Auditing Standards No. 114 (SAS 114) *The Auditor's Communication with Those Charged with Governance* and Statement on Auditing Standards No. 115 (SAS 115), which requires an auditor to communicate internal control related matters identified in an audit to those charged with governance (formerly SAS 112).

This report is intended solely for the information and use of the Board of Trustees, management, and others within the organization.

Our testwork of the Center's internal accounting control system disclosed no material weaknesses.

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by personnel of the Center during the course of our examination.

Sincerely,

Regalia & Associates

Douglas W. Regalia, Partner
Regalia & Associates, CPA's

Accounting Department

On every one of our audits we scrutinize the activity in the general ledger and, through our testing of transactions, provide management with feedback on the functioning of the organization's Accounting Department. During the recently concluded fiscal year, we noted that all of the important asset and liability accounts (such as bank accounts, accounts receivable, and accounts payable) had been reconciled to supporting documentation and that subsidiary schedules were prepared when necessary.

We were able to locate all of the invoices and supporting documentation for the items selected for detail testing. Without exception, we traced disbursements and deposits from the general ledger to third-party evidence, including paid invoices, copies of checks, and, furthermore, traced this information to the organization's monthly bank statements. All of the disbursements (paid invoices) and cash receipts were easily located and we found no exceptions in the items we tested.

Our clients often ask us about our adjusting journal entries. A "normal" audit will usually consist of about 8 to 10 adjusting journal entries ("AJEs"). A list of AJEs with more than ten entries usually indicates a situation in which the books and general ledger were not properly maintained or reviewed by the internal accounting staff during the year Conversely, a list of AJEs containing fewer than eight entries usually indicates an accounting system that has undergone close scrutiny by the accounting staff during the year. Our audit this year contained the following adjustments:

Adjusting Journal Entries				Debit	Credit	Book or Pass
1	L-10	Salaries, G&A		435.03		Book
		Accrued Vacation			435.03	Book
		To adjust year-end vacation accrual to agree with subsidiary schedule				
2	G-1	Depreciation Expense		30,654.82		Book
		Accumulated Depreciation			30,654.82	Book
		Amortization Expense		416.70		Book
		Accumulated Amortization			416.70	Book
		Furniture & Equipment		28,999.76		Book
		E12 · Equipment			28,999.76	Book
		To record fiscal year 2011 depreciation and amortization expense and to capitalize certain building improvements				
3	M-7	Corporation & Foundation Grants		148,333.26		Pass - R&A Reclass Only
		Special Projects		58,232.87		Pass - R&A Reclass Only
		E17 · Annual Gala			10,240.86	Pass - R&A Reclass Only
		Program Expenses	United Latino	15,349.56		Pass - R&A Reclass Only
		Net Assets Released from Restriction			211,674.83	Pass - R&A Reclass Only
		To reclassify various accounts to reflect temp restricted activity properly in the audited financial statements				
4	Z-1	Grant Refund [new account]		100,000.00		Book
		Net Assets Released from Restriction			100,000.00	Book
		To properly reflect disbursement of Long Foundation grant refund (must be run through as an expense)				
5	M-10	New Building Loan		4,887.00		Pass - R&A Reclass Only
		Building Loan - current			4,887.00	Pass - R&A Reclass Only
		To properly reflect disbursement of Long Foundation grant refund (must be run through as an expense)				
				387,309.00	387,309.00	
				Total Debits	Total Credits	

AJEs 3 and 5 are reclassifications to reflect information in a particular was for the financial statements and thus should be ignored when assessing the total number of adjusting journal entries. This brings the total number of AJE's to three (falling below the average range), and the Board can conclude that the books and general ledger have been maintained in a very accurate manner for the fiscal year ended June 30, 2012.

Temporarily Restricted Net Assets

Temporarily restricted net assets is one of the more critical audit areas, and received much of our focus and attention. Our testing of the temporarily restricted net assets included verification of large donor contributions, movement of funds to pay for operating expenses, and classification of ending fund balances. The Center is complying fully with the requirements of Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. We were impressed with the Accounting Department's well-maintained records and subsidiary ledgers, especially the extensive schedules which were provided to us before the audit work began.

We want to commend the excellent work performed by the Accounting Department during the year to keep track of the vast amount of detailed transactions and information affecting the Temp Restricted equity account. This information is vital in ensuring that the organization monitors these restricted fund balances. GAAP requires the proper recording of all new temporarily restricted net assets and the proper classification of all subsequently released funds when the program or time restrictions have been satisfied.

Financial Records

As we commented on the previous page, we noted that the books and records were in excellent shape during the audit. Our testing of the accounting cycle reflected a well-designed internal control system with various checks and balances. We feel it is important to acknowledge that the Accounting Department appeared well organized and able to properly perform its many functions which included reconciling accounts, investigating differences, researching entries, working with other departments, and recording transactions in a correct manner.

Because ultimate responsibility for the condition of the accounting records rests with the Board of Trustees, having qualified, competent and hard working individuals in the Accounting Department should be one of the most important concerns to the Board. Accurate and timely financial data is critical to the success of the organization because the Board makes important short and long range decisions based on the financial information provided by the Accounting Department.

The Board receives ongoing internal financial information throughout the year, and relies on such information when evaluating budgeted and forecasted data. Having an Accounting Department which produces accurate results is important in the overall ability of the Board to perform its oversight function.

Board of Directors

During the audit we noted that it is common to have rotation and changes involving the composition of the Board of Directors. It is our responsibility to communicate recent changes in the rules and regulations in California state law which may impact the functioning of Center's Board. These rules are summarized as follows:

Non-Voting Directors
As of Jan. 1, 2010, California law prohibits a board of directors of a non-profit organization from having non-voting directors. According to the Public Counsel Law Center, the new law amended the California Corporations Code to remove confusion over who is or is not entitled to vote as a member of the board of directors. The law states that ex officio directors have the same voting rights as elected directors.

Committee Service
The January 2010 change in California law declared that no person may serve on a committee that exercises board power unless he is a member of the board of directors. The Public Counsel Law Center notes that non-profit organizations frequently create committees for certain board of director tasks and that non-board members sometimes are appointed to these committees to take advantage of their knowledge or experience.

Voting Rules
The January 2010 amendments to the California Corporation Code specify that each director only one vote, according to the according to the Public Counsel Law Project. Board members may not vote by proxy. A director must be present at a board meeting to cast a vote.
No Response is required

Electronic Fund Activity

Electronic funds transfers are a viable and important element of legitimate business activity. Electronic funds can be utilized to make payroll transfers, transfer funds among accounts, receive merchant payments, pay for credit card charges, etc. As auditors, we generally dislike electronic funds because it introduces complexity into the internal control environment. Such activity places an additional burden on the Organization to ensure that proper reviews and safeguards are in place. While we found nothing to indicate any weaknesses, it is incumbent upon us to remind the responsible committee of the Board of Directors (Finance and/or Investment Committee) to consider taking an active role in reviewing all such transfers to provide an additional level of security and review.
No Response is required

Insurance

Every organization we audit generally has insurance policies covering Errors and Omissions and, separately, General Liability. We encourage our clients to seek out and obtain information (including proposed costs) of a Performance Bond policy to protect against fraud committed against the organization by both internal and external perpetrators. Fraud and embezzlement is not covered by an Errors and Omissions insurance policy. We bring this to your attention not as a criticism but merely to prompt the Board or one of its committees to consider the cost-benefit relationship of securing such a policy.
No Response is required

Form 990

Form 990 is based on three guiding principles: enhancing transparency, promoting tax compliance and minimizing the burden on the filing organization. The tax return's summary page provides a snapshot of key financial and operating information, and displays a two-year comparison of summary financial information of the organization. The reordered core form provides a description of the organization's program service accomplishments immediately after the summary page, to provide context before the user proceeds to sections on tax compliance, governance, compensation and financial statements. The Checklist of Required Schedules also provides a quick view of whether the filing organization is conducting activities that raise tax compliance concerns, such as lobbying or political campaign activities, transactions with interested persons and major dispositions of assets.

The 2012 Form 990 is an 11-page form with 16 schedules (expanded from the new form issued just last year). Organizations are required to answer a variety of questions about how their management and governance operate, what policies and procedures they have in place and how their programs work. The idea underlying these questions is to ensure that organizations are conducting their businesses in an appropriate manner, underscoring the IRS's belief that the existence of an independent governing body and well-defined governance and management policies and practices increases the likelihood that an organization is operating in compliance with federal tax law.

Questions contained in Form 990 deal with the organization's board composition and independence; its governance, management structure, and policies; and whether (and if so, how) the organization promotes transparency and accountability to its constituents or beneficiaries. The questions include:

- Did any officer, Trustee, or key employee have a family relationship or a business relationship with any other officer, director, Trustee, or key employee? **Answer: Yes; Disclosed**
- Were minutes taken at meetings of the board of directors and committees of the board? **Answer: Yes**
- Does the organization have a written conflict of interest policy and does the organization regularly and consistently monitor and enforce compliance with the conflict of interest policy? **Answer: Yes**
- Does the organization have a written document retention and destruction policy? **Answer: Yes**
- The organization must describe its three largest programs. **In Compliance**

These and the other probing questions were designed in part to achieve the IRS's goals of "transparency" and "compliance." Answering in the negative to some of the questions does not amount to an admission of unlawful activity. For example, you are not legally required to have a written conflict of interest policy. Be aware, however, that some who read the report—given that the Form 990 is a public document—might draw unfavorable conclusions depending on how the form is completed.

There is also increased reporting of executive compensation. Again, in its efforts to ensure transparency and compliance, the IRS requires enhanced reporting of compensation paid to officers, directors and employees.

We have prepared the June 30, 2012 tax return simultaneously with the preparation of the audited financial statements and we are happy to report that the Center is complying fully with the myriad of disclosure requirements mandated by the Internal Revenue Service, Franchise Tax Board and the California Secretary of State.

Fraud and Audit Risk

As explained on the next page, independent auditors are required to incorporate a broad level of risk-based techniques when designing audit programs and related procedures. There is no guarantee that an audit will uncover any fraud or wrong-doing. In fact, the likelihood of finding any financial irregularity is next to zero. That's because fraud (when it exists) is perpetrated by creative, smart, organized and clever individuals using highly sophisticated methods. We make every effort to understand our clients' systems of internal accounting control and then to test the strength of the documented procedures.

Critical to the success of any internal control system are the checks and balances carried out by as many different people as possible. It is our responsibility to offer ideas on how to help identify and eliminate the potential for the occurrence of fraudulent activities. The Center's system has benefitted by having qualified and competent individuals following documented procedures and by having a Board which takes an active role in reviewing operational activities. These factors have added to the integrity of the system enhancing the manner in which documents are processed, approved, paid, and ultimately recorded in the accounting system, thus reducing the possibility of manipulation and concealment of suspicious activities.

The Center's management has crafted a system of controls and has implemented a variety of programs, reviews and procedures which (when properly carried out) we believe have enhanced the organization's ability to protect itself from both internal and external sources of potential misappropriation. The continued functioning of the organization's internal control environment depends on the performance of individuals (in management and on the Board) who are responsible for reviewing and approving the financial activities of the Center.

Programs and controls which the Center has implemented to address identified fraud risks or otherwise help prevent, deter, and detect fraud include regular bookkeeping oversight by the Executive Director, assistance with the books and records by accounting professionals and oversight by qualified volunteer Board members. It is our experience that those organizations with the strongest controls (and the highest level of fraud protection) have **Board members** (in addition to members of management) who are actively engaged in the review and approval process.

Activities involving Board members (or those with financial background and experience, such as members of the Finance Committee) can include:

- Review of all bank, savings, money market, credit card and investment statements on a periodic basis (monthly or quarterly).
- Periodic review of a list of authorized vendors and reports which reflect payments to all vendors during the past quarter, past year, past two years, etc.
- Review of cash flow reports showing all sources of deposits and listing of disbursements for the past month, past quarter, past year, etc.

Conclusion: Although we found no evidence to suggest that there were any improprieties or questionable activities in the Center's accounting transactions during 2012, we feel it is important to remind all Trustees that having an active Board is a strong element of control in the overall strategy of preventing and detecting fraudulent and unauthorized financial activities.

Risk Assessment Standards

In a joint project between the Auditing Standards Board (ASB) and the International Auditing and Assurance Standards Board (IAASB), the AICPA's ASB issued eight important Statements on Auditing Standards (SAS) [1] relating to the assessment of risk in an audit of financial statements.

Our audit approach, in full compliance with such standards, incorporates rules and regulations promulgated by all Statements of Auditing Standards for the year ended June 30, 2012. Our approach addresses and incorporates the following elements (as outlined in various SAS's, including statements 99 through 111):

- Performing risk assessment procedures
- Making Inquiries about fraud risks for management
- Making Inquiries about fraud risks for audit committee and/or board of director members
- Observation and inspection
- Incorporating enhancements to workpaper documentation
- Discussions among members of the engagement team
- Understanding the nonprofit organization and its environment, including internal controls
- Evaluating industry conditions, regulatory environment and other external factors
- Evaluating accounting policies and considering the organization's financial performance
- Understanding the internal control environment, including management's philosophy and operating style
- Determining materiality at the financial statement level and for particular items (such as lesser amounts)
- Assessing risks of material misstatement
- Establishing an overall audit strategy
- Identifying and assessing risks of material misstatement at the relevant assertion level
- Consideration of mitigating controls
- Consideration of magnitude
- Linking risk assessment to audit testing in the development of the detailed audit plan
- Testing the internal controls, where necessary
- Evaluating the extent of evidence to support a control risk assessment
- Adjustment of auditing procedures based on our understanding and testing of internal controls

The comments contained in this management letter resulted from our consideration of these risk assessment standards.

[1] **The eight important Statements on Auditing Standards are:**
SAS No. 104, Amendment to Statement on Auditing Standards No. 1, Codification of
Auditing Standards and Procedures ("Due Professional Care in the Performance of Work")
SAS No. 105, Amendment to Statement on Auditing Standards No. 95, Generally Accepted Auditing Standards
SAS No. 106, Audit Evidence
SAS No. 107, Audit Risk and Materiality in Conducting an Audit
SAS No. 108, Planning and Supervision
SAS No. 109, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement
SAS No. 110, Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained
SAS No. 111, Amendment to Statement on Auditing Standards No. 39, Audit Sampling

Communication in Accordance with Risk Assessment Standards

We have audited the financial statements of Contra Costa Crisis Center for the year ended June 30, 2012, and have issued our report thereon dated October 24, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter dated May 16, 2012, 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 accepted accounting principles generally accepted in the United States. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of Contra Costa Crisis Center. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you and discussed in detail in our Engagement Letter.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Contra Costa Crisis Center are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction 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 disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

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 auditor's 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 October 24, 2012.

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 application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's 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 Organization'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 management, the Audit Committee and the Board of and is not intended to be and should not be used by anyone other than these specified parties.

No Material Weaknesses

In planning and performing our audit of the financial statements of Contra Costa Crisis Center for the year ended June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of Contra Costa Crisis Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above.

Based on the testwork we performed and the documents we examined, we are not aware of any material weaknesses in Contra Costa Crisis Center's operations.