

HEADLINE 13 findings and 2 observations | 9 need action within 90 days | \$38,400 recoverable and unclaimed

FINDINGS

13

plus 2 observations

CRITICAL OR HIGH

9

action within 90 days

UNRECONCILED

\$19,960

differences to resolve

AT RISK

\$47,200

a funder could disallow

RECOVERABLE

\$38,400

over two fiscal years

Quantified impact totals \$105,560 and reconciles to the Impact column on page 2.

Executive Summary

Riverstone Community Alliance is not in trouble. It is an organization whose budget has grown faster than its finance function, which is the ordinary consequence of succeeding at your mission. Nothing in this report suggests anyone acted improperly.

Two findings need attention before your next audit. The grant schedule and the balance sheet disagree by **\$13,750**, and an auditor will find that difference if you do not resolve it first. Separately, **\$312,000** received through two state agencies is federal money passed through, and it is not identified as federal anywhere in your books. That counts toward the Single Audit threshold and carries compliance obligations you are currently meeting by accident rather than by design.

There is also money on the table. You are entitled to apply a 15% de minimis indirect cost rate and you are not applying it. Across the two fiscal years reviewed that is roughly **\$38,400** of unrecovered cost, which is more than this review costs. The roadmap on page 3 puts the critical items in the first 30 days; most of the remainder is documentation rather than reconstruction.

Two things are working well and are noted as observations on page 2. They are the reason several of the findings could be identified at all.

Review Areas at a Glance

Highest severity finding in each area

Financial architecture

Functional expense reporting is rebuilt by hand each year rather than produced by the system.

MODERATE

1 finding

Restricted fund integrity

The grant schedule and the balance sheet disagree by \$13,750, with no reconciling item.

CRITICAL

2 findings

Federal and state award readiness

\$312,000 of pass-through federal money is not identified as federal, and no SEFA can be produced.

CRITICAL

4 findings

Compliance calendar

No single calendar with named owners. The books disagree with the filed Form 990 by \$6,210.

MODERATE

2 findings

Controls and continuity

Sole administrative access to both the books and the bank. The month-end close is undocumented.

HIGH

2 findings

Payroll and cost allocation

No time and effort records for federally funded staff. The de minimis indirect rate is unapplied.

HIGH

2 findings

What Happens Next

1 You keep this report.

It is yours to share with your auditor, your board or your funders. There is no obligation to engage us further.

2 The roadmap is sequenced, not exhaustive.

Work the first 30 days in order. The three items there are the ones that change an audit outcome.

3 Help is optional.

If you want support implementing the roadmap, that is a separate conversation to have after you have read this.

Findings

Severity reflects audit and funder risk, not effort

Severity is the risk an auditor or funder would attach to the finding. Effort is what it would take you to close it. The two are deliberately separate, because the most urgent items here are not the most laborious.

AREA	FINDING	SEVERITY	EFFORT	IMPACT
Restricted funds	The grant roll-forward does not agree to the balance sheet. Restricted net assets per the general ledger are \$88,400; the grant schedule totals \$102,150.	CRITICAL	Medium	\$13,750
Federal awards	Two state agency awards totalling \$312,000 are pass-through federal money and are not identified as federal anywhere in the accounting system.	CRITICAL	Medium	See note
Restricted funds	Four endowment gifts totalling \$61,500 were posted directly to net assets, bypassing the income statement. They appear in no revenue report and would be omitted from Form 990 contributions if the return is prepared from the P&L.	HIGH	Low	\$61,500
Federal awards	No Schedule of Expenditures of Federal Awards can be produced without manual reconstruction from source documents.	HIGH	Medium	--
Payroll	Three staff paid in part from federal awards have no time and effort documentation on file for the period.	HIGH	Low	\$47,200
Indirect cost	The 15% de minimis indirect rate is not being applied to modified total direct costs. This is money the organization is entitled to recover.	HIGH	Low	\$38,400
Written policies	Procurement, cash management and allowable cost policies have not been adopted by the board. These are required where federal funds are involved.	HIGH	Low	--
Controls	One staff member holds sole administrative access to both the accounting system and the operating bank account.	HIGH	Low	--
Continuity	The month-end close is undocumented. It exists in one person's memory and could not be performed by a second person.	HIGH	Medium	--
Architecture	18% of expense activity posts to a single undifferentiated program account, so functional expense reporting is rebuilt by hand each year.	MODERATE	High	--
Calendar	No single calendar of filing and reporting deadlines. Two funder reports and the Form 990 extension are tracked in individual inboxes.	MODERATE	Low	--
Form 990	Net assets per the books at fiscal year end disagree with the most recently filed Form 990 by \$6,210, with no reconciling schedule.	MODERATE	Low	\$6,210
Subrecipients	A \$24,000 pass-through to a partner organization was not monitored as a subaward. No risk assessment was documented.	MODERATE	Medium	--

Impact shows dollars at risk, recoverable, or unreconciled, where the amount can be quantified. Findings marked "--" carry compliance rather than direct financial exposure. "See note" indicates an amount that depends on the outcome of the pass-through determination. The \$61,500 of directly-posted gifts is a completeness figure and is excluded from the three totals on page 1 to avoid double counting.

Observations

No action required, recorded for completeness

Bank reconciliations are current

OBSERVATION

All operating and savings accounts are reconciled through the review date with no items outstanding more than 30 days.

Restricted revenue is coded by funder at entry

OBSERVATION

Every restricted receipt carries its funder at the point of entry. This is why the grant roll-forward on page 3 could be built from the system rather than reconstructed from files, and why the \$13,750 exception stands out clearly rather than hiding in an unclassified pool.

Roadmap

Priority order within each window

FIRST 30 DAYS

- Reconcile the \$13,750 difference between the grant schedule and the balance sheet, and correct the underlying coding rather than posting a plug entry.
- Identify the two state awards as federal pass-through in the chart of accounts, and confirm the Assistance Listing number with each agency.
- Put time and effort documentation in place for the three staff paid from federal awards. This is prospective: it cannot be reconstructed after the fact.

BY DAY 90

- Adopt written procurement, cash management and allowable cost policies at board level.
- Adopt the 15% de minimis indirect rate in written accounting policy and apply it consistently to modified total direct costs going forward.
- Record the four directly-posted endowment gifts through a contribution revenue account so they appear in revenue reporting and on Form 990.
- Separate administrative access to the accounting system and the bank, or document a compensating review control if staffing does not allow separation.
- Build a single compliance calendar with a named owner against every deadline.

BY DAY 180

- Restructure the chart of accounts so functional expense reporting is produced by the system.
- Document the month-end close as a written procedure a second person could follow.
- Prepare a reconciliation between the books and the most recently filed Form 990.
- Put a subrecipient monitoring process in place before the next pass-through payment.

Supporting Schedule: Restricted Funds

As of December 31, 2025

Built grant by grant from the general ledger, then compared to the restricted net assets line on the balance sheet. The difference at the foot of the schedule is the finding, not a rounding item.

FUNDER	PROGRAM	BEGINNING	REVENUE	RELEASED	ENDING	TIE-OUT
Ridgeway Family Foundation	Youth Leadership	\$18,000	\$40,000	\$22,450	\$35,550	Agrees
Blue Ridge Community Trust	Mental Health Access	\$0	\$35,000	\$14,820	\$20,180	Agrees
Corbin Foundation	Rural Outreach	\$12,400	\$5,000	\$13,960	\$3,440	Agrees
State Arts Council	Creative Futures	\$0	\$25,000	\$6,290	\$18,710	Agrees
Hartwell Fund	Capacity Building	\$0	\$14,000	\$0	\$14,000	Agrees
Unidentified	Not traceable to a grant	\$0	\$13,750	\$0	\$13,750	Exception
PER GRANT SCHEDULE		\$30,400	\$132,750	\$57,520	\$102,150	
Per balance sheet, restricted net assets					\$88,400	
UNRECONCILED DIFFERENCE					\$13,750	

Scope and Basis

This is an assessment, not a cleanup. We identified and documented. No entries were corrected, no accounts restructured and no prior periods rebuilt as part of this engagement.

We are not your auditor. No audit procedures were performed and no opinion is expressed.

Period reviewed. The two fiscal years ended December 31, 2024 and December 31, 2025. Quantified recoverable amounts span both years; balance figures are as of December 31, 2025.

Findings are based on the records provided. Read-only access to the accounting system, the two most recent Form 990 filings, the current audit and management letter, active award agreements and a recent payroll register.